

Summary of the 28 March Fair Funding Review Technical Working Group meeting

Children's services formula work

MHCLG [provided an overview of the Children's Services research project](#) commissioned in partnership with DfE, which will be completed in mid-2019. The project is being run by LG Futures, in conjunction with the universities of Plymouth and Huddersfield.

The feasibility assessment resulted in two options being put forward for Children's Social Care (CSC), the largest aspect of the work - an area-based approach and a person-based research allocation approach (PBRA). In both cases a multi-level model would be built, based on data at LA-level and below. However, in the case of the PBRA approach, the initial data would be obtained from the National Pupil Database (NPD). The PBRA approach is MHCLG and DfE's current preferred option. A decision regarding which of the two options to pursue and when to approach LAs for data was expected in the next few weeks.

The group reflected on changes in the complexity of cases over time and the need to future-proof the model, the importance of measuring need rather than demand, and the requirement that there is no link between an LA's decision making and the allocations it receives. Some members of the group felt there was suppression of demand in certain areas of CSC, particularly in preventative care, and that there had been a move towards placing children out of area, increasing the cost of care. Some members also felt that deprivation was not only a driver for demand, but also for the cost of provision of CSC.

There were reminders from the group of the principles of simplicity and transparency in the review, and the aim to only add to the formula cost drivers that add significant incremental value.

Adult social care

The Department of Health and Social Care (DHSC) presented [a paper on the approach to Adult Social Care \(ASC\)](#). The paper introduced the new ASC RNF, developed in response to the Care Act 2014, as a leading option for the review. DHSC detailed the features of the new RNF, contrasting these with the current formula.

The new ASC RNF includes further observations, more recent data and uses new, relevant cost drivers introduced since implementation of the current formula, to closely match the ASC eligibility criteria. DHSC also drew out the relationship of the formula with other aspects of the review, such as taking deprivation and sparsity into account, as the formula proposes some reflection of both of these measures. DHSC noted the interaction with the on-going work on the Green Paper on Social Care.

Members asked questions on various aspects of the new RNF, including whether it was a disadvantage to use past data, or whether DWP benefits data had remained relatively stable over the previous period, suggesting it may be a reasonable indicator for future trends. DHSC also mentioned that the DWP data was the best measure of eligibility for ASC, and that more recent benefits data would be less correlated or could not be used due to Universal Credit roll-out. They confirmed that they would investigate the stability of DWP data in the past, compared to 2012/13 data.

The group acknowledged some of the benefits of the new RNF such as the increase in sample size used by the new formula, and some members felt that 2012/13 data with a more robust formula were more important than using more recent data. The group questioned why a 65+ age grouping was used, rather than an older age grouping (80/85+), however some members felt that a lower age grouping is a benefit as this would take into account differing healthy life expectancies around

the country. The higher cost associated with those moving from the 18-64 to the 65+ component with more limiting conditions was also mentioned.

Members of the group asked for further information on the new formula and background regarding the previous set of formulae. DHSC confirmed that they would circulate the academic research paper on the new formula to the group on a confidential basis.

Council tax adjustments

MHCLG presented a discussion paper regarding the [approach to relative resources](#) considering some of the factors affecting the council tax base (discounts, exemptions and premiums) and council tax levels (ASC precept, Parishes, Levying bodies and Freeze grant).

Members of the group pointed out the different conditions of the LCTS scheme for pensioners and for working age people. The group also felt the effect of tier responsibilities and the tier split should be considered, as upper tier authorities don't have control over the discounts and exemptions applied. The group also questioned how discretionary discounts would be taken into account, and whether this may generate perverse incentives. MHCLG stated that there had been assumptions made in past calculations over how to take into account discretionary discounts (e.g. the empty homes premium or second homes discounts), and that a similar system could be used going forward.

There was a general discussion on the use of notional council tax levels. The group noted that if notional levels are used, the effects of setting a particular notional level and the impact on referendum principles must be considered.

The group discussed the effects of different factors on the levels of council tax, particularly the ASC precept and the effect of Levying bodies. Some members felt that levies should not sit within the resources block, but should be treated separately, but that there was generally no need to adjust for levies. Some members also felt that if the ASC precept is taken into account, that this should not penalise authorities twice, through both less improved better care fund (iBCF) funding and business rates received. The question of 'fairness' for taxpayers was also raised.

The group agreed an adjustment for the mandatory council tax discounts should be made, but that decisions must be made on discretionary elements which avoid perverse incentives. MHCLG said that different types of levying bodies would be considered, along with their relation to the needs side, and adjustments would only be made to the notional council tax level if a strong case is made to do so, and the impact on tax payers would be considered.