

# Leader Decision Making Session

## Agenda

Tuesday 5 October 2010

A Leader Decision Making Session will be held at Shire Hall, Warwick on **Tuesday 5 October 2010 at 9.30 am in Committee Room 3, Shire Hall.**

The agenda will be:

### 1. General

#### **(1) Members' Disclosures of Personal and Prejudicial Interests.**

Members are reminded that they should declare the existence and nature of their personal interests at the commencement of the item (or as soon as the interest becomes apparent). If that interest is a prejudicial interest the Member must withdraw from the room unless one of the exceptions applies.

Membership of a district or borough council is classed as a personal interest under the Code of Conduct. A Member does not need to declare this interest unless the Member chooses to speak on a matter relating to their membership. If the Member does not wish to speak on the matter, the Member may still vote on the matter without making a declaration.

#### **(2) Minutes of the meeting held on 9 September 2010**

### 2. Consultation on Changes to the Allocation Formulae for Social Care Grants

Report of the Strategic Director of Resources enclosed.

### 3. Local Government Finance Formula Grant Distribution - Response to the Consultation Paper from Warwickshire County Council

Report of the Strategic Director of Resources enclosed.

### 4. Response to the Consultation Paper on Local Transport Capital Funding

Report of the Strategic Director of Resources enclosed.

### 5. Response to Consultation Paper on Revenue Support Grant Top-Slice for Improvement Services to Local Authorities

Report of the Strategic Director of Resources enclosed.

The public reports referred to are available on the Warwickshire Web  
[www.warwickshire.gov.uk/committee-papers](http://www.warwickshire.gov.uk/committee-papers)

**6. Skills for Sustainable Growth: A Simplified Further Education & Skills Funding System**

Report of the Strategic Director of Environment and Economy **to follow.**

**7. Any other items**

Any other items that the decision maker considers is urgent.

**JIM GRAHAM**  
**Chief Executive**  
**Warwickshire County Council**  
**October 2010**

**Councillor Alan Farnell** (Leader of the Council and Chair of Cabinet)

[cllrfarnell@warwickshire.gov.uk](mailto:cllrfarnell@warwickshire.gov.uk)

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## **Minutes of Leader Decision Making Session held on 9 September 2010**

**Present:** Councillor Alan Farnell (Decision maker)

**Officers:** Richard Bailey – Team Leader, Highways Design Services  
Virginia Rennie – Group Accountant, Budget and Technical  
Janet Purcell, Executive and Member Support Manager

### **1. General**

#### **(1) Members Declarations of Personal and Prejudicial Interests**

None

#### **(2) Minutes of the meeting held on 6 September 2010**

##### **Resolved**

That the minutes of the meeting held on 6 September be agreed as a correct record.

### **2. New Access for guide Dogs for the Blind Breeding Centre at Bishops Tachbrook**

Councillor Alan Farnell, Leader of the Council, considered a report of the Strategic Director of Environment and Economy that sought approval to the addition of a project to the Capital Programme. The scheme related to access to the guide dog training/breeding centre, planning for extension of which had been granted in May 2009. The proposed works were fully funded by the developer, Guide Dogs UK.

##### **Resolved**

That the project relating to the access to the Guide Dog Breeding Centre, Bishops Tachbrook, be included in the 2010/2011 Capital Programme at a total estimated cost of £240,000, subject to a Section 278 Agreement being signed with Guide Dogs UK.

### **3. College House Development – Guild Street, Stratford-upon-Avon**

Councillor Alan Farnell considered a report of the Strategic Director of Environment and Economy that sought approval to the addition of a project to the Capital Programme. The scheme related to highway engineering works for the linking and upgrading of the existing pedestrian crossings on the Bridge Street/Bridgefoot junction. It was noted that the work would be undertaken through the Local Transport Plan Contract and fully funded by the developer.

##### **Resolved**

That the project to link and upgrade the pedestrian crossings on the Bridge Street/Bridgefoot junction shown on Plan SIG/357/01B be included in the

2010/2011 Capital Programme at a total estimated cost of £330,000, subject to the Section 278 Agreement being signed with Whitbread Group Plc.

**4. Consultation on Local Referendums to Veto Excessive Council Tax Rises**

Councillor Alan Farnell considered a report from the Strategic Director of Resources that set out a proposed response to the Government's consultation on local referendums to veto excessive council tax rises. The response did not support the proposal for local referendums for a number of reasons, including the practical difficulties of having referendums on the first Thursday in May (holding up the delivery of the Council's budget) and cost. The significant administrative burden involved in holding referendums will effectively deter local councils from setting a council tax level above the level set by the Secretary of State principles. If these principles are tightly drawn the effect would be to reintroduce universal capping.

**Resolved**

That the Leader approves the response to the consultation on behalf of Warwickshire County Council as appended to these minutes.

**5. Any other items of business**

None

.....  
Leader

The meeting rose at 9.05 am



Police  .....

Other Bodies/Individuals  Janet Purcell, Executive and Support Manager

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by this Committee  .....

To Council  .....

To Cabinet  .....

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

**Leader Decision Making Session - 5 October 2010.**

**Consultation on Changes to the Allocation Formulae for  
Social Care Grants**

**Report of the Strategic Director, Resources**

**Recommendation**

That the Leader approves the response to the Consultation on Changes to the Allocation Formulae for three Social Care Grants attached at Appendix A, as the formal response of Warwickshire County Council.

**1. Introduction**

- 1.1 On 27 July 2010 the Department of Health released a consultation on changes to the distribution mechanism for three Social Care grants;
- Learning Disability Commissioning Transfer Grant
  - Preserved Rights Grant
  - AIDS support grant
- 1.2 The consultation and its outcomes will only be relevant if the three funding streams remain as specific grants, controlled by the Department of Health. The Comprehensive Spending Review (CSR), to be announced in October 2010, may conclude that some or all of the grants are instead absorbed into and distributed with the Formula Grant.
- 1.3 Our proposed response to the consultation is attached as Appendix 1. This report provides a brief background to each grant and the options for their future allocation. The report seeks Leader approval to submit our response before the consultation closure date of 6 October 2010.

**2. Learning Disability Commissioning Transfer Grant**

- 2.1 In August 2008, the Department of Health confirmed that the responsibility for commissioning and funding social care for adults with learning disabilities would be transferred from Primary Care Trusts to Local Authorities. The transfer of funding for the remainder of the CSR 2007 period was to be negotiated locally between the Local Authority and the PCT. In Warwickshire, the grant transferred from the PCT for 2010/11 was £13.838 million. The

consultation asks for confirmation of this figure. Due to the complexities of the transfer, local provision was made to review the figure once the transfer had taken place. In liaison with the PCT, we are currently reviewing the figure and, if necessary, will include a revised figure as part of this consultation response.

2.2 From 2011/12 onwards, funding will be transferred centrally from the NHS budget and issued to local authorities, either by being subsumed into Formula Grant or by one of the two methods proposed in the consultation.

2.3 The consultation proposes that the grant should be distributed either by reference to the locally negotiated amounts, or according to the “Younger Adults Adult Social Care Relative Needs Formula (RNF)”, as used in calculation of the current Formula Grant. Based on the total value of transfers reported under CSR 2007, the Department of Health provides the following indicative allocations for Warwickshire;

- Locally negotiated amount - £13.838 million.
- Younger Adults RNF - £10.953 million

These allocations may change if the total amount available for the grant is amended as a result of the spending review.

2.4 Our response to the consultation favours the use of locally negotiated amounts because they more accurately reflect the transfer of cost to the local authority.

### **3. Preserved Rights Grant**

3.1 Prior to 1993, people entering residential care had been able to claim income support to meet the costs of their accommodation and care. From 1993 onwards, the cost had to be met by the local authority. The Preserved Rights Grant, introduced in 2002, assists local authorities in meeting the cost of this care.

3.2 The Preserved Rights Grant is currently allocated to local authorities as part of Area Based Grant (ABG) and is based on the number of preserved rights residents in each local authority in September 2002. Warwickshire’s allocation for 2010/11 was £2.347 million. In 2009, the Department of Health surveyed all local authorities to ascertain the number of clients remaining.

3.3 The consultation proposes that the grant should be allocated either by reference to the 2009 caseload data, or through the Adult Social Care Relative Needs Formulae (RNF). Based on the current funding available for Preserved Rights, the Department of Health provides the following indicative allocations for Warwickshire;

- 2009 Case Load Data - £2.377 million
- Adult Social Care RNF - £2.050 million



3.4 Our response to the consultation favours the use of the 2009 caseload data because it more accurately reflects the cost of Preserved Rights clients to the local authority.

#### 4. AIDS Support Grant

4.1 The AIDS Support Grant supports social care for people living with HIV/AIDS. The grant allocations are currently updated annually based on the most recent data from the Health Protection Agency. 70% of the grant is allocated in proportion to the number of people in each local authority area who have HIV. The remainder is allocated in proportion to the number of women and children in each local authority area who have HIV. For the CSR 2007 period, Warwickshire received the following grant allocations;

- 2008/09 - £0.047 million
- 2009/10 - £0.080 million
- 2010/11 - £0.101 million
- **CSR 2007 Total £0.228 million**

4.2 The consultation proposes that the grant should be fixed for the CSR 2010 period, rather than varying annually in accordance with the most recent data. Our response supports this proposal as it will afford us greater certainty in planning the services funded by this grant.

4.3 The consultation also proposes two alternatives by which the grant should be distributed to local authorities; either by the current method, with reference to the most recent data, or through the “Younger Adults Adult Social Care Relative Needs Formula (RNF)”. Based on the current funding available for the AIDS support Grant, the Department of Health provides the following indicative allocations for Warwickshire for each year of the spending review period;

- Fixed allocation using most recent data - £0.063 million
- Younger Adults RNF - £0.217 million

4.3 Our response to the consultation favours the use of the most recent Health Protection Agency Data because, as with the other grants in this consultation, the formula proposed does not offer an adequate measure of the distribution of need.

DAVID CLARKE  
Strategic Director, Resources

Shire Hall  
Warwick

14 September 2010

## **Consultation Responses**

### **Introduction**

We would like to thank the Department of Health for this opportunity to respond to the Government's consultation. We believe that all three grants should be distributed outside the Formula Grant System. The Four Block Model, as it currently stands, is not fit for purpose. Elements based on judgement effectively wipe out the distribution of funding indicated by evidence-based formulae.

### **Learning Disability Commissioning Transfer Grant**

**Do you have any comments about the options? For example, about your reasons for choosing a particular option, issues you would like to draw to our attention or an alternative suggestion for allocating the grant.**

Ideally, we would prefer to see the Learning Disability Commissioning Transfer Grant distributed by means of a formula based on data collected independently of local authorities.

However, given the number and size of the variations when compared to the locally reported figures, it is evident that the Younger Adults Adult Social Care Relative Needs Formula does not provide an adequate basis for the distribution of the grant. Distributing the grant by means of this formula would arbitrarily advantage or disadvantage most authorities, leading to significant changes from the current funding. The variances range from a reduction of 80% to an increase of 971%. We therefore support option LDT1 which distributes the grant according to the value of the current arrangements.

It is unlikely that a client group transferring from the PCT to a local authority would share the same characteristics as any of the local authority's existing client groups. Therefore, it is equally unlikely that any of the current formulae will serve as a fair mechanism by which to distribute this grant.

It is our view that, in such a situation as this, the funding should be distributed via a non-ringfenced specific grant until such time as a distribution model can be developed to direct funding in a satisfactory manner.

In the longer term we would urge that the Government continues to maintain funding for individuals with learning disabilities. Findings from the Centre for Disability Research suggested sustained and accelerating growth in the numbers of adults with profound multiple learning disabilities between 2009 and 2026. Continued specific funding will ensure there are sufficient resources for new clients who would previously have been supported by the NHS in long stay institutions.

## **Preserved Rights Grant**

**Do you have any comments about the options? For example, about your reasons for choosing a particular option, issues you would like to draw to our attention or an alternative suggestion for allocating the grant.**

As with the Learning Disability Commissioning Transfer Grant, we would prefer to see the Preserved Rights Grant distributed by means of a formula based on data collected independently of local authorities.

However, given the number and size of the variations when compared to the 2009 caseload figures, it is evident that the Adult Social Care Relative Needs Formulae do not provide an adequate basis for the distribution of the grant. Distributing the grant by means of these formulae would arbitrarily advantage or disadvantage most authorities and lead to significant variances from the 2009 caseload distribution. The variances range from a reduction of 74% to an increase of 1,402%.

It is our view that, in such a situation as this, the funding should continue to be distributed via a non-ringfenced specific grant until such time as a distribution model can be developed to direct funding in a satisfactory manner. In the meantime, using 2009 caseload figures is preferable because the caseload figures maintain a much stronger link between the grant and the expenditure which it is intended to fund. We therefore support option PR1.

It is also worth noting that the CLG Consultation on the future of the Formula Grant includes the Older People's element of the Adult Social Care RNF as an element which is subject to change. Changes to the formula may impact on the indicative figures provided in this consultation and lead to a distribution even further removed from the current spending need. This adds further weight to the arguments supporting separate funding in the short / medium term.

## **AIDS Support Grant**

**Do you have any comments on our proposal to allocate the AIDS Grant as part of a multi year settlement?**

Allocating the AIDS Support Grant as part of a multi year settlement is preferable as it will provide a consistent level of funding throughout the spending review period and facilitate better service planning. Furthermore, the relatively small size of the grant argues against the need to review the distribution on an annual basis.

**Do you have any other comments regarding the options? For example, about your reasons for choosing a particular option, issues you would like to draw to our attention or an alternative suggestion for allocating the grant.**

As with the previous two grants, we would prefer to see the AIDS Support Grant distributed by means of a formula based on data collected independently of local authorities.

Both options included in the consultation meet this criteria. However, it is clear that the Younger Adults Relative Needs Formula does not provide an adequate basis for the distribution of the grant. Allocations made according to this formula would arbitrarily advantage or disadvantage most authorities and lead to significant variances from the distribution of need. When compared to allocations based on the most recent data from the Health Protection Agency, the variances range from a reduction of 80% to an increase of 1,283%.

It is our view that the most recent data from the Health Protection Agency provides a more accurate and appropriate basis for the distribution of the grant. We therefore support option ASG1.



Police  .....

Other Bodies/Individuals  .....

**FINAL DECISION YES**

## Leader Decision Making - 5 October 2010

### Response to the Consultation Paper on Local Government Formula Grant Distribution 2010

#### Report of the Strategic Director, Resources

#### Recommendation

To approve that the response to the Local Government Finance Formula Grant consultation, attached at Appendix B, is submitted to the Department for Communities and Local Government as the formal response from Warwickshire County Council

#### 1 Purpose of the Report

- 1.1 On 28 July 2010 the Department for Communities and Local Government (CLG) published details of the consultation on the formula to calculate local government finance settlements from 2011/12 onwards. The full consultation paper and exemplifications of the proposals to change the formula are over 400 pages long and can be accessed via the CLG website. The consultation is due to close on 6 October.
- 1.2 The Government reconfirmed in the consultation paper that the 2010 Formula Review mainly looked “to update and [finely] tune the existing system”. It therefore did not represent a fundamental review of the distribution system. It is hoped that a more comprehensive review will form part of the forthcoming local government finance review, which will take place in 2011.
- 1.3 The purpose of this report is to seek approval of the response to the Local Government Finance Formula Grant consultation from Warwickshire County Council. **Appendix A** contains a briefing on the proposals contained in the consultation paper and **Appendix B** the proposed response on behalf of Warwickshire County Council on the 25 specific questions.
- 1.4 The updated Formula Grant Distribution System will be announced as part of the 2011/12 Provisional RSG Settlement announcement at the end of November/early December.
- 1.5 The technical nature of the response to CLG and the number of specific questions in the consultation paper requires a systematic approach be used to assess which options the County Council should support or oppose. Therefore underpinning all the arguments made in the response is a hierarchy of key

principles. The draft response at Appendix B has been prepared in accordance with these principles.

