

**LOCAL GOVERNMENT FINANCE FORMULA GRANT DISTRIBUTION:
CONSULTATION PAPER
July 2007**

Response Form

The Government would like your views on which of the options presented in the Local Government Finance Formula Grant Distribution consultation paper should go to updating and modifying the grant distribution system. This paper was published on the 17 July 2007, and can be found at the following address
<http://www.local.communities.gov.uk/finance/0809/sumcon/index.htm>

For convenience, this preformatted response form sets out all the questions in the main consultation document. Please click on relevant check boxes to activate the 'X'. Space is available after each question if you wish to include any additional comments to support your choice. We also welcome any alternative proposals, and these can be made in the section available at the end.

All responses, whether using this preformatted response form, or otherwise, should reach us by 5pm on 10th October 2007.

We particularly welcome responses submitted electronically. Please send response by e-mail to formulagrantsreview@communities.gsi.gov.uk

If you are not able to respond by e-mail, please send your response to:

**Nikki Hinde
Formula Grant Review Team
Communities & Local Government
Zone 5/J2
Eland House
Bressenden Place
London SW1E 5DU**

Alternatively, your response may be faxed to 020 7944 2963.

Confidentiality

All information in responses, including personal information, may be subject to publication or disclosure under freedom of information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under legislation. Any such request should explain why confidentiality is necessary in the box below. An automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in your e-mail.

I would like my response to remain confidential (please tick)

Please say why

FORMULA GRANT DISTRIBUTION CONSULTATION RESPONSE

Name	Patricia Samuel
Position	Principal Research Officer & Technical Accountant
Organisation	SIGOMA
Address	C/o Barnsley MBC PO Box 14 Finance and Property Division Barnsley S70 2AQ
E-mail	patriciasamuel@barnsley.gov.uk

CHAPTER 2: Formula Grant And Local Government Restructuring In A Three-Year Settlement

Q1 Do you agree with the fallback mechanism described for calculating settlements in restructured areas during the 3 year settlement?

Yes
No

Any further comments:

The approach used in the past required an indicative settlement for the previous year to be calculated as though any changes had already taken place. This approach affected the formula grant for all authorities, including those not directly involved in the restructuring.

The proposed method is that for new county unitaries, the settlement for all authorities involved in the county will simply be added together. For new district area unitaries, a split of the county's settlement will be negotiated or, if negotiation proves difficult, a formulaic pro rata split will be used as a fallback mechanism. This proposal will only affect those authorities directly involved in the restructuring, hence it is supported by SIGOMA.

As a final point, we would like to state that where district councils are merged to form a new unitary, they should only receive one 'fixed cost' element. However, the base position for floor damping must reflect all grant received in the previous year.

CHAPTER 3: Children's and Adult' Personal Social Services

Personal Social Services Formula Damping

Q2 Should the specific formula floor continue for Children's PSS?

Yes

No

Any further comments:

Whilst SIGOMA has been supportive of the Government's policy favouring stability and predictability, this cannot continue to be at the expense of 'fairness,' which is currently the case.

SIGOMA has consistently argued that any 'damping' of change should only occur at the overall grant level in order to bring some transparency and simplicity to the new overly complex 4 block system.

The application of formula damping within individual blocks complicates the distribution of grant and prevents the appropriate level of funds from flowing through the system to meet identified need.

Indeed, the current arrangement of damping the individual blocks without reference to overall change has a perverse impact, with authorities assessed as having a large reduction in total need actually seeing an increase in grant almost equivalent to those authorities where the increase in need is substantial.

This is illustrated by the table below which shows the overall or absolute change in need within the childrens and young adults blocks, against the actual change in needs used to calculate grant.

Such perversities undermine any credibility the current arrangements may have!

	Overall needs change%	Damped needs change %
City London	-38.4	+2.7
Bexley	-1.0	+3.6
Hillingdon	+2.6	+4.5
North Tyneside	+4.8	+3.6
Plymouth	+6.6	+4.0
Nottingham	+11.4	+4.2
Barnsley	+35.4	+8.9

As a result of the damping, authorities such as ours continue to be under-funded, awarded grant that continues to reflect historical levels of need rather than up to date local circumstance - and thus they have an inappropriate level of resources with which to provide services to a population proved to have a relatively more complex and significantly higher demand for social care.

