Alongside the provisional 2018/19 local government finance settlement, the Government confirmed that it will aim to implement a fair funding review of relative needs and resources in April 2020. The results of the review will be used in forming the funding baselines of local authorities as part of the move to 75 per cent business rates retention. The deadline for consultation responses is 12 March 2018.

The Government also published a [consultation on the design of the relative needs assessment](https://www.gov.uk/government/consultations/fair-funding-review-a-review-of-relative-needs-and-resources), in particular:

* The extent to which a simple ‘foundation’ formula could be used to assess relative spending needs;
* Which services might require specific formulae to assess their relative spending needs;
* What cost drivers could be used in these formulae; and
* What analytical techniques could be used to give weightings to different cost drivers as well as the formulae against each other.

Overall, the content of the consultation is very similar to the issues set out at the most recent fair funding review away day and follows closely the progress of the discussions at the fair funding review technical working group meetings, as well as the design thinking proposed by the subgroup of the Association of Local Authority Treasurers’ Societies.

The consultation does not cover the relative resources adjustment, transition or other technical matters. These issues will be addressed through a series of technical papers throughout 2018.

MHCLG and LGA colleagues are in the process of organising a series of regional workshops to discuss the consultation and councils’ views in the second half of February 2018 and March 2019. These workshops will follow the previous two series of workshops in spring and autumn of 2017, attended by approximately 500 delegates altogether.

The Fair Funding Review technical working group met on 16 January. The papers are available [on the LGA website.](https://www.local.gov.uk/topics/finance-and-business-rates/business-rates-retention)

The meeting of the technical working group focussed on the best available statistical techniques that could be used to weight those cost drivers included in a relative needs formula against one another, in order to reflect their relative importance in determining local authorities’ ‘need to spend’.

Firstly, the members noted a paper by the Ministry of Housing, Communities and Local Government (MHCLG) which described the principles behind various statistical techniques that could be applied when developing relative needs formulae, such as expenditure-based regression, outcomes-based regression, multi-level modelling and others.

The members discussed and agreed in principle a proposal from the analysis unit of the Society of County Treasurers that an alternative way to identify cost drivers and derive weightings would be through consultation of focus groups and panels which could include finance professionals as well as service directors. The group noted while this approach is subject to its own advantages and disadvantages, it may be helpful in sense-testing the results of the statistical analysis.

Finally, the group discussed the current leading options for needs assessment for the specific service areas outlined in the Government’s consultation on relative needs. The group considered more sophisticated analytical techniques such as multi-level modelling, which may be appropriate for social care services. The group also reiterated support for ways to sense-test the conclusions of the statistical analysis.