- 1.6 The overriding principle is to maximise the grant gained/minimise the grant lost by the County Council as a result of the options supported. However, in doing this a number of sub-criteria have been used as a basis for refining the arguments:
- The response is internally consistent and does not include contradictory arguments.
  - The response is consistent with policies/submissions previously made by the authority.
  - The options supported are technically valid and reflect the key criteria in determining the need to spend on a particular service.
  - Wherever possible the most up-to-date data available is used.
- 1.7 Whilst the response itself is detailed, the overall effect of the options recommended for support/opposition would, if implemented, result in a notional increase in Formula Grant for Warwickshire of about £3 million. However, even if these options were all implemented, the actual impact is impossible to predict. It would depend on the interactions between the options, the level set for minimum grant changes and how those elements of the formula subject to ministerial judgement are used to influence the final shape of the settlement for all authorities. It should also be noted that the impact of these distributional changes is unlikely to be as significant as the change to the quantum that is anticipated as part of the Comprehensive Spending Review.

DAVE CLARKE  
Strategic Director, Resources

Shire Hall  
Warwick  
October 2010



## Local Government Finance Formula Grant Distribution – Briefing on the Consultation Paper

### Background

The Formula Grant distribution system was last reviewed before the 2008/09 local government finance settlement. This briefing provides a summary of all the options for grant distribution changes that could be introduced for the 2011/12 settlement onwards.

The system divides a finite pot of available grant (which is determined in the spending reviews) between all local authorities in England. The system considers local authorities' individual circumstances, their needs and their potential to raise resources locally, relative to all other councils which provide the same services, by reference to a number of mathematical formulae.

The Relative Needs Formulae take account of an authority's relative need by considering a number of factors which appear to explain variations in the cost of providing services. The system also takes account of that fact that areas that can raise more income locally require less support from government to provide services, and looks at authorities' potential to raise resources through council tax relative to other councils. To ensure stability in the financing of local services the government then sets a "floor" or lower limit to any authority's change in their Formula Grant allocation year-on-year.

### Adult Personal Social Services

There is only one change proposed, relating to social services for older people. The relative needs formula for social services for older people consists of a basic amount per person aged 65 and over and top-ups for age, deprivation, sparsity, low income from fees and charges and area costs. The proposed change relates to the low income element of the formula.

The Low Income Adjustment (LIA) takes account of authorities' ability to raise income from fees and charges. Currently income and expenditure data from the 2005/06 is used to derive the LIA. CLG would like to update the LIA using data from 2008/09.

#### Option OPPSS1 – WCC loses £79,000

*Update the 2005/06 data with 2008/09 data to derive the Low Income Adjustment*

### Police

The police formula first divides funds between five police activities or workloads – crime, incidents, traffic, fear of crime and special events, with an additional allowance for sparsity to reflect the higher costs of policing in rural areas. The second stage is to divide funding for each of these workloads between the 43 police authorities.

The current splits are derived using average 2004/05 and 2005/06 activity based costing data. This dataset is no longer collected but proposals suggest using average data for the most recent three-year period (2004/05 to 2006/07).

#### Option POL1 – WCC loses £11,000

*Update police workload funding splits from average 2004/05 to 2005/06 ABC data to average 2004/05 to 2006/07 ABC data.*

The relationships between the workloads and the workload indicators are based on analysis of reported crime per head of population at Community Safety Partnership (CSP) level. The resulting trends are then aggregated up to create a force level number. In some cases the average across the police force area is not representative of some smaller parts within it. The proposal is change how the aggregation from CSP to force level data is done.

Option POL2 – WCC loses £42,000

*Replace the Log of Bars per 100 Hectares indicator with Log of Weighted Bars per 100 Hectares*

## **Fire and Rescue**

The main determinants of the existing Fire and Rescue Relative Needs Formulae are the resident population and fire safety. Cost adjustments are made to reflect coastline, deprivation, the number of major hazard control sites and area costs.

The basic amounts for the coastline, deprivation and high risk top-ups coefficients are determined by regressions against past expenditure. Currently the expenditure data used is averaged over 1998/99 to 2000/01. CLG propose updating this with expenditure data averaged over 2006/07 to 2008/09.

An alternative option proposes to further adjust the expenditure data to help overcome any perverse incentive for making efficiency savings. In this option CLG propose using FIR1 plus annual cashable efficiency savings, averaged over 2006/07 to 2008/09 as reported in the Annual Efficiency Statements.

Option FIR1 – WCC gains £374,000

*Update the regression expenditure data averaged over 1998/99 to 2000/01 to expenditure data averaged over 2006/07 to 2008/09.*

Option FIR2 – WCC gains £336,000

*Update the regression expenditure data averaged over 1998/99 to 2000/01 to expenditure data plus annual cashable efficiency savings, averaged over 2006/07 to 2008/09.*

The allowance for fire safety is made by reference to a Fire Risk Index. The Fire Risk Index contains a group of indicators that have a relationship with the number of incidents that fire and rescue services attend. The current risk index uses a combination of six factors and was introduced in 2006/07:

1. Proportion of children of Income Support/Income based JSA Claimants
2. Proportion of households not containing a couple with no children
3. Proportion of people living in rented accommodation
4. Average number of absences in pupils of primary school age
5. Average number of rooms per household resident
6. Proportion of people in ACORN type 50 (single elderly people, council flats) and type 53 (old people, many high rise flats)

After rerunning the statistical process using more up to date incident data, CLG are proposing two options that are found to better predict the number of incidents.

Option FIR3 – WCC gains £642,000

*Update the existing Fire Risk Index with the following factors and include population sparsity as a separate (negative) indicator:*

1. *Proportion of people of working age with no qualifications*

2. *Proportion of people of working age who are not in employment (i.e. on New Deal, receive Incapacity Benefit or Severe Disablement Allowance, or receiving apprenticeship training)*
3. *Proportion of people receiving Income Support/Income based JSA/guarantee element of Pension Credit*
4. *Proportion of people in ACORN Group G: Starting Out (reflecting Type 24: Young Couples, Flats and Terraces and Type 25: White-Collar, Single and Sharers, Terraces)*
5. *Standardised Mortality Ratio: 0 – 74 years*

**Option FIR4 – WCC gains £767,000**

*Update the existing Fire Risk Index factors with the following factors also including population sparsity as a separate (positive) indicator.*

1. *Proportion of people of working age with no qualifications*
2. *Proportion of people of working age who are not in employment (i.e. are on New Deal, receive Incapacity Benefit or Severe Disablement Allowance, or receiving apprenticeship training)*
3. *Proportion of people receiving Income Support/Income based JSA guarantee element of Pension Credit*
4. *Standardised Mortality Ratio: 0 – 74 years*

**Highways Maintenance**

The main determinant of the existing Highways Maintenance Relative Needs Formulae is a basic amount for the size of the road network, including the weighted to reflect the lengths of principal roads and roads in built-up areas. Cost adjustments are made to reflect usage, the need for winter maintenance and area costs.

The usage top-up currently contains the daytime population per km indicator. This indicator is calculated using commuter and day visitor data. There is no reliable data on the number of visitors to an authority from another authority. Instead the current dataset is determined from a model and constructed using a range of indirect other data sources mostly from 1991. The 2005 Formula Review looked at updating the data sources in the model and the 2007 Formula Review proposed a replacement indicator altogether. Neither option was widely accepted. CLG are therefore now proposing to remove the day visitors' element from the daytime population per km indicator entirely.

The second option looks at updating the spend data from an average over 2003/04 to 2005/06 to an average over 2006/07 to 2008/09. This option also includes the effect of HM1.

**Option HM1 – WCC loses £129,000**

*Remove the day visitors' element from the daytime population per km indicator.*

**Option HM2 – WCC loses £269,000**

*Use HM1 and update the average spend dataset from a 2003/04 to 2005/06 average to a 2006/07 to 2008/09 average.*

**Environmental, Protective and Cultural Services**

The main determinant of the existing Environmental, Protective and Cultural Services (EPCS) Relative Needs Formulae is a basic amount per head of population with top-ups for population density, commuters, day visitors' deprivation and area costs.

The day visitors' indicator, mentioned under the Highways Maintenance section, also features in the EPCS formulae. In this block CLG propose replacing the day visitors' indicator with an indicator of the number of foreign visitor nights.

Option EPCS1 – WCC loses £1,478,000

*Replace day visitors with foreign visitor nights.*

The Flood Defence and Coast Protection sub-blocks currently include a spend indicator based on data from local authority returns. Improvements in evidence of flood and coastal erosion risk, namely via Geographical Information Systems (GIS), makes a distribution formula based on need more realistic.

In the Flood Defence sub-block, CLG propose replacing the expenditure indicator with GIS length of ordinary watercourse not covered by an Internal Drainage Board (IDB). IDB expenditure would continue to be funded based on the IDB levy expenditure because although local authorities are party to the decision making process as members of IDBs, the IDB will base its decisions on the needs of the whole area of 'special drainage need' which includes flood defence and land drainage activity.

Similarly, in the Coast Protection sub-block swap the expenditure based data for three GIS-based indicators: weighted properties at risk, length of erodible coastline and length of defended erodible coastline.

Option EPCS2 – WCC loses £73,000

*Remove own spending indicator from Flood Defence sub-block formula and introduce the GIS based Non-IDB Ordinary Watercourse Length indicator.*

Option EPCS3 – WCC gains £20,000

*Remove own spending indicator from Coast Protection sub-block formula and introduce three GIS-based indicators*

### **Area Cost Adjustment**

The Area Cost Adjustment (ACA) is an element of all the relative needs formulae. Its purpose is to reflect the particular variations in the cost of services around the country. The Area Cost Adjustment (ACA) has two components; the Rates Cost Adjustment (RCA) and the Labour Cost Adjustment (LCA). They reflect varying service delivery costs across the country due to business rates on council premises and pay, respectively. There are no proposals to amend the RCA.

The LCA is calculated using local wage information from the Annual Survey of Hours and Earnings (ASHE). The weight given to the LCA in each service area differs depending on the proportion of total costs in each service that are labour costs. Until now judgement has been employed to determine the proportion of labour costs for contracted out services provided by third parties as there was no reliable source of evidence. The option proposes estimating the labour share of third party contractors using company account estimates of the labour share in the various service groups have been used.

Option ACA1 – WCC gains £1,482,000

*Update the LCA weights in the ACA*

### **Taking Account of Relative Needs and Resources & the Scaling Factor for the Central Allocation Block**

The Relative Need and Relative Resource blocks allocate funding according to authorities' need and resources above the threshold; where the threshold is the authority with the lowest relative need and relative resource. The amounts below the thresholds are funded via the Central Allocation block. Formula Grant is calculated via these three blocks but the weighting given to each block and therefore the amount distributed via each block is judgmentally set.

As the three blocks must add up to the amount of CLG Formula Grant provided by HM Treasury, Ministers can only set the levels of two out of three of the blocks.

A change in the Central Allocation scaling factor, away from one, means that the amount below the threshold will have a different level of importance to the amount above the threshold, which could distort the distribution of grant. If the scaling factor for the Central Allocation is to be set as close to one as possible then this means that Ministers can specify the size of either the Relative Needs Amount or the Relative Resource Amount, but not both.

As in previous Formula Reviews, the Government principles for performing equalisation have not been published.

#### Option CAS1 – WCC gains £545,000

*Keep the relative needs amount the same (73% proportion), change the proportion allocated via the Relative Resource block from -26.6% to -25.5% and therefore the proportion allocated via the Central Allocation block from 53.6% to 52.5%*

#### Option CAS2 – WCC loses £1,480,000

*Keep the relative resource amount the same (-26.6% proportion), change the proportion allocated via the Relative Need block from 73.0% to 74.6% and therefore the proportion allocated via the Central Allocation block from 53.6% to 52.0%.*

### **Floor Damping Levels**

Damping provides a minimum of “floor” percentage annual increase in Formula Grant. It is intended to smooth the distributional turbulence caused by formula and data changes.

Local Authorities are divided into four damping groups Education/PSS, Police, Fire & Rescue and Shire district authorities. Each group is self-funding whereby, those authorities who receive a below the floor increase through the formula have their Formula Grant increased to the floor level. This is paid for by those authorities that receive an above the floor increase; their increase above the floor is scaled down by a multiplier.

If the floor is high, authorities below the floor level will receive a greater increase in funding (and more authorities will be below the floor), consequently those authorities above the floor will need to be scaled back more. For the same average grant change for the floor group the only way of making the scaling factor higher is to lower the level of the floor. If the floor is set further away from the average more of the formula change will come through for authorities above the floor.

CLG confirm in the consultation document that “over the next Spending Review period it will still be possible to set a range of floor levels, including.....negative floors”.

### **Transfers and Adjustments**

A transfer occurs when money either moves in to or moves out of the settlement due to changes in function or funding. Changes in funding typically involve transfers into formula grant of funds previously distributed by specific grant or vice versa. Changes in function typically involve local authorities taking on extra duties or responsibilities or the transfer of these away from local government to another body.

#### Police Rule2 Grants

Five former police specific grants currently make up Rule2 Grants, removing the ring-fence condition. This option looks at transferring all or just three of these grants, namely Forensic Grant, Special Priority Payments Grant and Integrated Police Learning & Development

Programme Grant into Formula Grant. The police formula remains unchanged but the baseline has been adjusted.

Option POL3 – WCC loses £4,000

*Distributes 2010/11 police funding plus amended 2010/11 Forensic Grant, Special Priority Payments Grant and Integrated Police Learning & Development Programme Grant via the existing police RNF. The baseline is adjusted adding 2009/10 Forensic Grant, Special Priority Payments Grant and Integrated Police Learning & Development Programme Grant totals*

Option POL4 – WCC loses £8,000

*Distributes 2010/11 police funding, plus all amended 2010/11 Rule2 Grants, via the existing police RNF. The baseline is adjusted adding the equivalent 2009/10 totals.*

Concessionary Fares

From 1 April 2011 responsibility for concessionary fares in two-tier areas is moving from district to county authorities. It will therefore be transferred from the lower-tier EPCS sub-block to the upper-tier EPCS sub-block. CLG are treating the change as two separate transfers; a transfer out of Formula Grant for the lower-tier formula and a transfer into Formula Grant for the upper-tier formula. The amount to be transferred is to be decided as part of the Spending Review but for illustrative purposes CLG has exemplified £813.388m, the level of expenditure in 2008/09.

Concessionary Fares Transfer 1: Removing Concessionary Travel from the Lower-Tier EPCS RNF

There are two aspects to this change, each of which has two options:

- **Formula Changes** - The first option would distribute the reduced control total using the existing formula. The second option is to reverse the re-weighting that happened when the 2005 Budget announced a free concessionary fares scheme for people aged 60 and over and disabled people.
- **Baseline Changes** - The two options for adjusting the lower-tier EPCS baseline are based on authorities' expenditure on concessionary fares or pro-rata to the change to the lower-tier EPCS RNF.