The application of formula damping resulted in our authorities losing a total estimate of £227m in 2007/08 (as well as £250m in 2006/07). Indeed, these amounts represent resources that could have been invested in social care provision, reducing the inequalities that continue to exist between our areas and more affluent regions; Birmingham, for example, loses grant in the region of £24m whereas protected authorities within London such as

Southwark and Lambeth benefit from the application of social services damping by around £30m each!!

As well as impinging on fairness, the government's current policy also lacks consistency - formula damping is applied to only 2 of the 3 PSS sub-blocks. Thus, many of the authorities that were protected by the damping on childrens services (as well as those for younger adults) were actually gaining grant on the elderly sub-block.

In addition, the RNF protection arrangements that only apply to the PSS block have an impact on authorities without PSS responsibilities, namely police and fire authorities, and shire districts. This has been demonstrated by exemplifications taken forward to SWG, supposedly illustrating the impact of the input of additional resources into the system (for example, concessionary fares) and by calculations produced by DCLG in response to Parliamentary Question 1335.

We believe that the protection afforded by formulae damping is unnecessary, given that the overall floor, applied to grant allocations at the end of the distribution system, is a mechanism which effectively prevents authorities from receiving a lower than previous share of resources.

In summary, and despite the fact that a number of our own authorities will lose funding, SIGOMA believes that formulae damping should be removed with immediate effect - the 2 year protection period that has been afforded to a number of authorities has been more than adequate, and there can be no further justification for the resources available to be targeted other than at those identified as now having the most need.

Government must prove that it remains committed to fully implementing the new PSS formula and remove all sub-block damping. To do so will show government's commitment to the principle of having a fair and equitable grant distribution system, and will also go some way to improving the transparency and simplicity of the 4 block model.

Q3 If yes to Q2, how quickly should the formula floor be phased out?

N/A

Q4 Should the specific formula floor continue for Younger Adults' PSS?

Yes
No

Any further comments:

Please see comments under Question 2

Q5 If yes to Q4, how quickly should the formula floor be phased out?

N/A

Social Services for Older People

Q6 Which option do you prefer for the Low Income Adjustment -

SSE1
SSE2

Any further comments:

Of the 2 options suggested by DCLG, SIGOMA prefers SSE2. Whilst this option has fractionally less explanatory power than SSE1, the data used is updateable, and this supports the agreed principle that the most up-to-date information available should be used in determining grant allocations.

In addition, we support the incorporation of a 'balance of care' variable, which takes account of the ratio of expenditure on domiciliary to residential care services in each area - indeed, there is a substantial difference in the proportion of gross expenditure met by income from charges between residential and home-based care, and this means that (other factors being equal) councils that fund a higher ratio of residential care to home care recover a higher proportion of gross expenditure through charges than those councils that fund a lower ratio of residential care to home care. Supporting residents to remain independent in their homes should be seen as a positive move, and the proposed formula changes will help to ensure that authorities with a higher ratio of home care will not be financially penalised.

Whilst SIGOMA accepts SSE2 in the interim period, we believe that there is still considerable scope for improvements to be made. We ask that during future reviews of the LIA, DCLG refer to the SIGOMA paper presented at the SWG of 18th May 2007. In particular, we would ask that:

a) although not in our preferred option, the 'proportion of older people living in rented accommodation' variable (as used in SSE1) be kept under review. A narrower rented accommodation variable, based on social renting alone would achieve a degree of correlation closer to that achieved by the wider renting variable. A plausible case has been made that a social renting variable would be more closely focus on deprivation and better reflect low incomes, addressing an identified weakness in the current specification and also taking account of the possible changes to data resulting from the impact of Fairer Charging post 2003.

b) in the longer term, there is a case for seeking to develop an alternative synthetic model that does not need to resort to regression analysis. We would suggest the DoH investigate further.

