



Title: **Needs and redistribution technical working group (13:30-15:30)**

Date: **Tuesday 16<sup>th</sup> January 2018**

Venue: **2 Marsham St, London, SW1P 4DF**

## 1. Introductions

1.1. A full attendance list is attached as an Annex to this note.

## 2. Actions and matters arising from previous meeting

2.1. The chair, Aivaras Statkevicius, ran through the [minutes from November's TWG meeting](#). Nicola Morton provided some clarifying comments at sections 4.6 and 4.24, and the group agreed the minutes.

## 3. Programme update - MHCLG

3.1. MHCLG presented a programme update:

### i) Forward look on TWG meetings

3.2. There was a discussion on the forward plan for the group, with deprivation thought to be a key issue to revisit in future. MHCLG confirmed March's meeting would focus on Adult Social Care, relative resources and provide an update on the Children's Services research project, with an opportunity for questions from the group.

**Action: MHCLG/LGA will review the forward plan for future TWG meetings.**

### ii) Technical consultation on relative need

3.3. MHCLG published a 12 week technical consultation on relative needs alongside the provisional local government finance settlement which will close on 12 March. The LGA confirmed that alongside the consultation a series of joint LGA/MHCLG regional workshop events were being planned, with further details to follow.

3.4. MHCLG provided an overview of an academic seminar scheduled on 18 January with various sector specialists, think tanks and other government departments due to attend. The group discussed attendees and Duncan Whitfield agreed to attend as the ALATs representative.

**Action: MHCLG will provide a read-out of the seminar in the next meeting.**

## 4. Overview of statistical techniques (NR TWG 18-01)- MHCLG

### Discussion paper on an alternative to regression (NR TWG 18-02) - SCT

4.1. MHCLG presented an [overview of statistical techniques](#), which summarised the available analytical techniques that could be used to weight cost drivers in a formula, along with the pros and cons of each option. The paper highlighted the important role

these techniques play in a relative needs assessment by providing an objective way of 'weighting' cost drivers in funding formulas, without having to rely on subjective judgement.

- 4.2. MHCLG clarified that there are inherent pros and cons of any statistical methodology, and that it is important to assess the best available method for any given scenario. MHCLG reminded the group that there may be compromises on some fronts, for example the degree of simplicity and / or transparency gained. MHCLG commented that it would be considering all available methods, including multi-level modelling, and that the current consultation sought wider views on this issue.
- 4.3. The group discussed the use of RO data, and how outliers would be treated, whether regression models needed to be linear, and whether other techniques such as logarithms could be used to smooth the data. There were comments on the relationship with simplicity if data processing was less easily understood and the group recognised the importance of maintaining a connection between local circumstances and funding levels.
- 4.4. Some members asked whether current funding allocations could be perpetuated if an outcomes-based method was adopted, and others felt that this could give rise to perverse incentives. MHCLG explained that expenditure based regression (EBR) provides an incentive for local authorities to find efficiencies as there is no link between individual authorities' spending and subsequent funding levels.
- 4.5. There was further discussion on simplicity and how this relates to the techniques available. It was suggested that some components, such as principal factor analysis, were less transparent than others and could be difficult to explain.
- 4.6. The group pointed out the importance data updates in areas such as social care, and the need for future proofing of the formula. However they acknowledged that there are factors that are difficult to predict, which can have a large impact on relative need.
- 4.7. The SCT presented a [discussion paper on alternatives to regression](#), detailing their views on the use of EBR. The SCT proposed an alternative method to weight cost drivers, which could be used to 'sense-check' the values assigned by statistical techniques. The SCT suggested this could be done by consulting sector experts, who could use their knowledge and experience to determine what drives costs in service areas and the relative importance of those drivers.
- 4.8. The group discussed the necessity of finding and incorporating only the factors that drive costs. The consensus view was that this should not be based on what is spent but authorities' *need* to spend, using data that cannot be directly influenced by authorities.
- 4.9. In response to comments by the group on using the best techniques available, MHCLG replied that it was important to involve local authorities in this process to sense-check ideas as the review proceeds. MHCLG reiterated that there would need to be a balance between a simplified approach and more sophistication, and that it would be important to balance the pros and cons of each methodology going forward.

## 5. Summary of potential analytical options (NR TWG 18-03) – MHCLG

- 5.1. MHCLG presented the discussion paper '[Summary of potential analytical options](#),' which summarised the analytical work conducted so far on the service areas set out in the recently published consultation. MHCLG explained the approach being taken to determine a list of 'carry forward' options and the current leading options for each of these.
- 5.2. The group discussed the service areas mentioned and the leading analytical options. Homelessness and housing support were suggested as areas that may require specific treatment under the review. The use of EBR was contrasted with the use of judgement, and the difficulty in gaining agreement from a panel of sector experts on the weightings for formulas was raised. There was a suggestion that starting with analytical techniques and building on this with sector experts may be a good solution. The group agreed that whilst using views of experts from the sector would not on their own provide a more robust basis than analytical techniques, they could provide a useful 'sense check' to compliment the application of those techniques.
- 5.3. MHCLG summarised that the important question was how to weight cost drivers, and ensure the objectivity of cost drivers so that they are not subject to local authority policy decisions. Some members felt it was important to incentivise good behaviour, for example preventative spending, and suggested the formula should address this, and prevent perverse incentives.

## 6. Any other business:

- 6.1. A [read-out from the meeting](#) for public use was agreed.

Annex: Meeting attendees

<b>Attendee</b>	<b>Organisation</b>
Aivaras Statkevičius (Chair)	LGA
Nicola Morton	LGA
Stuart Hoggan	MHCLG
Trefor Henman	MHCLG
Charlie Coleman	MHCLG
Emily Gascoigne	MHCLG
Henry Ogden	MHCLG
Stephen Smith	MHCLG
Matthew Mitchell	MHCLG
Anne Charlton	MHCLG
Helen Lucas	MHCLG
Chris Tambini	SCT
Nikki Bishop	SMT
Nick Eveleigh	SDCT
Duncan Whitfield	SLT
Alan Cross	SUT
Dave Shipton	CCN
Graham Soulsby	East Mids
Dan Bates	RSN
Geoff Winterbottom	SIGOMA
Paul Honeyben (apologies) Substitute: Peter O'Connell	London Councils
Carla-Maria Heath	IRRV
Jenny Owens	SCT Analysis Unit
David Northey	South West
Mike Griffiths	Fire and Rescue Authorities
<b>By Telephone</b>	
Paul Woods (apologies) Substitute: John Hewitt	NECA
Sally Marshall	DCN
James Walton	Rural Councils