Combinations of these approaches lead to four consultation options. There are side-effects to each of these options because of the way CLG determine how much grant should go to each of the four floor damping groups by setting the shares of taxbase such that the percentage increase in Formula Grant is broadly proportional to the percentage increase in RNFs for the four groups on a like-for-like basis.

Option CONCF1 – WCC gains £399,000

*Distribute the reduced lower-tier control total using the existing formula and adjust the base position by 2008/09 expenditure. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.9% and the shire districts floor has reduced from 0.5% to -3.3%.*

Option CONCF2 – WCC gains £592,000

*Distribute the reduced lower-tier control total using the existing formula and adjust the base position pro-rata to the lower-tier EPCS formula. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.9% and the shire districts floor has remained unchanged.*

Option CONCF3 – WCC gains £226,000

*Distribute the reduced lower-tier control total using the 2005/06 lower-tier EPCS formula and adjust the base position by 2008/09 expenditure. To give broadly the same scaling factors*

*the Education/PSS floor has increased from 1.5% to 2.1% and the shire districts floor has reduced from 0.5% to -4.0%.*

*Option CONCF4 – WCC gains £381,000*

*Distribute the reduced lower-tier control total using the 2005/06 lower-tier EPCS formula and adjust the base position pro-rata to the 2006/07 adjustment to the lower-tier EPCS formula. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.7% and the shire districts floor has reduced from 0.5% to -0.9%.*

*Concessionary Fares Transfer 2: Adding Concessionary Travel to the Upper-Tier EPCS RNF*

There are two aspects to this change, each of which has two options

- *Formula Changes* - The three options look at updating the formula by performing regressions against past expenditure, estimated concessionary travel trip data and a measure of bus service density.
- *Baseline Changes* - There are two elements of this transfer, the first reflects the transfer of spend by districts and boroughs and the second the transfer of Concessionary Fares Special Grant into Formula Grant. For the transfer from Districts, CLG believe that the adjustment to the upper-tier base position should simply be the same as the sum of the transfer from the lower-tier authorities. For the transfer from special grant there are two options; one, adjusting the base by the allocation of the special grant and two adjusting the base pro-rata to the new concessionary fares formula.

Combinations of these approaches lead to six consultation options. These are all exemplified with the lower-tier Option CONCF3 “due to CLG resource constraints”.

*Option CONCF5 – WCC gains £381,000*

*Distribute the increased upper-tier control total using the first formula derived from regressions against expenditure and adjusting the base position for the Special Grant transfer by 2009/10 Special Grant allocations. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.8% and the shire districts floor has reduced from 0.5% to -3.5%.*

*Option CONCF6 – WCC gains £454,000*

*Distribute the increased upper-tier control total using the first formula derived from regressions against expenditure and adjusting the base position for the Special Grant transfer pro-rata to the new concessionary travel formula. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.8% and the shire districts floor has reduced from 0.5% to -3.5%.*

*Option CONCF7 – WCC loses £168,000*

*Distribute the increased upper-tier control total using the second formula derived from regressions against expenditure and adjusting the base position for the Special Grant transfer by 2009/10 Special Grant allocations. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.8% and the shire districts floor has reduced from 0.5% to -3.4%.*

*Option CONCF8 – WCC loses £147,000*

*Distribute the increased upper-tier control total using the second formula derived from regressions against expenditure and adjusting the base position for the Special Grant transfer pro-rata to the new concessionary travel formula. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.8% and the shire districts floor has reduced from 0.5% to -3.4%.*

#### Option CONCF9 – WCC loses £161,000

*Distribute the increased upper-tier control total using the formula derived from regressions against estimated concessionary trip data and adjusting the base position for the Special Grant transfer by 2009/10 Special Grant allocations. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 2.0% and the shire districts floor has reduced from 0.5% to -3.5%.*

#### Option CONCF10 – WCC loses £471,000

*Distribute the increased upper-tier control total using the formula derived from regressions against estimated concessionary trip data and adjusting the base position for the Special Grant transfer pro-rata to the new concessionary travel formula. To give broadly the same scaling factors the Education/PSS floor has increased from 1.5% to 1.9% and the shire districts floor has reduced from 0.5% to -3.5%.*

#### Unadopted Drains

Under the Flood and Water Management Act, it is proposed to transfer responsibility for “private sewers” from local authorities to sewerage and water companies. If a transfer from Formula Grant occurs, CLG propose to remove funding from the lower-tier EPCS sub-block. The amount is likely to be decided as part of the Spending Review. The formula would not be altered and the baseline would be adjusted pro-rata to the number of properties in each authority.

#### **Data Changes**

Data changes are when CLG proposes to use an alternative data source to measure a particular aspect of local authorities’ relative need to spend.

#### Incapacity Benefit and severe Disablement Allowance

The current EPCS formula includes the number of people receiving Incapacity Benefit and Severe Disablement Allowance (IBSDA). The indicator includes data averaged over three years. Recent changes in the benefit system have seen the introduction of the Employment and Support Allowance (ESA). ESA has been introduced to help people with an illness or disability move back into work, replacing Incapacity Benefit and Income Support. As a result, DWP have recommended the inclusion of ESA data with the Incapacity Benefit and Severe Disablement Allowance data to create the IBSDA indicator. CLG also propose using available quarterly data, rather than the annual data, to form the three year average.

#### Option DATA1 – WCC loses £1,000

*Compile the three-year average IBSDA indicator using quarterly data rather than annual data over three years.*

#### Children of Income Support Claimants

Children of income support/income based jobseekers allowance claimants is currently used in the three Children’s Services sub-blocks; Youth and Community, Local Authority Central Education Functions and the Children’s Social Care. It is also used within the Fire Risk Index. The current indicator uses data from 2000 to 2002 as the data is no longer collected for it to be updated.

Since May 2007, HM Revenue and Customs have collected an alternative data set - children of out-of-work families receiving Child Tax-Credit. The proposal is to replace the existing data with this new data source, which is both more recent and can be updated in the future.

#### Option DATA2 – WCC gains £181,000

*Use of the proportion of people aged 18 and under who are in out-of-work families receiving Child Tax Credit as a direct replacement of the current children of IS/(IB)JSA claimants.*



### Student Exemptions and the Council Taxbase

A local authority's taxbase for Formula Grant purposes is a measure of its potential capacity to raise council tax defined as the number of Band D equivalent properties in a local authority's area. This calculation includes an adjustment for student exemptions using data collected in October. CLG propose changing this to use data on the number of exemptions in May as they believe it will better reflect the number of student exempt properties because October is too early into the academic year, as students may not have registered for council tax exemption by this date. There is a risk that using the May figure will overstate the level of student exemptions, as some properties may not be exempt from council tax for the entire year.

#### Option DATA3 – WCC gains £151,000

*Calculate the adjustment to the taxbase for student exempt properties using May data rather than October data.*

### Secondary School Pupils in Low Achieving Ethnic Groups

The secondary school pupils in low achieving ethnic groups indicator is used in the Youth and Community sub-block within Children's Services. The Department for Education have updated the definition of low achieving ethnic groups based on analysis of pupil attainment and progress data.

This updated definition differs from that used in the current formula by the addition of pupils who are in the Any 'Other White' Background group and the exclusion of the pupils who are in the Bangladeshi and Any 'Other Ethnic' background groups.

<b>Secondary School Pupils in Low Achieving Ethnic Groups Indicator</b>		
<b>Low Achieving Ethnic Groups</b>	<b>Current</b>	<b>Proposed</b>
A	Pakistani	Pakistani
B	Bangladeshi	Black African
C	Black African	Black Caribbean
D	Black Caribbean	Any Other Black Background
E	Any 'Other Black' Background	White and Black African
F	White and Black African	White and Black Caribbean
G	White and Black Caribbean	Traveller of Irish Heritage
H	Traveller of Irish Heritage	Any Other White Background
I	Any 'Other ethnic' background	Gypsy / Roma
J	Gypsy / Roma	

#### Option DATA4 – WCC gains £48,000

*Calculate the secondary school pupils in low achieving ethnic groups' indicator using the updated classification from pupil attainment and progress data.*

## Local Government Finance Formula Grant Distribution - Response to the Consultation Paper from Warwickshire County Council

05 October 2010

Andrew Lock  
Formula Grant Review Team  
Communities and Local Government  
Zone 5/J2  
Eland House  
Bressenden Place  
London SW1E 5DU

Dear Mr Lock,

### Local Government Finance: Formula Grant Distribution Consultation Paper – 2010

Warwickshire County Council would like to thank the Department for Communities and Local Government for the opportunity to respond to the above consultation. We have addressed the questions in the order that they appear in the consultation but would also like to separately highlight our views on the Four-Block Model and the forthcoming local government finance review.

In view of the likelihood of reduced resources it is more important than ever that funding allocations are made using a robust distribution methodology. We, along with almost all of local government, have consistently opposed the continued use of the Formula Grant distribution mechanism, the Four Block Model, as it is not fit for purpose. Elements of the model based on judgement can effectively wipe out the distribution of funding indicated by evidence-based formulae. This is discussed in greater details under the specific consultation questions. We look forward to a more comprehensive review of grant distribution in the forthcoming local government finance review, which will take place in 2011.

#### Chapter Three: Adults' Personal Social Services

*Question One: Do you agree that we should update the Low Income Adjustment (OPPSS1)?*

We believe that up-to-date data is a fundamental element of the distribution formula and therefore support Option OPPSS1.

#### Chapter Four: Police

*Question Two: Do you agree the activity analysis should be updated and a three year average used instead of the current two year average (POL1)?*

We believe that up-to-date data is a fundamental element of the distribution formula and therefore support Option POL1

However, we continue to be concerned over the impact formula changes have on authorities that do not hold responsibility in that area. Options POL1 through to POL4 illustrate this concern where the County Council, without police responsibility, would lose on all the options.

Question Three: Do you agree that the log of weighted bars per 100 hectares indicator should be used in place of log of bars per 100 hectares indicator (POL2)?

We believe that the log of weighted bars per 100 hectares indicator is a more accurate method of aggregating data on the level of crime recorded at community safety partnership level to force level and therefore support POL2.

Question Four: Do you agree that the three elements of Additional Rule 2 Grant mentioned in Chapter 4 'Police' paragraph 19 should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL3)?

We believe that local authorities should have the freedom to allocate resources in accordance with local needs and priorities. Therefore, in principle, we support POL3.

Question Five: Do you agree with that the whole of the Rule 2 grant should be rolled into Principal Formula Police Grant (Main Grant) and therefore distributed as through the Police Allocation Formula (POL4)?

We believe that local authorities should have the freedom to allocate resources in accordance with local needs and priorities. Therefore, in principle, we support POL4.

## **Chapter Five: Fire & Rescue**

Question Six: Do you agree that the expenditure data used to determine the coefficients should be updated (FIR1)?

It is in the interests of formula distribution to have the most up-to-date datasets driving the formulae and we support CLGs endeavours to update the formulae at opportunities and therefore support Option FIR1.

Question Seven: Should annual cashable efficiency savings be added to the updated expenditure data used to determine the coefficients (FIR2)?

We understand the purpose of the option for adding annual cashable efficiency savings to expenditure base data would be to overcome the perception that authorities are in some way penalised for making efficiency savings. However, some areas may have found it easier to make efficiency savings because they started from a less efficient base. They may have simply moved towards being as efficient as other areas, therefore directing additional funding to them would only subsidise their less efficient starting point.

We believe including efficiency savings data would introduce an inconsistency with other blocks, which we could not support. We also have reservations that Annual Efficiency Statements are a reliable data source since there is little audit of them, resulting in efficiency savings being identified, measured and recorded differently across local authorities. Furthermore, with the Government's drive to reduce the reporting burden on Local Government, there may be an issue relating to the future availability of data from Annual Efficiency Statements.

In relation to the revised formula, we have reservations regarding the increased weight of 'length of coastline' since there is no reason to believe that all areas with more coastline are more efficient and therefore require additional funding.

For all the reasons outlined we are strongly opposed to option FIR2.

Question Eight: Would you prefer either FIR3 or FIR4 as an alternative to the current risk index?

We support updating the Fire Risk Index and recognise the value in using readily available, and therefore updatable, factors. However, administrative convenience should not override the role of the formula to measure need, which under these options attributes the number of fire incidents to a series of deprivation indicators. In particular we believe factors that drive the level of traffic incidents attended by the Fire and Rescue Services should also be included as part of the analysis.

## **Chapter 6: Highways Maintenance**

*Question Nine: Do you agree that the daytime visitors' component of daytime population per km should be removed? (HM1)*

Due to being unable to agree a suitable replacement in previous Formula Reviews for the Daytime Visitors component of Daytime Population, the component is over 20 years old. We feel that it would be sensible to remove this element, which would only undermine the efforts of including timely and robust datasets.

*Question Ten: Do you agree that the expenditure data used to determine the coefficients should be updated? (HM2)*

We believe that up-to-date data is a fundamental element of the distribution formula and therefore support Option HM2.

## **Chapter Seven: Environmental, Protective and Cultural Services**

*Question Eleven: Do you agree that foreign visitor nights is a suitable replacement for day visitors in the district-level and county-level EPCS RNFs (EPCS1)?*

We do not support replacing the daytime visitors' indicator with foreign visitor nights. It does not constitute a suitable replacement as daytime visitors and foreign visitor nights are measuring different cost drivers, for different populations of visitors. It assumes that all foreign visitors only drive additional costs for the authority where they stay overnight, rather than also including where they travel to during the day. It would result in massive distributional swings during what is expected to be a very tight settlement.

*Question Twelve: Do you agree that the new GIS-based flood defence formula should be used (EPCS2)?*

*Question Thirteen: Do you agree that the new GIS-based coast protection formula should be used (EPCS3)?*

We recognise and support the Government's efforts to move away from indicators of expenditure in the formula. However, the work on the Flood Defence sub-block appears to have been developed in isolation of other service formulae. Whilst successful replacements may not necessarily be available for other service formula, this does lend weight to our concerns raised in our response to Consultation Question 7 that there is a conflict of principle in the treatment of expenditure data in different sub-blocks.

Despite these reservations overall we give tentative support to EPCS2 and EPCS3.

## **Chapter Eight: Area Cost Adjustment**

*Question Fourteen: Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA 1)?*

We feel that this option supports the key principle, supported throughout this response, that where possible the most up-to-date data should be employed.

## **Chapter Ten: Scaling Factor**

*Question Fifteen: Do you think that the scaling factor for the central allocation should be close to one, so that equal importance is attached to the amounts above and below the minima?*

*Question Sixteen: If so, would you prefer Ministers to be able to set judgemental weights for the Relative Needs Amount, as in option CAS1, or the Relative Resource Amount, as in option CAS2?*

The Four-Block Model is able to adjust the emphasis put on authorities' ability to raise council tax through equalisation of the need and resource blocks. Whilst we support equalisation in principle, we have continually stressed the importance of publishing the agreed principles behind any need or resource equalisation exercise. Without such information how can we measure the success of the exercise if we do not know what we were equalising against or for?

Once again, we reiterate our calls for Local and Central Government to come together to hold a wide-ranging debate on the principles for further need and resource equalisation.