CHAPTER 4 - Police

Q7 Do you agree the resource base should be updated (POL1)?

Yes
No

Any further comments:

No comment - There are no police authorities within our membership. However, we are extremely concerned that exemplifications taken to SWG meetings have shown an impact upon the total grant of floor damping groups that should be isolated from specific and proposed changes to the police services block. We believe this emphasises the inadequacies of the 4 block system.

We reiterate the need for a grant distribution system that enables formula changes to flow through the system unfettered, delivers a level of grant not severely reduced by an excessive scaling factor, and prevents cross-subsidisation between the 4 floor damping groups.

Q8 Do you agree that the Additional Rule 2 grants should be rolled into principal formula Police Grant (POL2)?

Yes
No

Any further comments:

No comment - There are no police authorities within our membership.

Q9 Do you agree that the Crime Fighting Fund should be rolled into principal formula Police Grant (POL3)?

Yes
No

Any further comments:

No comment - There are no police authorities within our membership

CHAPTER 5 – Fire and Rescue

Q10 Do you agree that the expenditure base used to determine the coefficients should be updated (FIR1)?

Yes
No

Any further comments:

There are no fire and rescue authorities within our membership. However, we are extremely concerned that exemplifications taken to SWG meetings have shown an impact upon the total grant of floor damping groups that should be isolated from specific and proposed changes to the fire and rescue services block. We believe this emphasises the inadequacies of the 4 block system. We reiterate the need for a grant distribution system that enables formula changes to flow through the system unfettered, delivers a level of grant not severely reduced by an excessive scaling factor, and prevents cross-subsidisation between the 4 floor damping groups.

Specifically, we would like to refer DCLG to the submissions of the various fire authorities within our areas. We are aware of their concerns in relation to Option FIR1, which proposes an updating of the expenditure data used to determine the coefficients in the formula.

We support their view that:

- a) the data to be used is unrepresentative of long term spending needs - indeed, the expenditure data for the service has shown considerable volatility over this period, which has seen unprecedented change. In addition, a major alteration to the pension funding arrangements and pension scheme has led to the need to make a number of assumptions about the impact of this on expenditure data which may or may not reflect the long term underlying need to spend.
- b) the proposals appear to create a perverse incentive/outcome which is contrary to the guiding principles of grant distribution by effectively rewarding high spending fire and rescue authorities, whilst penalising those that have consistently delivered cashable efficiency savings both before and after the national dispute. There would appear to be little or no benefit in continuing to reform and modernise the service if the outcome is a loss of grant. The strategic intent of the national modernisation process is to release resources to reinvest in community safety schemes wherever possible. These changes which fail to address the needs side of the distribution formula will put at risk the many community safety initiatives which have been put in place to help some of our most vulnerable communities.
- c) the introduction of this new expenditure data has a marked impact on the weighting of the coefficients – with an increase in the importance of the basic amount and coastline, and a decrease in the role of the deprivation variable. It is not clear from the analysis whether exceptional changes in spending for a few individual authorities for example, the Isles of Scilly and Cornwall have impacted on the overall result. It is difficult to argue that the underlying need to spend of coastal authorities has doubled in four years for example.
- d) a partial update of just one side of the formula – the expenditure data used to calculate the weighting of the needs variables should not be undertaken without looking at the other side – the needs variables themselves should have been reviewed.

CHAPTER 6 – Highways Maintenance

Q11 Do you agree that the expenditure base used to determine the coefficients should be updated (HM1)?

Yes
No

Any further comments:

SIGOMA supports the principles of using the most recently available data, and using multi-year averages (in an attempt to reduce volatility). However, we do not believe that any formula should be based on regression against past spend - this penalised those authorities that, in previous years, have not been able to allocate resources to the highways maintenance service block due to the competing demands on the finite amount of funding they have available. We feel strongly that funding should be allocated on the basis of relative need - not previous ability to spend!

