



Title: **Needs and redistribution technical working group (13:00-15:00)**

Date: **10 July 2018**

Venue: **MHCLG, 2 Marsham Street, London**

1. Introductions

1.1. A full attendance list is attached as an Annex to this note. Unfortunately technical issues on the day meant that dial-in facilities were unavailable for members.

2. Children's Services Research – MHCLG

2.1. MHCLG presented a verbal update on the Children's Services Research multi-level model. National Pupil Database (NPD) data has been received by contractors and is very good, with over 10.5 million individual children's records after data cleaning and validation. MHCLG explained that the next stages of this work are to continue to interrogate the data and draw up a shortlist of variables to test in the modelling, and that LG Futures are also ready to start data collection on potential costs in areas of high demand. MHCLG stated that it will be collecting a relatively small amount of data from authorities, primarily a list of home Lower Super Output Areas (LSOAs) for looked-after children, as it currently only has data on where they are resident while looked after. MHCLG said that LG Futures will be in touch with local authorities with information on when and how this will be done shortly.

2.2. Members asked how the model would correlate with LA costs, and enquired about the quality of the data used. MHCLG explained that the model would be built on data obtained from the NPD and LAs. MHCLG said that the NPD data would be used to build the 'needs' element of the model based on the propensity of different types of children to access social care services (averaged across the country). In order to derive local authority 'needs', authority level inputs, such as ONS socioeconomic data and Income Deprivation Affecting Children Index, would be fed into the model.

3. Discussion paper on the Area Cost Adjustment (NR TWG 18-14) – MHCLG

3.1. MHCLG presented a [discussion paper on the Area Cost Adjustment \(ACA\)](#) which suggested that the ACA continues to adjust for the LCA (including treatment of national pay awards) and RCA (including a measure of the differences in building costs), with additional adjustments to account for accessibility - the impact of sparsity and density on journey times - and remoteness. The paper also highlighted leading options for implementing the ACA, including how to weight different factors in the ACA and the use of district-level geography.

3.2. The group mentioned that services outsourced to external providers may not be included in the measurement of the RCA, thus causing a difference in valuation of the RCA for individual LAs where this forms a significant proportion of their service provision. Members highlighted that assets may also be a smaller proportion of spend

where LAs had sold these, hence they may receive a lower RCA. MHCLG replied that the LCA and RCA aspects of the adjustment would reflect the cost of outsourced services, and that the LCA would include a measure of all employees in the local labour market to reflect the general labour market approach.

- 3.3. Some members pointed out that some services are carried out outside of the LA boundary and that it is important that these LAs are not overfunded for this reason. There was a suggestion that this could link in with Children's Services research and that the research could inform the approach to the ACA. Members also suggested that it would reduce complexity if the ACA sits within each service area separately, and that this could allow bespoke approaches to each services area, e.g. less labour costs in Highways Maintenance. MHCLG noted that this will be reflected by the weighting as the ACA will only apply to the proportion of expenditure that is spent on labour costs
- 3.4. The group also discussed taking away the LCA 'floor', and whether national pay bargaining would affect this.
- 3.5. Some members asked whether differing abilities to raise income (e.g. parking income) would be taken into account in the ACA MHCLG replied that the purpose of the ACA is to reflect multiplicative factors which affect the cost of providing services or delivering an intervention. This is applied to the relative needs assessment; other sources of income, such as parking surplus, would be considered through the review's treatment of relative resources and this had been discussed at an earlier TWG meeting.
- 3.6. The group noted the importance of evidence to support the approach to the ACA, and it was suggested that new full data on wages collected by LAs could be helpful in 'sense checking' the analytical results from using ASHE data. Members also discussed the weighting of factors in the ACA and supported an evidence-based approach.
- 3.7. The group discussed the new proposals for measurement of accessibility and remoteness, and were encouraged that it could account for both sparsity and density, and that this is evidence-based. Members wondered whether this would make the inclusion of sparsity or density as cost drivers unnecessary, and suggested that any 'double counting' should be avoided. Members asked whether there would be a proxy for LA 'hubs,' and MHCLG replied that these were the ONS/Defra definition of 'Hub towns' and that these were towns with a population of over 10,000. Members asked whether they could see this data. MHCLG replied that some of the underlying data was published by DfT and that data augmented by DfT and Defra was used to increase the accuracy. They would draw this data to the attention of the group.