## **Chapter Eleven: Floor Damping Levels**

*Question Seventeen: Over the next Spending Review period do you think that the floor level should be set close to the average change or such that it allows some formula change to come through for authorities above the floor?*

We believe that the floor level should be set such that it allows some formula change to come through for authorities above the floor.

*Additional Question: Do you think we should treat the City of London as two notional authorities for floor damping purposes (Option DAMP1)?*

This additional question is the result of a partial plea from a single authority to suit their local circumstances, whilst they would benefit from the police block's relatively high floor level. We believe that any such changes should be made based on statistical and formulaic arguments and not according to the level of elements set at Ministers' discretion. Furthermore, whilst such a change would be similar to the treatment of the GLA, the separation of the GLA has a statutory basis and members are mindful that similar arguments could apply to Education/PSS authorities who also have fire responsibilities, such as Warwickshire.

## **Chapter Twelve: Transfers and Adjustments**

*Question Eighteen: Which of the four options for removing concessionary travel from lower-tier authorities' do you prefer (CONCF1, CONCF2, CONCF3, CONCF4)?*

*Question Nineteen: Which of the six options for rolling in concessionary travel to upper-tier authorities' do you prefer (CONCF5, CONCF6, CONCF7, CONCF8, CONCF9, CONCF10)?*

The 2007 consultation on the Formula Grant distribution methodology also contained options for distributing concessionary fares funding via Formula Grant. Our response to this consultation confirmed that we did not support the transfer of any funding, either existing specific/special grants or funding for 'new burdens', into the current distribution mechanism. It was our view that, in such a situation as this, new funding be distributed via un-ringfenced specific grant until such a time as the distribution model could direct funding in a satisfactory manner.

From the outset the Government confirmed that the 2010 review of the formula would update the existing system. This has left no opportunity, in the short-term, to address the fundamental flaws in the Four Block Model. As a result exemplifications for the transfer of

lower-tier concessionary travel funding (both existing Formula Grant and Special Grant monies) again illustrate how massively flawed the Four-Block Model is.

Government has dictated that the relative block sizes are to remain unchanged, unless a specific exercise of equalisation is to be carried out. This only leaves the Shares of Tax Base as the remaining judgementally controlled element to direct formula grant allocations, now that the RNF formulae are no longer able to. It is therefore unsurprising that it is not possible to adequately direct funding between hundreds of local authorities simply by adjusting 4 figures.

Since no measures have addressed the problems in the Four Block Model, the concerns of the 2007 review remain. Furthermore the Government's continued use of the flawed Four-Block Model serves to undermine the time and effort spent by both Central and Local Government investigating, researching and consulting on new formulae. We are also concerned that the consultation on Formula Grant distribution notes CLG will be developing further proposals for distributing concessionary fares funding. Since the results of this work were not ready in time for the publication of the consultation document, we will not have the opportunity to comment on them. It is therefore of little consequence which option local government select, as funding is highly unlikely to follow the same pattern of distribution.

We feel that it would be most sensible to remove concessionary fares Formula Grant from lower-tier EPCS via option CONCF2. In light of the Ministers recent announcement that a full review of local government finance will take place in 2011, we believe it would be opportune to delay adding these monies to upper-tier EPCS until Central and Local Government can agree on a more practicable, less opposed and more transparent method of Formula Grant distribution. In the meantime both funding streams should be directed to upper-tier authorities via unringfenced Special Grant.

Despite all our significant concerns detailed above, of the options presented we would prefer CONCF6, using the new concessionary travel formula. However, we reserve our position to change our support for any option once CLG have completed their work as we will need to consider the further options that may be available at this point.

*Question Twenty: Should concessionary travel have its own sub-block?*

Whilst we do not feel there is an overriding case for a separate Concessionary Fares block, we would like to take this opportunity to reiterate our support for the Society of County Treasurers long-running campaign for the establishment of a separate Waste Management block that will properly recognise the growing and significant waste disposal costs for members.

*Question Twenty-One: Do you agree with the methodology for adjusting the base position for unadopted drains?*

No comment.

### **Chapter Thirteen: The Incapacity Benefit and Severe Disablement Allowance Indicator**

*Question Twenty-Two: Do you agree that the incapacity benefit and severe disablement allowance indicators should use quarterly data rather (DATA1)?*

*We support the use of quarterly data in incapacity benefit and severe disablement allowance indicators since this should help to overcome any distributional turbulence caused by fluctuations in annual datasets.*

#### **Chapter Fourteen: Replacing the Children's Income Support Benefit Indicator**

*Question Twenty-Three: Do you agree that children in out-of-work families receiving Child Tax Credit (CTC) should replace the current children of IS/(IB)JSA claimants (DATA2)?*

We believe the Children in Out-of-Work Families Receiving Child Tax Credit (CTC) indicator would be a sensible replacement for the Children's Income Support Benefit indicator. Using a three-year average would also smooth the distributional turbulence caused by annual anomalies.

#### **Chapter Fifteen: Student Exemptions and the Council Tax Base**

*Question Twenty-Four: Would you prefer that May data only is used for the student exemptions adjustment in the taxbase projections (DATA3)?*

We do not support Option DATA3, which would use May data to calculate the level of student exemptions in the Taxbase for RSG Purposes. We acknowledge that the existing October data may not capture the final level of exempt properties since it is so early in the academic year when students may not have yet registered. However, conversely, simply using May data would lead to providing a snapshot of exempt properties that have not been exempt for the full year. We continue to support an option in the 2007 Formula Review that proposed employing an average of the two datasets.

#### **Chapter Sixteen: Updating Data on Low Achieving Ethnic Groups**

*Question Twenty-Five: Do you agree that the new definition of secondary school pupils in low achieving ethnic groups should be used (DATA4)?*

We support Option DATA4. It would therefore provide a timely update and improve the formula's relevance to current service need.

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Leader And Portfolio Holder Decision-Making  
**Date of Committee** 5 October 2010  
**Report Title** Response to the Consultation Paper on Local Transport Capital Funding  
**Summary** The report seeks approval to submit the response, attached at Appendix A, to the government as the formal response of Warwickshire County Council to the consultation on local transport capital funding

**For further information please contact:** Virginia Rennie Group Accountant Tel: 01926 412239 vrennie@warwickshire.gov.uk  
 Roger Newham County Transport Planner Tel: 01926 412203 rogernewham@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework?**  
 No.

**Background papers** Consultation paper on Local Transport Funding issued by the Department for Transport on 24/08/10

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)  .....
- Other Elected Members  Cllr Tandy, Cllr Roodhouse, Cllr Saint, Cllr Whitehouse, Cllr Sweet, Cllr Williams
- Cabinet Member  Cllr Farnell, Cllr Cockburn, Cllr Heatley, Cllr Wright
- Chief Executive  .....
- Legal  Sarah Duxbury - for clearance
- Finance  Dave Clarke - reporting officer
- Other Chief Officers  Paul Galland - reporting officer
- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**



## Leader and Portfolio Holder Decision-Making - 5 October 2010

### Response to the Consultation Paper on Local Transport Capital Funding

#### Report of the Strategic Director, Resources and the Strategic Director, Environment and Economy

#### Recommendation

To approve that the response to the Local Transport Funding consultation, attached at **Appendix A**, is submitted to the Department for Transport as the formal response from Warwickshire County Council.

#### 1 Background

- 1.1 On 24 August 2010 the Department for Transport (DfT) launched a consultation on Local Transport Funding. The focus of the consultation is proposed changes to the calculation and distribution of two capital blocks that are currently allocated to local authorities (outside of London) through individual formulae. These are the Integrated Transport (IT) Block, which provides capital funding for small transport improvement schemes, and the Highways Maintenance (HM) Block, which provides capital funding for maintenance schemes.
- 1.2 The consultation seeks views on ten questions in four areas. These are:
- Local transport capital block distribution formulae changes and data refreshing.
  - Merging bid-based Primary Route Network and Capital Detrunking Grants into the Highways Maintenance Block formula from 2011/12.
  - Preferred principles for allocating capital grant and supported borrowing funding for the local transport blocks.
  - Allocation of funding to Integrated Transport Authorities in Metropolitan areas and flexibility to vire funding between authorities in Metropolitan and Joint Local Transport Plan areas.
- 1.3 Although the consultation outlines mechanisms for allocating capital block funding, all funding available for allocation is under consideration as part of the Comprehensive Spending Review. Therefore, the quantum of funding will not be confirmed until after the 20 October Spending Review, and for individual authorities, the DfT anticipate capital allocations for the two transport block

grants will be announced as part of the Local Government Finance Settlement, which is expected in early December.

- 1.4 The deadline for responses to the consultation is 6 October 2010. The proposed response from Warwickshire County Council is attached at **Appendix A**. The Leader and Portfolio Holder for Environment and Economy are asked to approve that this response to the Local Transport Funding consultation is submitted to the Department for Transport as the formal response from Warwickshire County Council.
- 1.5 The remainder of this report outline the background to the ten consultation questions that form the basis of the proposed response.

## **2 The Formulae for the Integrated Transport Block and the Highways Maintenance Block**

- 2.1 The formulae for the HM and IT Blocks are relatively complex and are based on a number of variables. The DfT believe that there is no overriding driver for simplification as the current formulae reflect local transport needs and local authorities can see their separate needs-based allocations for each block. As a result the potential changes in the consultation paper are relatively minor.
- 2.2 Condition data currently forms part of the HM Block formula, with more money being allocated for roads in a poor condition. It could be argued that this rewards authorities that spend their non-ringfenced HM Block allocation inefficiently, or on other priorities. The consultation therefore invites views on the option to remove condition data out of the HM Block formula leaving the road component based on road length alone. This change, if implemented, is expected to benefit the County Council.
- 2.3 The consultation also proposes that in future it would be possible to amend the IT Block formula to one more focused on carbon reduction and supporting the economy. The DfT seem supportive of this idea although the difficulty of obtaining this data is recognised.
- 2.4 The final element of the consultation on the formulae themselves is the extent to which the formulae should be updated using more up-to-date data and whether there should be transitional arrangements for those authorities that lose out from the change. The data for the IT Block was last updated five years ago and the data for the HM Block was last updated three years ago. The impact of this change, in the County Council, is expected to be neutral or positive.

## **3 Merging Capital Grants into the Block Formulae**

- 3.1 Two stand alone capital grants from DfT in 2010/11 were allocated based on bids from local authorities. These grants are:

- Primary Route Network (PRN) Grant: for the purpose of strengthening work on capital assets on local authority parts of the PRN, mainly bridges;
- Capital Detrunking Grant: funds maintenance on roads recently passed to local authorities from the Highways Agency.

3.2 The DfT believes that small bid-based grants such as those described above reduce flexibility for local authorities to decide how they spend their funding and represent an administrative burden. Therefore, DfT proposes to merge PRN and Capital Detrunking Grants into the HM Block from 2011/12 and is seeking authorities' views on this proposal.

## 4 Principles for Allocating Supported Borrowing and Grant Funding

4.1 The capital blocks for local transport are currently paid out using two mechanisms:

- Capital grant: paid to local authorities by DfT.
- Supported borrowing: local authority allocations represent an amount that is added to the notional debt used in calculating the Capital Financing Relative Needs Formula (RNF) used by Communities and Local Government (CLG) to distribute Formula Grant.

4.2 In the last settlement the HM Block was allocated via supported borrowing. Those authorities that submitted joint Local Transport Plans received the IT Block fully through capital grant; whereas other authorities received IT Block as two-thirds supported borrowing and one-third capital grant. In the past capital grant has been prioritised towards IT Block payments to Integrated Transport Authorities (ITAs) and authorities preparing joint Local Transport Plans. This is because ITAs cannot, by statute, receive Formula Grant and therefore supported borrowing.

4.3 The consultation seeks views on the principles that can be applied to the allocation of capital grant and supported borrowing.

DAVE CLARKE  
Strategic Director, Resources

PAUL GALLAND  
Strategic Director, Environment and  
Economy

Shire Hall  
Warwick  
October 2010

## Local Transport Funding – Response to the Consultation Paper from Warwickshire County Council

05 October 2010

Local Transport Funding Consultation  
Department for Transport  
Great Minster House, Zone 3/14  
76 Marsham Street  
London SW1P 4DR

Dear Sir,

### Local Transport Funding Consultation Paper - 2010

Warwickshire County Council would like to thank the Department for Transport for the opportunity to respond to the above consultation. We have addressed the questions in the order in which they appear in the consultation paper.

***Question 1 - The only change that the Department is considering in either of the two formulae in advance of this year's Local Government Finance Settlement is the option to disregard road condition in the maintenance block formula. What are consultees' views on this approach?***

It is the view of this Authority that road condition data should be disregarded and that maintenance block should be allocated based on road length alone. It is considered this is the fairest way to allocate finite resources given the lack of ring fencing for most funding allocations.

***Question 2 – What are consultees' views on possible longer term changes to the formulae, in particular on the comments above on potential developments to the IT Block?***

Data for factors such as carbon emissions and cycling will be expensive to obtain and are likely to be unreliable indicators. It is considered, by this Authority, that the disbenefits of adding additional indicators far outweigh any potential benefits.

***Question 3 – Do consultees agree that there should be a data refresh?***

It is important that where data is used to determine funding allocations it should be reasonably up to date. A data refresh is therefore supported.

***Question 4 – Do consultees have any comments on the refreshed data as set out in Annex G?***

We have no specific comments to make on the refreshed data.

**Question 5: Do consultees wish to see transitional arrangements to mitigate the impact of the data refresh, and if so, what should these be?**

We strongly believe that in order to represent need accurately and fairly, the formulae for both the IT and HM Blocks must be run using accurate and up-to-date data. Any consideration of transitional arrangements to mitigate the effects should only be considered when there are significant levels of contractually committed cost that authorities' will incur, irrespective of the level of funding they receive.

We do not believe this is the case for capital funding of local transport. By their very nature capital projects funded through this mechanism are relatively small and are usually completed within the financial year. The work is primarily contracted out to third parties on a project by project basis, resulting in a relatively small proportion of capital costs being committed for several years ahead. Therefore the justification for transitional arrangements – that authorities cannot scale down or up their operations in time - does not hold. In these circumstances we do not support transitional funding, especially as it would come from scaling back allocations for authorities who have been “under funded” because out-of-date data has been used in the past.

It should also be pointed out that the impact of any updating of the underlying data will be more than outweighed by the impact of any changes to the quantum of funding available as the result of the Government's plans to close the deficit in the public finances. Any transitional arrangements for data changes will therefore be largely superfluous.

**Question 6 – Do consultees agree with the Department's approach for merging funding for structures on the Primary Route Network and for detrunked roads within the maintenance block formula from 2011/12?**

For the reasons articulated, in the consultation paper, the Department's approach is supported by this Authority.

**Question 7: Would local authorities prefer to receive funding as grant or supported borrowing, and what are consultees' views on the priorities for paying out grant if there is a mix of grant and supported borrowing?**

Our strong preference is to receive funding as grant rather than supported borrowing.

The current four-block model for providing revenue support for capital financing costs incurred as a result of taking up supported borrowing is wholly inadequate. For an authority like Warwickshire the “actual” support received by the time scaling factors, relative resource amounts, judgement and damping have been taken into account is less than 7% of the additional costs. We have argued strongly in response to the consultation on the distribution of Formula Grant that the likelihood of reduced resources makes it more important than ever that funding allocations are made using a robust distribution methodology. We, along with almost all of local government, have consistently opposed the continued use of the Formula Grant distribution mechanism, the Four Block Model, as it is not fit for purpose. Elements of the model based on judgement can effectively wipe out the distribution of funding indicated by evidence-based formulae.