If, after this consultation, DCLG continues to implement current methodology coupled with an updating of the expenditure base then we stress that they must address the issue raised at the SWG Meeting of 4th June 2007, where a number of special interest groups queried the accuracy of the expenditure data being used by DCLG (Paper 07/44 Annex A); for example, the data relating to non-winter maintenance, for Sheffield City Council, appeared odd. SIGOMA would like an assurance that this data is thoroughly validated and sufficiently robust to be incorporated into future settlements.

We would also like to express consternation at the considerable change in weightings within the highways maintenance formula. It is of some concern that the revised weightings have a lower R2 score, which means that the factors in the formulae have a lesser ability to explain expenditure variances between authorities. We believe that the current formula should be subject to a fundamental review as part of SWG's future work programme - in the meantime, we ask that the weightings within the formula remain as they are.

Finally, the formula incorporates the indicator 'daytime population per km' - SIGOMA asks for clarification as to whether this (and any other similarly population-based indicator) is to be based on the existing or the revised Mid Year Estimates produced by ONS.

CHAPTER 7 – Environmental, Protective and Cultural Services

Concessionary Fares

Q12 If the money is to be added to Formula Grant, which option for distribution do you prefer -

EPCS1
EPCS2



Any further comments:

Of the formula options presented above, SIGOMA is of the opinion that EPCS3 is preferable primarily because:

- it has the largest number of indicators (and so is likely to be more robust) and
- it includes incapacity benefit claimants that act as a proxy for trips made by the client group of disabled people.

However, SIGOMA has always strongly believed that any additional funding to cover the extension of the concessionary fares scheme should not be incorporated into formula grant. Thus, our members are pleased with the recent DfT/DCLG decision to distribute the additional money by special grant - we await the further details with interest.

Indeed, it has always been our view, and that of many other special interest groups as well as the LGA, that these resources should be allocated to authorities via an unring-fenced specific grant based on actual expenditure. Our justification for this is provided below:

a) it is difficult to forecast where the additional cost burden of the extended scheme will fall, and as a result authorities could find themselves severely under-resourced - in contrast, a specific grant would be able to allocate funding more accurately (as well as directly) to those responsible for concessionary fares provision, and funding could be isolated to ensure that there is no 'leakage' to groups of authorities that do not provide for bus travel.

b) the consequences of funding via formula grant will be 'locked in' for the full 3 years of the next multi-year settlement period, possibly to the detriment of many authorities. A special grant allocation could be varied year on year to ensure that the costs and the areas within which they fall are properly identified and provided for.

c) the indicators suggested, for use in the formula, may not be appropriate – it has been suggested that the extent of free travel will mostly be related to the attractiveness of an area, not to characteristics generally used as a proxy or related to local need, and this should be further investigated. On the 18th May 2007, the DfT reported that they had commissioned some work on possible indicators that could be used to allocate specific grant - the results will probably provide for a more suitable alternative to those indicators suggested for use within the revised district level EPCS formula. Other issues relating to the proposed amendments to the formula are as follows:

- the day visitor indicator covers all age groups, and specifically excludes visits to friends and family (despite the fact that these visits may cross local authority boundaries),
- there is a need to differentiate between short day trips where the costs are spread evenly over the country (ie: where the home authority would bear the costs of the outbound journey only), and trips made whilst away from the home area (eg: linked to weekend breaks and holidays). These latter trips would be heavily concentrated in a limited number of authorities who would therefore face higher costs, such as coastal towns and city centres.

We would like to point out that once the cost burden of the national scheme

has been established (at the end of this forthcoming 3 year settlement period) the concessionary fares funding could be mainstreamed and rolled into formula grant. However, regard will have to be had to any funding baseline and the degree of scaling (should it still exist) applied to funds that lie above the general grant floor.

Q13 Do you have any other suggestions for distributing the funding via Formula Grant?

Yes (please specify below)
No

If yes, please specify:

We do not support the initial distribution of additional concessionary fares funding through formula grant - please see comments under Question 12.

CHAPTER 8 – Capital Finance

Q14 Do you agree with the proposal to freeze the shares of SCE(R) for years prior to 2007-08 to the level used in the 2007-08 Settlement; and that in future, the shares of SCE(R) will not be recalculated to the current year shares in every Settlement?