Action: MHCLG to provide links to data published by DfT on journey times

- 3.8. The chair noted support for the broad approach, and that the ACA would be revisited in due course.

4. Discussion paper on transitional arrangements (NR TWG 18-13) – MHCLG

- 4.1. MHCLG presented a [discussion paper on transitional arrangements](#), which proposed a set of principles to support the design of transition arrangements, and sought views on how the baseline for the purposes of transition should be established (and what factors should be taken into account).

- 4.2. The group recognised that more detailed work on this area could only be completed once the approach to relative needs and resources was settled. However the opportunity to hold an early discussion on this issue was welcomed, along with the review's aim to have separate, transparent transitional arrangements.
- 4.3. More members of the group indicated that it would be desirable to frame transition in a neutral way for both winner and losers. Contrasting views were expressed on the speed of any transitional period; some members felt that the priority was to move 'underfunded' authorities to their new target allocations as quickly as possible. Other members thought a longer timeframe may be more appropriate, and that moving too fast could impact the financial stability of relative 'losers.'
- 4.4. The group highlighted some wider links to local government finance policy that may have a bearing on the approach to transition e.g. the treatment of business rates growth, one-off BRR pilot benefits and council tax referendum principles. MHCLG acknowledged that there were a number of changes taking place in 2020-21 and that the overall approach to transition needed to be coherent.
- 4.5. The chair summarised the discussion by stating that members suggested more neutral treatment is needed for 'winners' or 'losers' under the new methodology, that authorities should move to their target allocations as soon as practicable, and noted the link to wider LGF policies.

5. Discussion paper on Legacy Capital Finance by MHCLG (NR TWG 18-12) - MHCLG

- 5.1. MHCLG presented a [discussion paper on possible approaches to accounting for Legacy Capital Finance](#). MHCLG asked for the group's views on whether to take account of actual or assumed debt, proposed a static interest rate going forward and asked for comments on whether this should be 'top-sliced' from the available resources.
- 5.2. Members recognised the challenges of using actual debt, and some suggested that there was no merit in doing so. The group wondered whether it would be possible to pay off the debt in order to simplify the overall methodology going forward. Members were also keen that LCF should be fully funded, and therefore top-sliced from the settlement and not scaled with the rest of the needs assessment.
- 5.3. The chair summarised the discussion by stating that members agreed this approach was along the right lines and supported top-slicing from the settlement.

6. Actions and matters arising from previous meeting

- 6.1. The [minutes from May 2018 TWG](#) meeting were agreed.
- 6.2. MHCLG provided a short verbal update on the current thinking on structure of the review, and commented that it would be looking to consult on needs, resources and transition in the autumn.
- 6.3. Members asked about the approach to Local Council Tax Support and Concessionary Travel. MHCLG responded that these areas were being investigated, and that this could be put on the future agenda.

Action: MHCLG to put Concessionary Travel on the agenda for discussion at a future meeting

7. Any other business:

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

Annex: Meeting attendees

Attendee	Representative organisation
Stuart Hoggan (Chair)	MHCLG
Stephanie Kvam	MHCLG
Trefor Henman	MHCLG
Emily Gascoigne	MHCLG
Henry Ogden	MHCLG
James Whitehouse-Hebbourn	MHCLG
Stephen Smith	MHCLG
John Bray	MHCLG
Matthew Mitchell	MHCLG
Helen Lucas	MHCLG
Callum Ward	MHCLG
Anne Charlton	MHCLG
Leon Clement	MHCLG
Mike Heiser	LGA
Tim Goodship	Defra
Chris Tambini	SCT
Carla-Maria Heath	IRRV
Mike Griffiths	NFCC
Paul Woods	NECA
David Northey	SUT
Sally Marshall	DCN
Mark Johnson	GLA
Dan Bates	RSN
Geoff Winterbottom	SIGOMA
Peter O'Connell (apologies) Substitute: Sam Swift	London Councils
Dave Shipton	CCN
Apologies	
Duncan Whitfield	SLT
Nikki Bishop	SMT
Stuart Fair	CIPFA
Simone Hines	SDCT
Jenny Owens (unable to dial-in)	SCT analysis unit