As a consequence of the way the formula Grant system works there is a clear financial benefit, to authorities, to receive capital funding as grant rather than supported borrowing. Therefore any split between supported borrowing and capital grant must be fair.

Therefore we would argue that capital grant should, in the first instance be allocated to spending that is less discretionary. A level of maintenance spending is, by its very nature, unavoidable. Also the life of many maintenance treatments is less than 25 years. Borrowing

is more applicable to improvements which generally will add to the asset and have a life of more than 25 years, as this is the period of time which the Formula Grant system purports to allocate grant for the capital financing costs of supported borrowing. For both these reasons we believe there are strong arguments to justify that the majority of capital grant funding highway maintenance.

Also we believe there should be no difference in the type of funding provided due to the nature of the authority or how its transport functions are organised. We believe the prioritisation of capital grant towards IT Block payments to Integrated Transport Authorities (ITAs) and authorities preparing joint Local Transport Plans should stop.

Authorities like Warwickshire and, more importantly, our council taxpayers should not be penalised (by having allocations as supported borrowing, funded via council tax, and not capital grant) because of the different structures for delivering local transport services in other parts of the country. If ITAs have to receive all their capital funding as grant then this should result in reduced capital grant allocations to those authorities that are part of the ITA arrangement and not spread across all authorities.

***Question 8: What are consultees' views on the option to allocate the IT and maintenance blocks solely to Integrated Transport Authorities in the six Metropolitan Areas?***

We have no strong opinion either way on this issue and would ask that the views of the ITAs and their member authorities are taken into account.

Our only comment of significance would be that whatever option is chosen it has no impact on either the level of allocations or the type of financial support for capital received for authorities that are not part of ITAs.

***Question 9: Should Metropolitan Areas and other areas producing Joint Local Transport Plans be allowed to retain the flexibility to vire IT Block funding between authorities as permitted in the last funding settlement?***

We have no strong opinion either way on this issue and would ask that the views of the ITAs and their member authorities are taken into account.

Our only comment of significance would be that whatever option is chosen it has no impact on either the level of allocations or the type of financial support for capital received for authorities that are not part of ITAs.

***Question 10: Do consultees have any other issues they would like to raise about the calculation or distribution of the integrated transport or highways maintenance blocks, including on the overall size of the blocks relative to other capital funding and relative to each other?***

Given anticipated financial constraints we recommend that resources should be prioritised on maintenance allocations and that allocation of grant should shift from integrated transport to maintenance. It is acknowledged that block allocations are not ring fenced and that Authorities are free vire resources. However, a change to allocation priorities by DfT will be a useful reinforcement at the local level of the priority that should be given to maintenance whilst resources are constrained.

We would also like to iterate our comments made in response to the specific questions, that allocations should be made according to need and that the measurement of need should not be open to distortion as a result of local policies on the allocation of available capital spend by individual local authorities.

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Leader Decision Making

**Date of Committee** 5 October 2010

**Report Title** Response to the Consultation Paper on Revenue Support Grant Top-slice for Improvement Services to Local Authorities

**Summary** The report seeks approval to submit the response, attached at Appendix A, to the government as the formal response of Warwickshire County Council

**For further information please contact:** Virginia Rennie  
Group Accountant  
Tel: 01926 412239  
vrennie@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework?** No.

**Background papers** Consultation letter issued by the Department for Communities and Local Government on 25/08/10

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)  .....
- Other Elected Members  Cllr Tandy, Cllr Roodhouse, Cllr Saint
- Cabinet Member  Cllr Heatley, Cllr Farnell, Cllr Wright
- Chief Executive  Jim Graham – comments incorporated
- Legal  Sarah Duxbury
- Finance  Dave Clarke - reporting officer
- Other Chief Officers  David Carter, Monica Fogarty
- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals  .....

**FINAL DECISION YES**

## Leader Decision Making - 5 October 2010

### Response to the Consultation Paper on Revenue Support Grant Top-slice for Improvement Services to Local Authorities

#### Report of the Strategic Director, Resources

#### Recommendation

To approve that the response to the Revenue Support Grant Top-slice for Improvement Services to Local Authorities consultation, attached at Appendix A, is submitted to the Department for Communities and Local Government as the formal response from Warwickshire County Council

## 1 Introduction and Background

- 1.1 There are currently nine specified bodies listed in the *Revenue Support Grant (Specified Bodies) Regulations 1992* that receive funding totalling £35 million from a top-slice of Revenue Support Grant (RSG), before it is distributed to local authorities. These bodies are:
- Improvement and Development Agency for Local Government (IDeA)
  - Employers Organisation for Local Government
  - Local Authority Coordinators of Regulatory Services (LACORS)
  - Public Private Partnerships Programme (4Ps)
  - Fire Services Examinations Board
  - Local Government International Bureau
  - National Foundation for Educational Research in England and Wales
  - National Institute of Adult Continuing Education
  - National Youth Agency
- 1.2 The Local Government Association has put a proposal to the Secretary of State for the future of the RSG top-slice. The principal elements of the proposal from the LGA are:
- A reduction in the annual top-slice funding
  - A sole specified body, which is the recipient of all top-slice funding. It is proposed that this body should either be the LGA or Local Government Improvement and Development (formerly the IDeA)
  - The sole specified body will decide how best to allocate the funding to deliver objectives and key outcomes agreed with the Secretary of State



- 1.3 The Secretary of State believes that the local government sector should have responsibility for its own improvement needs, including developing and sharing expertise and learning from each other and is, therefore, minded to accept the proposal. Before doing so he has opened a short consultation seeking the views of local authorities. The consultation, which only covers the latter two elements of the LGA's proposal, is due to close on 6 October.
- 1.4 The draft response from the County Council (see **Appendix A**) supports the principle of a single top-slice and considers that it should reduce the costs of support, remove centrally imposed restrictions and promote the ability of local government to decide how best to use the resource. In making such a change there is a need for the body deciding the allocation of future funding to have a clear focus on and be accountable for the outcomes delivered. It is therefore recommended that the responsibility is given to Local Government Improvement and Development as the LGA has too wide a focus as a body "representing" its various constituencies of interest.

DAVE CLARKE  
Strategic Director, Resources

Shire Hall  
Warwick

01 September 2010

## Revenue Support Grant Top-slice for Improvement Services to Local Authorities - Response to the Consultation Paper from Warwickshire County Council

05 October 2010

Richard Daniels  
Local Transformation, Improvement and Efficiency  
Communities and Local Government  
Zone 3/J2  
Eland House  
Bressenden Place  
London SW1E 5DU

Dear Mr Daniels,

### Revenue Support Grant Top-slice for Improvement Services to Local Authorities Consultation Paper – 2010

Warwickshire County Council would like to thank the Department for Communities and Local Government for the opportunity to respond to the above consultation.

We support the principles of the proposal for future RSG top-slice funding as set out in Annex A to the consultation letter. We believe that allocating the resource through a single funding body will provide opportunities for economies of scale thereby reducing the costs of support. The removal of centrally imposed restrictions that would accompany such a move is also consistent with our belief that local government should be responsible and accountable for its own actions and finances. We believe local government is best placed to decide how to gain maximum value from the use of this resource.

Those organisations currently funded through the top-slice work to support, promote and improve local government. Their remits, whilst wide-ranging, have a focus of delivering improvement in local government. It is this need to maintain focus that underpins our decision to **support the allocation of future funding to be through the LGID**. We believe the LGA has too wide a remit/brief, as a body representing its various constituencies and that the interests of local government, would be better served by utilising a body with a remit more closely focused on the improvement of local services.

**AGENDA MANAGEMENT SHEET**

<b>Name of Committee</b>	<b>Leader Decision Making Session</b>
<b>Date of Committee</b>	<b>5 October 2010</b>
<b>Report Title</b>	<b>Government Consultation Responses - Skills for Sustainable Growth &amp; A Simplified Further Education &amp; Skills Funding System &amp; Methodology</b>
<b>Summary</b>	<p>The Government have published a consultation document on the future direction of skills policy. This document outlines the Governments emerging vision for skills and explores some key areas where they would like to seek further views. It also sets the context for the technical funding system and methodology context – A Simplified Further Education and Skills Funding System and Methodology – that is also being consulted on in parallel.</p> <p>The Government will publish a full Strategy for Skills after the Spending Review in October which will set out in more detail how they intend to support their learning and skills priorities. This will accompany a BIS paper setting out how the Government will create the conditions for sustainable growth which will be published at about the same time. The deadline for consultation responses is 14<sup>th</sup> October 2010, and Warwickshire County Council's contribution to Coventry, Solihull and Warwickshire Partnership's (CSWP) draft proposed response on behalf of the sub region is contained in <b>Appendices A and B</b>.</p>
<b>For further information please contact</b>	<p>Sheila Hancox  Head of Warwickshire Education Business Partnership  Tel: 01926 738978  sheilahancox@warwickshire.gov.uk</p>
<b>Would the recommended decision be contrary to the Budget and Policy Framework?</b>	Yes/No
<b>Background Papers</b>	Consultation documents.

**CONSULTATION ALREADY UNDERTAKEN:-**

*Details to be specified*

Other Committees  .....

Local Member(s)  .....  
(With brief comments, if appropriate)

Other Elected Members  Councillor M Doody }  
Councillor R Sweet } For information  
Councillor J Whitehouse }

Cabinet Member  Councillor J Appleton  
(Reports to The Cabinet, to be cleared with Councillor A Cockburn  
appropriate Cabinet Member) Councillor A Farnell

Chief Executive  .....

Legal  I Marriott

Finance  .....

Other Chief Officers  .....

District Councils  .....

Health Authority  .....

Police  .....

Other Bodies/Individuals  Torin Spence - Children, Young People and  
Families, Julie Wakefield – Adult, Health and  
Community Services

**FINAL DECISION** **YES** (If 'No' complete Suggested Next Steps)

**SUGGESTED NEXT STEPS :**

*Details to be specified*

Further consideration by  .....  
this Committee

To Council  .....

To Cabinet  .....

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

## Leader Decision Making Session - 5 October 2010

### Government Consultation Responses -Skills for Sustainable Growth & A Simplified Further Education & Skills Funding System & Methodology

#### Report of the Strategic Director for Environment and Economy

##### Recommendation

It is recommended that the Leader considers and approves Warwickshire County Council's contribution to the Coventry, Solihull and Warwickshire Partnership's response on behalf of the sub region to the Skills for Sustainable Growth consultation document contained within **Appendix A** and A Simplified Further Education & Skills Funding System & Methodology consultation document contained within **Appendix B**.

#### 1. Background

- 1.1 The Government's key priorities for skills are to build an internationally competitive skills base and to ensure we have a skills system that supports progression.
- 1.2 The Budget 2010 outlined that Government departments (once commitments on protecting health and overseas aid are taken into account) could see real cuts of around 25% over the next four years. This sets the context for consultation on a new skills strategy and a simplified funding system & methodology for further education & skills.

#### 2. Summary of Response

- 2.1 Officers have developed a proposed WCC draft response for these consultations, which is contained within **Appendix A & B**, that will feed into a sub regional response by CSWP. The consultations seek views on the Government's emerging vision for skills and ask a number of fundamental questions about where public investment is most important; how the skills system can be made simpler and more effective; and how we can better support employers and individuals to invest in learning and developing the skills they and our economy need. Key messages within our response include the importance of empowering learners and providers and the need for key measures of success to be in place.

### **3. Next Steps**

- 3.1 Warwickshire County Councils response to the consultation documents will be fed back to CSWP for inclusion in the sub regional response.

### **4. Recommendation**

- 4.1 It is recommended that the Leader considers and approves the WCC contribution to the draft CSWP response to the Skills for Sustainable Growth consultation document, contained within **Appendix A** and A Simplified Further education & Skills Funding System & Methodology, contained within **Appendix B**.

PAUL GALLAND  
Strategic Director for Environment and Economy  
Shire Hall  
Warwick

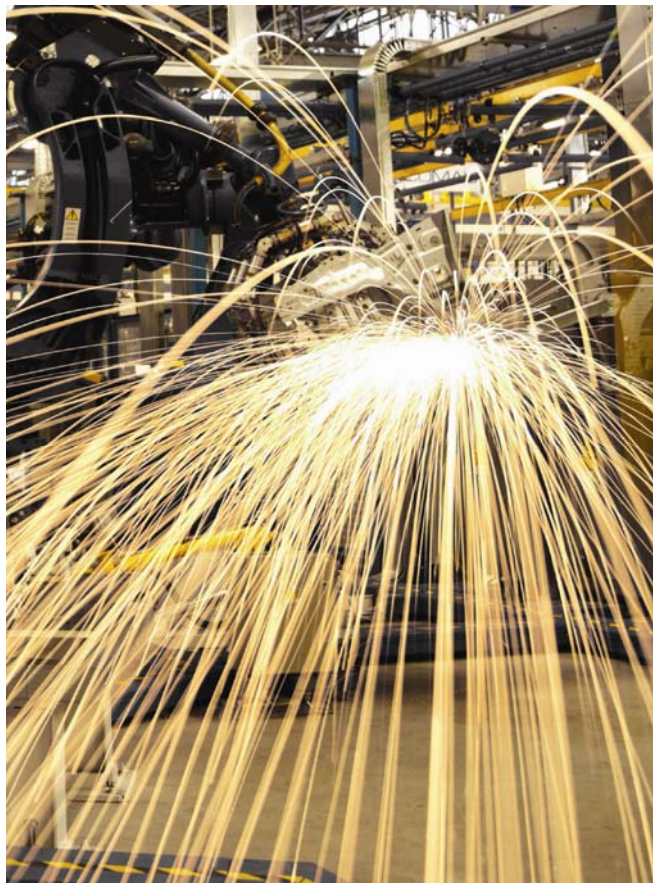
21 September 2010

**BIS** | Department for Business  
Innovation & Skills

**SKILLS FOR SUSTAINABLE  
GROWTH**

Consultation response form

JULY 2010



## Skills for Sustainable Growth response form

If you are unable to use the online comments boxes to record your responses, please complete the questionnaire below and send it to:

Atif Rafique  
Department for Business, Innovation and Skills  
1 Victoria Street  
London SW1H 0ET

Phone: 020 7215 1910  
Email: skills@bis.gsi.gov.uk

The Department may, in accordance with the Code of Practice on Access to Government Information, make individual responses available on public request.

The closing date for this consultation is 14 October 2010.