Yes
No

Any further comments:

SIGOMA agrees that, given the scale of the change that sometimes occurs between settlement years, the proposed method seems like a common sense approach.

However, as pointed out in the SWG Meeting of 16th April 2007, DCLG will need to refer to and clarify the meaning of the Statutory Instrument relating to the calculation of levies. The SI states that the relevant date for data for the calculation “is the financial year that commenced two years previously” – this could be an issue given that the intention is to use the projections for the 2008 taxbase and population in the calculation of the 2008/09 share of levying bodies' SCE®.

On a related point, SIGOMA would like to state that it has wider concerns relating to the capital financing block. Specifically, the decision to scale this block as part of grant damping is not appropriate and restricts some local authorities' capital expenditure. Further comments are provided under Question 30.

CHAPTER 9 – Area Cost Adjustment

Q15 Do you agree with the proposal to update the weights given to the rates cost adjustment (ACA1)?

Yes
No

Any further comments:

In our response to the consultation of 2005, we stated that the Rates Cost Adjustment (RCA) should be removed. SIGOMA still believes that the RCA over-complicates the ACA, and thus the ACA should be adjusted so that it focuses purely on variations in pay costs, which is its main purpose.

Q16 Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA2)?

Yes
No

Any further comments:

SIGOMA supports an update of the weightings applied to the LCA, given that current proportions of local authority expenditure are based on the 1992/93 Base Estimate Return.

However, we are concerned at the level of judgement used to update the weightings of the Highways Maintenance, EPCS and Social Services sub-blocks even though these assumptions have been informed by the 2005/06 Subjective Analysis Return (SAR) and the 2005/06 Trading Services Revenue (TSR) Account.

Our issues are as follows:

a) the SAR is not based on 100% of returns from local authorities; it is scaled up from a survey of 143 local authority accounts and thus the sample of returns used may not be representative of the overall proportions of expenditure on labour.

b) local authorities need to be assured that data relating to indirect labour costs, contained within contracted out services or within joint commissioning arrangements, is robust. The TSR contains information on, for example, management recharges and payments to subcontractors, and this data should be validated and cross checked to other sources of information to ensure that the level of indirect labour costs reported is reasonable.

c) judgements made may not appropriately reflect the balance of employee

costs to total costs - there is an expectation that labour costs proportion will have fallen since 1992/93 given the greater use of IT and increased mechanisation (reducing the need for labour) and new costs pressures such as those associated with energy and waste management/landfill. SIGOMA would welcome further research into this area, as any ill-informed judgement which uses the weightings proposed in the consultation document could result in a substantial overstatement of the ACAs being applied to certain service sub-blocks.

d) On a related point, SIGOMA is disappointed that DCLG did not commission the necessary research into this area that it promised to undertake during the previous round of SWG Meetings. Thus, the work presented by ANEC at recent meetings should be re-examined and used to inform any revision to the labour weightings. For the future, we would like DCLG to give a firm commitment to undertaking its own thorough research capable of informing decisions relating to the labour weightings of the ACA.

e) currently, labour weightings are rounded to the nearest 5% - we believe that it is fairer to round to the nearest one per cent. Indeed, this is what is proposed in Question 15, which is concerned with an updating of the weightings given to the RCA.

Q17 Do you agree that we should revise the geography of the ACA?

Yes

No

Any further comments:

The proposal to reorganise a number of geographical areas does not directly affect the regions covered by SIGOMA councils - our membership consists entirely of authorities existing outside London.

Whilst we recognise the suggested revision may cause some change in the position of authorities in relation to the ACA threshold, we support the reorganisation as it will provide a better fit to local labour markets in ACA areas that have been shown to have the widest range of wage pressures.

Q18 Which option for revising the geography of the ACA do you prefer?

ACA3

ACA4

Any further comments:

We have no specific view on this matter, although in principle the proposal that most closely reflects local wage patterns should be selected for implementation.

Q19 Do you have any other proposals for revising the geography of the ACA?

Yes (please specify below)

No

If yes, please specify:

SIGOMA is of the opinion that DCLG should investigate options for calculating a separate ACA factor for each upper tier authority. SIGOMA considers that this change is workable and it would refine the ACA calculation to take better account of the specific circumstances facing each upper tier authority.

CHAPTER 10 - Taking account of Relative Needs and Resources

Q20 Do you think there should be further judgemental change in the extent to which the system takes account of needs or resource?

Yes

No

Any further comments:

In our response to the 2005 Consultation, SIGOMA stated it did not support the introduction of the 4 block system; it is considerably more complex and less transparent than that previously in existence, and does not lend itself to modelling and the production of various funding scenarios.

Government argues that the 4 block system provides the potential to vary both resource equalisation and needs equalisation independently, but our experience is that the model no longer seems to adequately facilitate either. Indeed, given that RNF are predetermined and 'fixed', the only way for government to ensure that the required level of grant is directed to a specified class of authority is to manipulate the taxbase share applicable to each service or damping group. This could lead to the grant of some authorities being substantially eroded, especially in circumstances where the share for a particular class is reduced and then applied to an authority with a relatively low taxbase.

Rather than consider the extent of judgemental changes to the system, we believe that as a first step the government should have asked for views on whether there is a need to revisit the principles of equalisation - hence our negative response to such a critical question. A DCLG paper previously taken to SWG stated that some authorities had expressed a view that there was 'too much' equalisation in the system, but there is a fundamental need to establish whether this is because there is disagreement about the underlying principles of equalisation, or a belief that equalisation over-compensates a number of local authority areas. The debate on equalisation must and needs to be had!

If government does decide to alter the relative proportions of the 'needs' and 'resources' blocks, it must at the very least present the evidence that underlies the judgemental weightings and ensure that any turbulence resulting from a change in the size of the blocks is minimised if the benefit of multi-year year settlement (ie: stability) is to be maintained.

Q21 If yes, what change would you suggest?

SIGOMA believes that equalisation is a necessary and essential part of any local government finance distribution system - an informed evidence based debate needs to be had as to the relative importance of the ability to raise council tax versus the need to account for the socio-economic and demographic characteristics of different local authority areas.

CHAPTER 11 – Tapering Grant Floors Down

Q22 Do you support the approach of reducing the levels of grant floors over the 3 years of the settlement?

Yes
No

Any further comments:

SIGOMA believes that discussions on the overall level of the floors need to be considered on the basis that the current 'formula needs' damping for Childrens and Young Adults is removed.

It is only then that the true position on grant changes is transparent and the impact of movements towards full reallocation can be assessed.

In saying so, however it is clear to SIGOMA and others that the size of the scaling factor over the latter years has severely restricted the flow of any formula changes through the local government finance system, and as such this has penalised those authorities recognised as having a significant alteration in their assessed need. Thus, we support a re-examination of the level of the scaling with a view to reducing it to a more appropriate level.

However, there are authorities that fall some way beneath the floor and will suffer significantly from any drastic reduction in the floor, and so we would ask for its retention. This would help support one of the principles of the floor mechanism, which is to provide stability in the levels of grant allocated to local authorities over and between years.

Indeed in support of those Authorities faced with reducing resources, SIGOMA continues to argue that the costs of any floor should be financed from additional resources outside the main local government grant. This would allow changes in allocations based on need to be delivered within a reasonable timeframe and also allow for continuity of acceptable levels of service in all areas.

We believe that any decision to alter the floor must be taken in line with the total amount of additional resources being added into the system by central government; for example, if the quantum is only increased by 3%, then a floor of 2% would result in no authority gaining much more than the floor - this could restrict the pace of change and the speed by which resources flow through the system to meet identified need.

Similarly, the level of the floor should reflect any judgemental change that is made to the size of the relative needs and relative resources blocks, should this be deemed necessary and have to occur.

Finally, we ask that any intention to reduce the floor, and the extent of any reduction for each of the financial years, be announced well in advance of the publication of the settlement.

Q23 Do you have other suggestions on the way in which the grant floors system should be operated?