**Name: Louise Richardson**

**Organisation (if applicable): Coventry, Solihull & Warwickshire Partnership Ltd**

**Address: First Floor, Tower Court, Courtaulds Way, Coventry, West Midlands, CV6 5QT**

Please tick the option below which best describes on whose behalf you are responding:

<input type="checkbox"/>	General Further Education College
<input type="checkbox"/>	Sixth Form College
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Training Organisation
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Large employer (250+)
<input type="checkbox"/>	Medium employer (50 to 250 staff)
<input type="checkbox"/>	Small employer (10 to 49 staff)
<input type="checkbox"/>	Micro employer (up to 9 staff)
<input type="checkbox"/>	Trade union or staff association
<input checked="" type="checkbox"/>	Other (please describe): Sub-Regional Economic Development Partnership



## Principles for a skills strategy

### 1. We welcome views on these principles and whether there are others we should consider.

Welcome the focus on;

- Greater involvement of employers in shaping the demand for skills.
- More empowerment of learners to access the learning they want and need to enable them to progress.
- Learning contributes to tackling poverty and deprivation in a holistic way.
- Learners and employers having access to high quality, impartial information. We think this should include advice and guidance.
- Greater freedom for college and training providers to respond to employer and local demand. We believe there should be measures to hold them to account to demonstrate they are doing this at a local level ie through LEPs or County Council.
- A move to ensure that a proportion of public funding is targeted at those who are most in need and who have least benefitted from learning opportunities in the past. The remainder is spent on a best return.
- All learning being supported whether it is for improving skills, employability or learning for its own sake. Learning supports individuals and communities to help themselves and builds the social capital essential to support the big society.

### 2. How can we further simplify the skills system, including the number, roles and responsibilities of the many organisations working in the system?

(original response doesn't answer question)

Reduce number of public sector bodies that colleges and other providers have to work with to deliver skills

Reduce, simplify and clarify who does what in the system.

Formal recognition of LEP to identify local skills needs

### 3. In view of the current fiscal deficit, what areas of public investment in skills could be reduced and where could private investment be increased? What are the main constraints on changing the balance between public and private investment and how could these be overcome?

(Original response doesn't take into consideration the QCF and doesn't answer the question of constraints.)

Change culture in the assumption that Central Government pays for all training.

Employers recognise the value of upskilling staff.

Individuals recognise the return of investment in improving their own skills.

### **A respected and credible training offer**

#### **4. How could the Apprenticeship programme be improved? What can be done to increase the proportion of apprentices progressing to Level 3 and beyond? What and how should employers contribute to Apprenticeships?**

We believe both learners and employers value apprenticeships. We need to tell the story better, an example from our area is that one provider of engineering training has identified that most of the chief executives of small and medium sized engineering companies started life as apprentices, his message is "if you want to be a chief Executive of an engineering SME the best and fastest way is to do an apprenticeship".

We need to make it easier for more small businesses to offer apprenticeships through the removal of HR burdens associated with them. Fiscal incentives to small and medium sized businesses to offer apprenticeships could also be considered. We also need to ensure that employers are properly informed about apprenticeships opportunities through access to clear information about the benefits of participation.

There also needs to be more (technical?) and higher level apprenticeships with clear progression routes.

#### **5. We welcome views on how best to support people who might in time benefit from an Apprenticeship but who do not currently have the skills to begin one.**

We believe that answer lies in employer incentives to minimise the risk to an employer from employing and offering experience to an individual who is not the most qualified but has aspiration and a positive attitude. There are many thousands of stories of young people who were given a chance with an employer, grew in confidence and developed the skills and attitude to do their apprenticeship.

Clear progression routes must be included in the Work Programme.

The National Curriculum must offer a clear route to those learners where Apprenticeship is the appropriate option.

**6. We welcome views about progression from Level 3 Apprenticeships into higher education, including whether there is demand for Higher Apprenticeships at Levels 4 and 5.**

Refer to Aimhigher WOT Group (via Phil Dent, Aimhigher)

**7. How should we ensure that training leads to real gains in skills, knowledge and competence and not just the accreditation of existing skills?**

A key challenge to this issue is that the OFSTED framework for inspection of training providers has the strongest emphasis on accreditation and attainment. It does not give the credit that is deserved for developing strong work attitudes and the employability skills that employers need and demand.

Consideration must be given to baseline assessment of individual learning needs and linking to funding when accrediting prior learning.

**8. How can we incentivise colleges and training organisations to offer a flexible and cost-effective 'needs-led' offer for people who are out of work or at risk of becoming unemployed?**

We must design provision so it meets the unemployed person's individual agenda rather than it being something that is done to an individual. As soon as learning become fun or at least "not a humiliation" it becomes desirable. The most common heard phrase from unemployed people with low skills is "I didn't do well at school OR school and me didn't get on, I hated it". If we personalise learning and put on programmes that fit / meet their needs then learners will want more. It will cost more to provide learning in this way but will save much more because drop-out rates will reduce and achievement and progression will be higher.

Introduction of a points led system for those most in needs which would give increased funding to providers.

One set of paperwork for all Government-funded learning.

**9. How can we encourage colleges and training organisations to make the transition from learning to work as smooth as possible, enabling progression in the workplace, as well as to further learning?**

(Original response doesn't answer the question

:

Strengthening partnerships between trainers and employers via the LEP.

**10. How can we better promote enterprise education in further education colleges and throughout the training system?**

Make competencies that relate to enterprise a core part of training programmes and consult with Centres of Curriculum Excellence on programme development.

### **Funding and entitlements**

**11. Should Government continue with an entitlements based approach? How can we ensure that Government money is targeted where it is needed most and where it will achieve most value?**

Yes, promoting the aims of Life Long Learning that should not be age bound.

### **Helping individuals and employers choose the learning they want**

**12. How can the learning market be made to work more efficiently, effectively and economically and to be more responsive and accountable to demand by individuals and employers, while also delivering value for money?**

Introduction of a national database linking all provision. This should include a method of recording learner feedback.

**13. We welcome views on how best to ensure employers are able to shape the skills system to meet their needs.**

Employers working proactively with their Sector Skills Councils and greater involvement of SMEs with Sector Skills Councils.

**14. We are interested in views on what more might be needed to make the system responsive to employer needs.**

The system has the potential to be responsive but greater understanding is needed by employers and deliverers of the QCF and how to maximise its use to the benefit of all

There will need to be more focus on leadership and management development to support business growth and to help business have the skills to exploit new markets. More bite sized learning approaches could help fill skills gaps.

**15. Which qualifications have most value for employers and learners? Which do not have value? How do we evolve the Qualifications and Credit Framework so that it focuses on the former and removes the latter?**

The Coventry & Warwickshire Chamber of Commerce Survey July 2010, and the Annual Employer and Skills Survey both show that customer service, managerial and technical skills (especially in manufacturing) are needed. The survey also showed that 'work preparedness' is particularly important amongst young and unemployed people. It is not just vocational qualifications that are important, but also the softer people skills such as management and customer service type skills that are valued and needed.

Rate of return analysis required for every qualification.

**16. How can we improve the accessibility and quality of careers information, advice and guidance services for adults?**

LMI should be applied when giving IAG services but LMI should reflect community policies and working patterns in geographic . Consideration should be given to future as well as current economic need.

We welcome the new Next Step service and its strong focus on the labour market. There is still a need to "join up" careers information, advice and guidance service for young people with the service for adults. We believe the strong emphasis on quality coming from government backed up by OFSTED inspection framework will soon result in improvements to quality of delivery. One simple thing we could do would be to encourage providers of learning to refer learning who are not clear on learning they want to do and why to the adult careers services, currently this rarely happened because the providers is concerned that they will receive advice about other learning opportunities with different providers hence the provider could loose a customer.

**17. We welcome views on the vision for lifelong learning accounts, and their potential usefulness.**

We believe the vision for lifelong learning accounts is a good one. To make it a success it will require greater collaboration between key stakeholders and consistency of advice nationally. c

**18. We welcome views on approaches to informing learners and employers including how better information can be made available while reducing bureaucracy.**

We believe there should be one national data base OR every provider web-site is hyper linked to all the others. Our experience is that potential learners want to be able to simply get the answers to the following questions;

- What qualifications / courses are on offer?
- How much do they cost? What help is available to pay for them?
- How many people who previously did the course passed / failed / didn't finish?
- What difference did it make to those learners who've done the course?

Refer to Q12 re single national database.

### **Giving colleges and training organisations the freedom to respond**

**19. We welcome views on our planned measures for simplification and freeing colleges and training organisations.**

Comment will be made via our response to the consultation paper on 'A Simplified FE and Skills Funding System and Methodology

**20. How can we enable colleges and training organisations to be more efficient and responsive to the needs of employers, learners and their community but without adding new layers of control by local bodies?**

Remove statutory obligations

**21. What mechanisms could we use to hold colleges and other training organisations to account for their performance in responding to employers' needs and for prioritising training that adds real economic value?**

Service users should holding training providers to account via rate of return analysis as in response to Q15.

### **Incentives to train in priority areas**

**22. Do we need a framework that will enable and encourage employers and individuals to invest in training in priority areas and for colleges and other training organisations to provide appropriate courses?**

Introduction of fiscal incentives where appropriate. Subsidised training programmes for sectors where there is economic need.

**23. Should we promote training innovation, particularly in rapidly changing or wholly new areas of the economy? If so, how might we do this?**

The Local Enterprise Partnership should identify new growth areas for which there should be extra financial support to help the college and training organisations with new start up costs for new provision.

**24. How can we ensure employers can access high quality labour market information?**

The key is to make it simple. Each LEP should have a local labour market information website for use by employers, teachers, lecturers, advisors etc which has simple information. It will need robust content but will need to be written and presented in an accessible style.

Each LEP to input into a national LMI website to reduce burden on employers.

### **Encouraging a more productive workforce**

**25. What would enable businesses to use skills as a driver of productivity and business improvement?**

Show rates of return for businesses and fiscal incentives to encourage investment in skills.

**26. We welcome views on ways in which businesses can be encouraged to increase the UK's leadership and management capability to create better run and more highly performing businesses.**

Answer as Q 25

## Reinvigorating adult and community learning

### 27. How could we encourage the development of productive partnerships with third sector organisations?

- The Coventry Partnership's Economy, Learning, Skills and Employment Theme Group plays an important role in building strong and sustainable partnerships across services, with other public sector services and learning providers, and with the third sector organisations that are often the most effective at reaching the people who have had the fewest opportunities in the past. Such partnerships will be a key catalyst in helping the Big Society to take shape and supporting the most disadvantaged individuals to progress in their lives.

This second bullet is descriptive and not an answer

- The third sector has an increasing and important role to play in learning and skills. There are many examples of effective models of collaborative partnership in the skills sector. These play on the key strengths of the various partners, with third sector organisations providing the connections with and support for vulnerable groups.

Adult and Community Learning Services are a natural partner for the Third Sector. We have a similar ethos and are working in the same local communities. Partnerships go from strength to strength in spite of some major issues. These include imposed constraints such as increasing bureaucracy, quality assurance processes, inspection and funding restrictions.

We are still concerned that this may only be seen in terms of college based provision. Many of our third sector partners struggle with that context which is so different from ours. It would be good to have recognised the diversity of the work we do, particularly in regard to community development. We bring funding and practitioners to these partnerships, which are brokered in a relationship which focuses on actual need.

ACLs exist because of the expertise of all staff in working with communities and individuals. We are used to meeting the needs of learners and communities and not working to our own agenda. We are a key player in developing communities.

We want to continue to work within local authorities, linking with Local Strategic Partnerships. We can bring more than just literacy, numeracy and language skills to our work. We also offer wider aspects of employability such



as assertiveness and social skills and have a successful record of engaging with employers in Warwickshire, albeit on a small scale.

Our service is working effectively already but would welcome opportunities to develop and embed a sustained response. We would welcome a future based in a culture of continuous improvement and reflection and responsiveness to need.

**28. We welcome views on new ways that colleges could be used to support the community.**

Access to employability, including welfare to work provision; support for 'first steps' learning (including Pre-apprenticeship training); offering progression to apprenticeships, Level 2 and beyond; and securing effective support to enable marginalised or vulnerable groups to undertake learning which successfully supports access to labour markets.

Workforce development, supporting employers and employees in developing skills, knowledge and understanding to enhance business success; individual opportunity in existing jobs and career development and social mobility through learning programmes offered in and outside the workplace; supporting trade union learning indicatives' and encouraging new and emerging enterprises through initiatives to foster innovation and entrepreneurship.

A locus for creating and sustaining social capital by fostering critical and informed engagement with social, political and moral issues; in the words of the Prime Minister, "broadening the mind, giving people self-belief, strengthening the bonds of community". In this way colleges contribute to a tolerant participative democracy that encourages appreciation and participation in the arts, sports and cultural activities as well as community engagement.

**29. How could adult and community learning be reinvigorated? We especially welcome ideas for how businesses and others could be encouraged to engage in supporting local community learning to help create local ownership and momentum.**

Ensure continuation of safeguarded learning by:

Putting purchasing power in the hands of learners (including people retired from the labour market) through lifelong learning accounts.

Running a programme of innovative demonstration projects – not only in colleges but also in the third sector bodies and local authority services to develop capacity for Big Society indicatives, focussing on family learning and learning for active citizenship.

Supporting those who have particular needs to be met before they are likely to find paid employment.

### **Measuring success**

**30. We welcome views on those indicators of success would be most useful to you or your organisation.**

(Unsure how to hold any establishment to account for any of the measures suggested).

Measure by success rates, learner satisfaction, rates of return.

**Do you have any other comments that might aid the consultation process as a whole?**

Please use this space for any general comments that you may have.

Comments on the layout of this consultation would also be welcomed.

## Item 6 - Appendix B



## Simplified Further Education and Skills Funding System and Methodology Consultation Response Form

The Department may, in accordance with the Code of Practice on Access to Government Information, make available, on public request, individual responses.

The closing date for this consultation is 14/10/2010

Please return completed forms to:  
 Jessica Ward  
 FE & Skills Investment Directorate  
 Department for Business, Innovation and Skills  
 1 Victoria Street  
 London  
 SW1H 0ET

email: [fe.fundingreview@bis.gsi.gov.uk](mailto:fe.fundingreview@bis.gsi.gov.uk)

Please can you tick a box from a list of options that best describes you as a respondent. This allows views to be presented by group type.

<input type="checkbox"/>	General Further Education College
<input type="checkbox"/>	Sixth Form College
<input type="checkbox"/>	Charity or social enterprise
<input type="checkbox"/>	Training Organisation
<input checked="" type="checkbox"/>	Local Government
<input type="checkbox"/>	Individual
<input type="checkbox"/>	Local Government
<input type="checkbox"/>	Large employer (250+)
<input type="checkbox"/>	Medium employer (50 to 250 staff)
<input type="checkbox"/>	Small employer (10 to 49 staff)
<input type="checkbox"/>	Micro employer (up to 9 staff)
<input type="checkbox"/>	Trade union or staff association
<input type="checkbox"/>	Other (please describe):

Please use this space for any general comments that you may have, comments on the layout of this consultation would also be welcomed.

**Question one: paragraphs 12 and 13**

*In paragraphs 12 and 13 we describe a proposed streamlined FE system based on principles of a marketplace with empowered informed customers, trusted colleges and training organisations, a focus on outcomes and a minimal role for Government intervention.*

**Q1. We welcome views on whether these are the right principles for a streamlined FE and Skills system - are there any others?**

Yes, the principals seem appropriate.

But along with LEA FEA we “broadly support the key elements of the proposed system listed in paragraph 13. However, we have some reservations as to whether more time might be required in some cases for full implementation of the proposed establishment of a single route for adult public funding”.