Yes (please specify below)

No

If yes, please specify here

On a related matter, SIGOMA seeks assurances that the funding baseline will be adjusted accordingly for any transfer of special grant and/or new burdens requiring to be resourced through the local government finance system - DCLG must ensure that these adjustments are not damped.

Please also see comments relating to Question 14.

CHAPTER 12 – 100% Quarterly Scans of Benefits Data

Q24 Do you agree that the DLA indicator is based on a three-year average using quarterly rather than annual data (DATA1)?

Yes

No

Any further comments:

SIGOMA supports the use of a 3 year average based on 12 consecutive quarters rather than 3 annual scans; the former allows the latest available information to be utilised, and in addition this data is now to be drawn from a system considered to be more robust than that previously accessed.

Q25 Do you agree that we use quarterly data on income support and claimants of pension credit (DATA2)?

Yes

No

Any further comments:

For the same reasons as those given above, SIGOMA supports the use of:

- quarterly data for Income Support and the Guaranteed Element of the Pensions Credit, extracted from the DWP's Work and Pensions Longitudinal Study, and
- annual scans of JSA, with data extracted from the system used in previous

settlements.

Whilst quarterly IS and Pension Credit data will cover a slightly different time period than JSA data, it is more up to date and thus should be used as proposed.

CHAPTER 13 – Attractiveness of an Area to Day Visitors

Q26 Do you agree that we should replace the day visitors indicator with a population-weighted indicator that takes into account the attractiveness of an area to day visitors (DATA3)?

Yes

No

Any further comments:

SIGOMA accepts that the current day visitor indicator is out of date, being based on data from the early 1990s. Whilst we welcome DCLG's attempts to devise a replacement, we have a number of concerns relating to the new population-weighted 'attractiveness of an area' indicator and its output:

a) the output from the model suggests that there is a rural bias - indeed, the main attraction of walking is given a weighting of 24%!

b) the data used within the model should not relate to leisure visits per se, but leisure visits that cross local authority boundaries.

c) leisure visits should take account of activities occurring as a result of business related visits eg: a delegate may go shopping after a business related visit. The survey upon which the proposed indicator is based appears to specifically exclude business related visit.

d) the main attractions proposed need to be considered more fully eg: they do not take account of the presence of universities within a council's boundaries. This may be because the proposals exclude visits to friends and relatives but, for example, Manchester is one of the largest universities in England and doubtless generates numerous visits from student's families, business events, student fairs etc. Similarly, the model does not appear to take account of:

- shopping/flag ship stores which also influence the attractiveness of an area

- special events eg: music festivals and other 'attractions' eg: airports

e) there needs to be a measure of the impact had (in terms of cost) on local authority services eg: litter, night-time disturbances – contrast the impact of, say, a nightclub with that of visitors to Alton Towers, or stag and hen parties with country walkers.

f) a number of the financial exemplifications feel intuitively wrong - for

example, Blackpool is actually shown to lose grant when the new indicator is incorporated into the system and the settlement re-run. A similar situation exists for other local authority areas such as York and Torbay.

g) the 80km (50 miles) cut-off, although based on some evidence, may be inappropriate as visitors may cover further distances due to good transport links.

It may be appropriate for DCLG to consider the LGA Local Area Tourism Index; this could be used/adapted to replace the current indicator in the longer term or used to confirm the findings of the proposed one.

The only other alternative, in a situation where an adequate and robust replacement indicator cannot be found, may be a complete removal of any day visitor related data from all formulae. However, the impact of such a course of action upon the formula relating to EPCS will need to be fully assessed to ensure it is not to the financial detriment of those authorities that quite clearly receive a higher volume of day visitors (and associated costs) in comparison to other councils..

Q27 Do you agree that we should remove the day visitors indicator from the Highways Maintenance formula (DATA4)?

Yes
No

Any further comments:

As the consultation document states, the new population-weighted indicator is not a measure of the number of day visitors to an area; rather, it seeks to provide an estimate of the "attractiveness" of a locality and so cannot be a direct replacement for that currently used with the formula for Highways Maintenance.

On this basis, and because the day visitors component is only a small factor in the "Daytime Population per km" calculation (which is then used in the Usage Top-Up), SIGOMA supports its removal.

See also our related comments under Question 11.

CHAPTER 14 – Student Exemptions and the Council Tax Base

Q28 Do you agree that we use student exemption numbers from 31 May 2007 to adjust the starting position of the taxbase projections (DATA5)?

Yes
No

Any further comments:

This Chapter raises concerns relating to the timing of the taxbase figures collected and the issue has also been mentioned in the recently published report by Sir Michael Lyons.

SIGOMA believes that taking account of the number of exempt student properties in September/beginning of October is particularly early in the academic year, and this could lead to an over-estimation of the council tax base where there have been delays in registering a property for relief.

Given that the adjustment for exempt student properties is supposed to reflect the year as a whole, SIGOMA prefers option DATA6 as it averages data from two different time points. This will ensure that the level of student exemptions is not overstated, unlike option DATA5 (some properties may only be exempt from council tax for a portion of the year). However, we would prefer the first time point to be slightly later in the academic year, say mid to late October.

Q29 Do you agree that we use the average of student exemption numbers from 31 May 2007 and mid-September 2007 to adjust the starting position of the taxbase projections (DATA6)?

Yes

No

Any further comments:

Please see comments under Question 28.

We support the combining the data from two time points but would prefer the first data count to take place in mid to late October so as to account for students returning to their term time address and then registering properties for exemptions.

OTHER COMMENTS

Q30 Do you have any other comments or alternative proposals?

SIGOMA is disappointed that DCLG is to continue using the 4 block system; as stated previously, we believe this system is inferior to its predecessor as it is less transparent, more complex and prohibits the modelling of various funding scenarios. We would welcome a return to a system based wholly on Formula Funding Shares, or at least a system that is:

- transparent and understandable
- based purely on relative need
- free from formulae damping
- has a grant floor resulting in minimal scaling back
- embodies the principles of equalisation, and thus is regarded as
- fair in its distribution of resources.

Specifically, we would like to take the opportunity to mention a number of other issues:

1) SIGOMA has concerns about the application of scaling to the capital financing block. Prior to the latest settlement, authorities were able to undertake major capital schemes that were funded by traditional borrowing with a reasonable expectation that the annual revenue costs of the borrowing would be largely met by additional revenue support grant. This was achieved by treating the capital financing charges element of the spending needs assessment (previously FSS) as an additional amount of grant outside of any grant 'floor' arrangements. The increase in grant could be seen and it could be demonstrated that it was passed through to councils.

However, the new grant arrangements announced for 2006/07 and 2007/08 changed this - the separate bolt on arrangement appears to have been abolished and the capital financing needs element now forms part of the main revenue grant which is subject to the floor arrangement. This means that there is no longer any transparent funding for supported borrowing approvals. The impact of the change is very significant particularly for major schemes funded from supported borrowing – for example BSF - and thus SIGOMA asks for the issue to be reviewed.

2) The decision not to revalue properties has led to inequalities between council tax payers. We therefore suggest that the council tax base figures be adjusted by the relative change in house values across local authorities. In this way the council tax payable would be based on more up-to-date house values, and there would be no need for an early revaluation.

3) Business Rate Relief on Empty Property: an announcement was made in the Chancellor's March budget to reduce business rate relief on empty property with effect from 1st April 2008. The additional rate income that will be expected nationally from this measure should be transparently passported through to local authorities from 2008/09 (and not retained by the Exchequer).

4) Population data: whilst SIGOMA recognises that there have been issues surrounding the mid year estimates and the related population projections, we feel that DCLG should have at least attempted (via exemplifications) to show the impact that any population changes could have upon grant.

Additional Question (circulated 8.10.07): Data - Attendance Allowance

SIGOMA supports the proposal to use the quarterly AA data to form the 3 year average. This change will ensure that the latest available data is used, and in addition this data will be drawn from a more robust database.

Thank you for completing this response form.