**Question two: paragraphs 12 and 13**

*Following paragraphs 12 and 13 we would also like to identify further areas requiring simplification.*

**Q2. We welcome views on whether there are other areas of the wider FE and skills system that should be focussed on to simplify systems and processes and reduce burden?**

Yes, with the exception of SSC's, the other government bodies in this arena tend to confuse issues rather than help, we need a clearer description of who does what and the list should be minimal if we are to keep to the principal of Self Governing provider base

### **Question three: paragraph 14**

*In paragraph 14 we described the potential for extending a single budget approach for post-19 provision to include other areas such as programmes for the unemployed and the current Adult Safeguarded Learning budget.*

**Q3. We welcome views on the benefits of extending the current approach to a single post-19 funding stream and whether there are alternative models to consider.**

Support establishment of a single post-19 budget as a medium term goal, but recommend that ACL budget remains ring fenced until thinking around the creation of the Big Society has crystallised and gained momentum and pending the development of a structured approach to enable ACL to contribute fully to the achievement of the Big Society.

In summary ACL in Warwickshire would welcome the introduction on a single adult budget for post 19 learning as long as due regard is given to equitability and that such a budget is protected, at least in the short term, to enable the continuation of learning in our County. We would ask, though, that the contribution which ACLs make across a variety of national and local agendas is recognised and sustained. We would wish to continue to work with our partners (both third Sector and corporate) in order to meet the needs of our most vulnerable learners, by giving them both the hope and the skills for a better future.

### **Question four: paragraph 16**

*In paragraph 16 we ask for feedback on the benefits of giving colleges and training organisations a funding envelope covering the Spending Review period (subject to responsiveness and quality of provision).*

**Q4. Would a funding envelope covering the Spending Review period support improved delivery and performance - if so to what extent?**

**Yes**       **No**

ACL would support this. The current funding arrangements leave little time for planning and do not coincide with local authority budget setting, etc.

Extremely important to ensure thorough curriculum design and the sureties that courses (if appropriate) are going to continue to run.

**Question five: paragraphs 17 and 18**

*In paragraphs 17 and 18 we describe an alternative approach to routing funding previously given to the Learning and Skills Improvement Service (LSIS) to colleges and training organisations.*

**Q5. We welcome views on how the sector should take the lead in determining the funding allocated for LSIS and the broad parameters of how this is spent.**

No Comment

**Question six: paragraph 21**

*In paragraph 21 we examine some of the issues surrounding funding for the most disadvantaged learners, and explore options for ensuring the funding system supports and does not act against supporting the most disadvantaged.*

**Q6. We welcome views on how we can ensure the funding system supports the sector in responding to the needs of the most disadvantaged.**

Rate each QCF qual with a rate of return and then apply funding proportionately. Instigate a National website holding details of all provision in England, make it contractual that Colleges and providers keep it up to date on an annual basis and then allow users to leave ebay style feedback against it.

Pay a premium for vulnerable learners, including the unemployed, those on low incomes and people with learning difficulties and disabilities.

**Questions seven and eight: paragraph 24**

*In paragraphs 21 - 24 we describe possible future systems in which the level of public subsidy is differentiated according to the type of learner, or the type of learning.*

**Q7. We welcome views on whether the approach to public subsidy should be differentiated.**

.Yes, and differentiated on the need of the labour market based either on England plc data or with the LEP's at a local level determining from a preset list which quals are needed most on their patch.

**Q8. We welcome views on whether employers should be accommodated through different measures within the funding system based on their size**

Yes, but more around better support for small companies (50 or less employees rather than just cutting the really big ones.

**Question nine: paragraph 27**

*In paragraphs 25-27, we set out how we could implement the recommendation made by the Independent Review of Fees and Co-funding in FE in which it was suggested that public funding should follow and match the choices and private co-investment contributions of learners and employers.*

**Q9. We welcome views on the practical implications of taking into account the need for optimising co-investment and the need for simplification.**

Whilst the principle and theory are sound, the process could increase the bureaucracy for all involved

**Question ten: paragraph 30**

*In paragraph 30 we explore options for streamlining the approach to fee subsidies including: establishing a nationally defined group or learners eligible for full fee subsidy, using a learner premium to encourage providers to cater for certain groups of learners and supplementing a national approach with a locally-determined bursary scheme.*

**Q10: We welcome your views on streamlining the way in which we currently support learners' additional needs including what (if any) aspects of current arrangements should remain.**

If you introduce local bursary style system you are significantly increasing the public administration, a Learner Premium, simila to the pupil premium seems logical.

ACL in Warwickshire has never received separate funding for additional learner support. We would welcome it. Many of our learners have declared disabilities. Warwickshire has an ageing population, and many of our learners wishing to join informal learning classes have disability needs. The service experiences a lot of financial strain supporting these. Although the growth of a volunteering base in the County is helping, we still need to purchase equipment and software, and ensure that our teaching staff are trained to offer appropriate support.



**Question eleven: paragraph 34**

*In paragraphs 31-34 we set out the need to balance supporting the flexibility of the Qualification and Credit Framework against the reduced funding available.*

**Q11. We welcome views on targeting funding where it will have the most impact; what elements of the Qualification and Credit Framework should be eligible for funding and why?**

Have each qual on the QCF have a rate of return on it that can be used to target funding.

**Question twelve: paragraph 40**

*In paragraphs 35-40 we describe a possible future system in which we move away from funding on the basis of estimated costs of delivery towards a price model based on funding for outcomes delivered*

**Q12. We welcome views on the benefits of moving to a more price-driven system; including how we would mitigate against the risk of focusing too much on a single outcome at the expense of the quality and relevance of the learner experience.**

Some learning is about the journey, not just the outcome – a qualification can be a useful skill learnt or it can be a bit of paper, outcomes should include customer satisfaction – we need some feedback method so prospective new learners or employers can see the worth of what they are proposing to buy.

**Question thirteen: paragraph 41**

*In paragraph 41, we examine different means of delivering Further Education, through e-learning and the efficiencies this can bring.*

**Q13. Are there any other barriers to the sector delivering more efficiently and effectively?**

Yes       No

Location/transport issues.  
Historic 'ways of working' of some Colleges/providers  
Employers believing training has ever been 'free' – the culture of offering 'free' NVQs etc has been extremely damaging to any value of training.

**Question fourteen: paragraph 42**

*In paragraph 42 we set out options for how we could streamline the current approach to rate setting, including bands of funding levels based on the size of the qualification on the Qualification and Credit Framework, the characteristics of the learner or a combination of the two.*

**Q14. We welcome views on whether there are alternative approaches that could be considered (including maintaining the status quo) which meet the principles of simplification and value for money; if so, how might they work?**

No Comment

**Question fifteen: paragraph 44**

*In paragraph 44, we discuss possible changes to the way the programme weighting is used, perhaps with a standard programme weighting applied across a sector subject area.*

**Q15. We welcome views on how this might be achieved, and whether its benefits would justify the change**

Benefits would be justified if it could focus on the skills needed for the workforce locally.

**Question sixteen: paragraph 48**

*Paragraphs 47 and 48 discuss the possibility of there being a different but related basis for determining funding rates for Apprenticeships compared with other provision*

**Q16. Should there be a different approach to setting rates for post 19 Apprenticeships?**

Yes       No

It should follow the same principles for the funding for 16-18 yr old Apprenticeships.

Standard assumptions seem sensible.  
Need to involve SMEs more with SSCs and also ensure there is genuine feedback from learners and employers about provision being offered.

### **Question seventeen: paragraph 51**

*In paragraphs 49-51 we describe a possible future system in which the provider factor is more transparent.*

**Q17. We welcome views on whether there are other elements of the provider factor that could be removed / simplified in light of the proposed approach to allocations, rates and funding?**

No Comment

### **Question eighteen: paragraph 52**

*In paragraph 52 we describe possible future systems for funding allocations, with option 1 including adjusting the overall budget based on the previous year's delivery, adjusted for quality and responsiveness, and option 2 including core and marginal funding.*

**Q18. We welcome views on the options – including how we could use the approach to marginal funding to reward good performance in delivering quality outcomes in response to learner and employer needs.**

Option 2 sounds better, but would increase the process administration and might damage partnerships at a local level.

### **Question nineteen and twenty: paragraph 55**

*In paragraphs 53-55, we describe how currently 8% of Skills Funding Agency funding goes to 778 providers with allocations of less than £1m, and suggest an approach to minimum contract levels to reduce the number of direct contractual relationships between colleges and training organisations and the Skills Funding Agency.*

**Q19. Should some areas of provision and/or types of provider be exempt from minimum contract levels?**

Yes       No

Local Authorities should not have to subcontract through a provider  
Any minimum contract value should include YPLA funded delivery otherwise some large 16-18 FL providers who have smaller adult work could suffer and that could affect the 16-18 provision.

Care needs to be taken to ensure a MCV would not eliminate small specialised providers from the market or put barriers up to new entrants.

We agree with the following statement from LEA FEA:

*“LEA FEA recognises that the Skills Funding Agency needs to streamline its operations in the interests of cost and efficiency and appreciates that in many instances a system of minimum of contract levels will be a useful approach to this. At the same time such a move will see a greater concentration of power in the hands of fewer and larger organisations – which is surely contrary to the ideals of the Big Society. Nevertheless, we see no obvious reason why the ASL budget per se should be exempted from this approach if it is adopted but we do envisage considerable difficulties if the approach were to be applied to local authorities in their role of Skills Funding Agency contract holders.”*

**Q20. We welcome views on what the “right” minimum level might be.**

If a minimum contract value is a given, £1000000 sounds right, but needs to include any 16-18 government funded provision –the more sensible route would be to have 1 government funding body for all skills training not delivered in schools – potentially including HE as well given a lot of Colleges and training providers now deliver Foundation degrees.

**Question twenty-one: paragraph 57**

*In paragraphs 56 and 57 we describe a possible future system involving sub-contracting and actions to ensure this is efficient and mitigate any risks.*

**Q21. We welcome views on the risks of greater sub-contracting, what can we and the sector do to minimise those.**

We believe sub contracting could have a serious effect and remove from the market some smaller, more specialised providers, but also put a barrier to new providers entering the market.

A move on the part of the Skills Funding Agency from managing a large number of small contracts to monitoring the management of an equally large number of small sub contracts is unlikely to achieve the sort of streamlined approach intended.

**Question twenty-two: paragraph 66**

*In paragraphs 61-66, we describe a system in which colleges and training organisations are accountable to learners and employers through provision of information, including on outcomes.*

**Q22. Do you think it would be reasonable to expect this information to be publicly available on a monthly or quarterly basis?**

Monthly  Quarterly

From contract management Monthly makes sense, but public do not need this so frequently.

**Question twenty-three: paragraph 68**

*In paragraphs 67 and 68 we reflect on the impact of changes in the consultation on the potential to reduce data burdens for colleges and training organisations.*

**Q23. We welcome views on the extent to which the proposals in this document help to reduce the burden of data collection? Are there other areas that need attention?**

Yes, the differing paperwork and processes used for skills programmes funded from DWP through JCP than that of DBIS.

**Question twenty-four: paragraph 69**

*In paragraph 69 we describe a payment system for colleges and training organisations with introduction of automated contract adjustment.*

**Q24. We welcome views on whether there are other changes that would promote simplification and better value for money.**

If only contracting with bodies over £X Million, why have different funding models between Colleges and Providers?

### **Question twenty-five: paragraph 72**

*In paragraphs 70-72 we describe a possible future system in which a single audit framework using internal and external audits colleges and training organisations are already required to use remove the need for Skills Funding Agency audit.*

**Q25. We welcome views on the existing aspects of the audit approach that would need to be included in a framework for use by external auditors? Are there alternative approaches to build on existing practice?**

The SFA has responsibility for the Audit of the FE Estate – however in some cases these Colleges are over 80% 16-18 provision, better communication is needed with the LA who are responsible for commissioning the 16-18 provision to ensure they are fully aware of any Audit findings that could affect the 16-18 provision.

### **Question twenty-six: General**

*As a general question:*

**Q26. We welcome views on whether there are any other areas not covered in this document that could realise significant efficiencies if we simplified or streamlined.**

Merge the YPLA and SFA responsibilities into 1 body so we have 1 funding body and not 2 separate government agency's / bodies when we are trying to get something resolved.

### **Question twenty-seven: General**

*As a general question*

**Q27. Are these changes suitable to be taken forward specifically for 19+ provision?**

Yes       No

Need to include 16-18 non school provision so colleges, providers and LA's are only dealing with 1 system.

## Question twenty- eight: Implementation

*As a general question*

**We would welcome your views on the key considerations that we need to take into account when implementing any changes.**

Ensure no loss of service to the customers – the learners and employers.

**Do you have any other comments that might aid the consultation process as a whole?**

Thank you for taking the time to let us have your views. We do not intend to acknowledge receipt of individual responses unless you tick the box below.

Please acknowledge this reply

**AGENDA MANAGEMENT SHEET**

**Name of Committee**                      **Leader & Portfolio Holder Decision Making**

**Date of Committee**                      **5<sup>th</sup> October 2010**

**Report Title**                                **Response to the School Funding Consultation 2011/12: Introducing a Pupil Premium**

**Summary**                                    The report seeks approval to submit a response, attached as Appendix 1, to the Department for Education document entitled "Consultation on School Funding 2011-12 – Introducing A Pupil Premium".

**For further information please contact:**                      John Betts  
Head of Corporate Finance  
Tel: 01926 412441  
johnbetts@warwickshire.gov.uk

**Would the recommended decision be contrary to the Budget and Policy Framework? [please identify relevant plan/budget provision]**                      No

**Background papers**                      Consultation on School Funding 2011-12 – Introducing a Pupil Premium (Department of Education)

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

- Other Committees                       .....
- Local Member(s)                       .....
- Other Elected Members                       Cllr Tandy, Cllr Roodhouse, Cllr Saint
- Cabinet Member                       Cllr Farnell, Cllr Heatley, Cllr Wright, Cllr Timms
- Chief Executive                       .....
- Legal



- Finance  Dave Clarke – reporting officer
- Other Chief Officers  Marion Davis - reporting officer
- District Councils  .....
- Health Authority  .....
- Police  .....
- Other Bodies/Individuals

***FINAL DECISION***                      **YES**

**Leader & Portfolio Holder Decision Making – 05  
October 2010**

**Response to the School Funding Consultation  
2011/12: Introducing a Pupil Premium**

**Report of the Strategic Director, Resources & the  
Strategic Director, Children, Young People & Families**

**Recommendation:**

To agree the report below to the Department for Education Consultation on School Funding 2011-12, attached as Appendix 1, as the formal response from Warwickshire County Council.

**1. Introduction**

- 1.1 The Department for Education (DfE) has launched a consultation on the distribution of funding for schools in 2011/12. The consultation closes on 18 October 2010. The consultation puts forward options for how a pupil premium for disadvantaged pupils (providing additional funding) should operate and seeks views on the overall funding methodology for next year.
- 1.2 The DfE have not provided any details of the financial implications of these proposals, so it is difficult to state with any precision their impact. The rest of this report summarises the key issues arising from the consultation for Warwickshire schools and childrens services and the likely implications. The text in italics provides a commentary on the likely impact for the Local Authority and its schools.
- 1.3 The proposed formal response to the consultation is attached as **Appendix 1**.

**2. Introducing a Pupil Premium for Disadvantaged Pupils**

- 2.1 The Government's commitment to a pupil premium for disadvantaged pupils from Reception to Year 11 was outlined in the coalition agreement. It involves targeting additional funding to schools for individual deprived pupils. In order to manage the implementation of the pupil premium, the DfE propose retaining the current spend-plus methodology for allocating funding via the Dedicated Schools Grant (DSG) for 2011/12. The "spend plus" methodology

involves ensuring that the spending levels of authorities who invested more in education than the national grant formula implied is continued. In the longer term, the Government wishes to introduce a simpler and more transparent distribution mechanism.

- 2.2 *Warwickshire would support the general continuation of the “spend plus” methodology as historically some Local Authorities such as Warwickshire had put more of their own money into education (than that estimated necessary by Whitehall) and for that funding to be directed elsewhere is perceived here as unfair. Local levels of investment in school funding are an example of ‘localism’. If resources are redistributed then it would be unfair if Warwickshire pupils are disadvantaged, as local taxpayers have previously paid to contribute to this level of education.*
- 2.3 The size of the premium will vary between areas to reflect current differences in funding, ensuring that more money is available for currently lower funded authorities. Over time, this will mean that the same amount of funding will be available for deprived children no matter where they are. The pupil premium will be distributed via a specific grant, outside DSG.
- 2.4 *Warwickshire would support this approach as currently it receives a relatively low level of funding from the Department for Education, despite facing many of the same pressures as other, better funded authorities. It is also helpful for this to be funded from outside DSG, as it should provide additional targeted funding above a basic entitlement, although there is no indication as yet on where the money will come from.*
- 2.5 The grant will be paid to local authorities based on figures from the January school census. The conditions of the grant will require the total amount for each relevant pupil to be passed on to schools using defined per pupil amounts. An Area Cost Adjustment (to reflect additional local cost pressures) will be applied to the pupil premium. The Government proposes using an approach which takes into account teachers pay bands, such as the ‘hybrid’ approach outlined in the consultation on the DSG review.
- 2.6 *Although the “hybrid” methodology is likely to slightly disadvantage Warwickshire, the link to teachers pay bands is a sensible reflection of the likely pressure on recruitment (and associated employee costs) and so should be supported.*

#### Deprivation Indicators for the Pupil Premium

- 2.7 The consultation proposes three different options for a deprivation indicator, which could be used to distribute the premium: Free School Meals eligibility; a Tax Credit Indicator and Commercial classification software (such as ACORN or Mosaic) which are designed to identify groups of households based on consumer behaviour.
- 2.8 *The differences in measures of deprivation are unlikely to have a major impact on Warwickshire, as they all tend to “rank” the authority, compared*

*with all other authorities, in a similar place. Warwickshire would benefit slightly more from a Free School Meals indicator than a Tax Credit Indicator. Although Free School Meals as an indicator has been criticised previously (the perceived stigma may preclude disadvantaged families taking up free meals), there are problems with commercial software (in terms of access to commercially sensitive data) and the timeliness of tax credit indicators (in terms of the rate at which it is collected and updated and mapped).*

#### Pupil Premium for Looked After Children

- 2.9 The consultation proposes a separate pupil premium to address the level of attainment of Looked After Children (LAC). The nature of care arrangements means many LAC would not be included in the proposed deprivation indicators. DfE propose to fund the authority which is responsible for the care of the child, rather than the authority in which the child is educated; around 30% of LAC attend school in a different authority. Each local authority would receive funding based on the number of children looked after for six months or more in the previous financial year. Funding would then be passed on to the schools which are educating those pupils, whichever authority they are located in.
- 2.10 *Warwickshire strongly supports this proposal, given the current attainment levels (both nationally and locally) of this particular group. However, it would be keen to ensure that there is some sort of direct accountability to ensure that schools spend scarce resources on the pupils for which it is intended.*

#### Pupil Premium for Service Children

- 2.11 The consultation also proposes introducing a premium for children of parents in the armed forces. There are additional costs associated with service children such as initial assessments and additional administrative work, which result from the high turnover of such pupils. The attainment of service children is at least as good as non-service children, therefore, the premium, if implemented, will be at a lower level than for deprived children.
- 2.12 *Warwickshire would also support this proposal.*

### **3. Methodology for Allocating School Funding for 2011/12**

- 3.1 The DfE's main priority in the short-term is for the smooth introduction of the pupil premium. Consequently no major changes are proposed to the current allocation methodology for DSG. However, DfE intend to mainstream 'relevant grants' into DSG. This is likely to include at a minimum School Development Grant, Schools Standards Grant and School Standards Grant (Personalisation).
- 3.2 *As noted earlier, Warwickshire generally supports no major changes to the funding system until issues such as locally set revenue investment levels in education and childrens services are adequately addressed. The mainstreaming of relevant grants is welcomes as long as it simplifies funding*

*streams and maximises the ability of schools to use resources flexibly to meet key outcomes. However, it should not be used to disguise reductions in funding levels.*

### Early Years Funding

- 3.3 At present the actual number of 3 year olds who take up a part-time entitlement place or an amount equivalent to 90% of the 3 year old population, whichever figure is higher, attract funding via the DSG. The consultation proposes funding all authorities based on actual take-up in 2011. Although this would not alter the overall level of funding available, it would slightly increase the *per pupil* unit funding for all authorities. All local authorities will be required to implement a Single Funding Formula for early years funding from April 2011.
- 3.4 *Warwickshire already has take up in excess of 90% and takes the view that authorities have had sufficient time to encourage take up to this level. It should not be disadvantaged financially by authorities who have not placed due emphasis on the importance of early years. The decision by Government to enforce the early years formula vindicates Warwickshire's decision to implement early.*

### Pupil Referral Unit Dual Registrations

- 3.5 Before the new Pupil Referral Unit (PRU) census was introduced in 2010 it was not possible to differentiate between those pupils with a dual main registration and those with a dual subsidiary registration. Consequently, some PRU pupils were double funded. Data on the type of registration is now available and the consultation proposes funding authorities only for pupils with dual main registration.
- 3.6 *Warwickshire has encouraged dual registration as a mechanism for ensuring appropriate support for those pupils who require such an approach. It seems sensible to ensure that only main dual registration should be funded, as subsidiary registration is unlikely to require the same level of funding.*

### Funding for Schools Affected by Armed Forces Movements

- 3.7 The previous DSG consultation proposed allowing local authorities with schools near military establishments to make a claim for additional pupils to be counted for DSG purposes, if numbers had fallen significantly from the previous year as a result of armed forces movements. The proposal was strongly supported in responses to the previous consultation and therefore the Government propose to introduce this arrangement from 2011.
- 3.8 *Although this is not a major issue across Warwickshire (it tends to be focussed on a small area in North Warwickshire) this proposal is supported.*

### Home Educated Pupils

- 3.10 The consultation proposes introducing funding for local authorities for those pupils educated at home, if the authority provides services to such pupils, for example access to school facilities or payment for exam entry fees. It is proposed authorities would be able to claim for 10% of the per pupil funding unit.
- 3.11 *This is supported, as it reflects the additional costs faced by Authorities supporting and pupils educated at home.*

DAVID CLARKE  
Strategic Director for Resources

MARION DAVIS  
Strategic Director for Children,  
Young People and Families

Shire Hall  
Warwick  
September 2010

# Consultation on School Funding 2011-12: Introducing a Pupil Premium

## Consultation Response Form

The closing date for this consultation is: 18  
October 2010

Your comments must reach us by that date.

**THIS FORM IS NOT INTERACTIVE. If you wish to respond electronically please use the online response facility available on the Department for Education e-consultation website (<http://www.education.gov.uk/consultations>).**

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the access to information regimes, primarily the Freedom of Information Act 2000 and the Data Protection Act 1998.

If you want all, or any part, of your response to be treated as confidential, please explain why you consider it to be confidential.

If a request for disclosure of the information you have provided is received, your explanation about why you consider it to be confidential will be taken into account, but no assurance can be given that confidentiality can be maintained. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data (name and address and any other identifying material) in accordance with the Data Protection Act 1998, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

**Please tick if you want us to keep your response confidential.**

Reason for confidentiality:

Name	John Betts
Organisation (if applicable)	Warwickshire County Council
Address:	Corporate Finance PO Box 3, Shire Hall Warwick CV34 4RH



If your enquiry is related to the policy content of the consultation you can contact either:

Juliet Yates on: telephone: 020 7340 8313 e-mail:

[juliet.yates@education.gsi.gov.uk](mailto:juliet.yates@education.gsi.gov.uk), or

Ian McVicar on: telephone: 020 7340 7980 e-mail:

[ian.mcvicar@education.gsi.gov.uk](mailto:ian.mcvicar@education.gsi.gov.uk)

If you have a query relating to the consultation process you can contact the Consultation Unit on telephone: 0870 000 2288 or email:

[consultation.unit@education.gsi.gov.uk](mailto:consultation.unit@education.gsi.gov.uk)

Please select **ONE** category which best describes you as a respondent:

<input type="checkbox"/> School	<input type="checkbox"/> Schools Forum	<input type="checkbox"/> Governor Association
<input type="checkbox"/> Teacher	<input type="checkbox"/> Local Authority Group	<input checked="" type="checkbox"/> Individual Local Authority
<input type="checkbox"/> Teacher Association	<input type="checkbox"/> Other Trade Union/Professional Body	<input type="checkbox"/> Early Years Setting
<input type="checkbox"/> Campaign Group	<input type="checkbox"/> Parent/Carer	<input type="checkbox"/> Other

Please Specify:

Warwickshire County Council

1 Do you agree it is right to give a higher premium to areas that currently receive less per pupil funding? [Paras 24 - 27]

Yes

No

Not Sure

Comments:

Warwickshire would support this approach as currently it receives a relatively low level of funding from the Department for Education, despite facing many of the same pressures as other, better funded authorities. Whilst the proposal to equalise funding levels for deprivation is welcome, Warwickshire would also hope to see a more fundamental review that acknowledged historical levels of investment in education raised locally whilst ensuring that relative levels of total education funding need to be brought closer together to ensure that all pupils have a basic entitlement.

2 What is your preferred deprivation indicator for allocating the pupil premium? [Paras 29 - 50]

<input type="checkbox"/> FSM - in year	<input type="checkbox"/> FSM ever - 3 year	<input type="checkbox"/> FSM ever - 6 year
<input type="checkbox"/> Out of Work Tax Credit	<input type="checkbox"/> ACORN/MOSAIC	<input type="checkbox"/> Other (not listed)
<input checked="" type="checkbox"/> Not Sure		

Comments:

Although there are drawbacks to the Free School Meals indicator, Warwickshire would support its continuation, but has no particular view on how to calculate the indicator. However, if FSM is to be used, eligibility irrespective of parental responses, should form the basis of the measure. We are also keen to emphasise that any proxy measure of additional educational needs due to deprivation needs to be sensitive enough to identify pockets of deprivation in a larger Authority. Any approach which creates an average across a broad and complex area as any County Council is not adequate. For example in Warwickshire we need to support pupils from a wide variety of backgrounds including those from the 10% most disadvantaged (based on Index of Multiple Deprivation 2007).

3 Do you agree the coverage of the pupil premium should include Looked After Children? [Paras 51 - 54]

<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Not Sure
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Comments:

Warwickshire strongly supports this proposal, given the current attainment levels (both nationally and locally) of this particular group. However, it would be keen to ensure that there is some sort of direct accountability to ensure that schools spend scarce resources on the pupils for which it is intended.

4 What are your views on the operation of the Looked After Children element of the pupil premium? In particular, how might the funding arrangements work at

local authority level for pupils educated outside of the local authority with caring responsibility? [Paras 55 - 60]

Comments:

Warwickshire supports the extension of the coverage of the pupil premium to Looked After Children, but has no strong views on the precise operation of the funding arrangement.

5 Do you think the coverage of the pupil premium should be extended to include additional support for Service children? [Paras 61 - 66]

Yes

No

Not Sure

Comments:

Warwickshire strongly supports this proposal. Authorities need to sustain school provision near barracks and need to be able to provide security of funding to these schools. This principle should also apply to provision of places for 3 and 4 years olds where nurseries may need to be maintained for periods when numbers of children fall.

6 Should the pupil count for three year olds, used to allocate DSG for 2011-12, reflect actual take up or continue to reflect a minimum of 90% participation where lower? [Paras 75 - 76]

Actual Take-Up

90% Minimum

Not Sure

Comments:

Warwickshire takes the view that all authorities have now had sufficient time to encourage take up to 90% and the financial distribution should not disadvantage those authorities who have focussed on this area by effectively subsidising those authorities who have not placed due emphasis on the importance of early years.

7 Should the pupil count used to allocate DSG for 2011-12 continue to reflect dual subsidiary registrations for pupils at pupil referral units? [Paras 77 - 78]

Yes

No

Not Sure

Comments:

Warwickshire has encouraged dual registration as a mechanism for ensuring appropriate support for those pupils who require such an approach. It seems sensible to ensure that only main dual registration should be funded, as subsidiary registration is unlikely to require the same level of funding.

8 Do you support our proposals for additional support for schools catering for Service children? [Para 79]

Yes

No

Not Sure

Comments:

No further comments (beyond that highlighted in response to Question 5).

9 Do you support our proposals for home educated pupils? [Para 80]

Yes

No

Not Sure

Comments:

No further comments.

10 Do you think that there should be a cash floor at local authority level in 2011-12? [Para 85]

Yes

No

Not Sure

Comments:

Warwickshire has consistently criticised the Minimum Funding Guarantee (MFG) for running counter to local priorities (as expressed in the local schools formula) and this acts as a cash floor for schools, so we continue to lobby for its abolition. However, there must be recognition that removing the MFG (or any other funding) takes time, so to avoid undue turbulence, an immediate withdrawal of any cash floor is not appropriate for 2011-12.

11 Have you any further comments?

Comments:

Warwickshire would support the general continuation of the "spend plus" methodology as historically some Local Authorities such as Warwickshire had put more of their own money into education (than that estimated necessary by Whitehall) and for that funding to be directed elsewhere is perceived here as unfair. Local levels of investment in school funding are an example of 'localism'. If resources are redistributed then Warwickshire pupils should not be disadvantaged, as local taxpayers have previously paid to contribute to this level of education.

It is important that Authorities are given an indication of the impact of the proposed funding changes as soon as possible in order to support planning for individual schools and support services.

Thank you for taking the time to let us have your views. We do not intend to acknowledge individual responses unless you place an 'X' in the box below.

**Please acknowledge this reply**

Here at the Department for Education we carry out our research on many different topics and consultations. As your views are valuable to us, would it be alright if we were to contact you again from time to time either for research or to send through consultation documents?

Yes  No

All DfE public consultations are required to conform to the following criteria within the Government Code of Practice on Consultation:

Criterion 1: Formal consultation should take place at a stage when there is scope to influence the policy outcome.

Criterion 2: Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible.

Criterion 3: Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals.

Criterion 4: Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach.

Criterion 5: Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained.

Criterion 6: Consultation responses should be analysed carefully and clear feedback should be provided to participants following the consultation.

Criterion 7: Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience.

If you have any comments on how DfE consultations are conducted, please contact Donna Harrison, DfE Consultation Co-ordinator, tel: 01928 794304 / email: [donna.harrison@education.gsi.gov.uk](mailto:donna.harrison@education.gsi.gov.uk)



**Thank you for taking time to respond to this consultation.**

Completed questionnaires and other responses should be sent to the address shown below by 18 October 2010

Send by post to: School Funding Consultation 2011-12, Funding and Technology Unit, Department for Education, Level 3, Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

Send by e-mail to: [dsg.consultation@education.gsi.gov.uk](mailto:dsg.consultation@education.gsi.gov.uk)