

## **Note to technical working group (28 March 2018)**

### **Summary of recent regional events - LGA**

1. LGA and MHCLG officers jointly held six regional consultation events between 19 February and 20 March.
2. Events took place in Newcastle, Exeter, Birmingham, London, Cambridge and Manchester. In total, over 210 delegates signed up to attend.
3. Each of the events were run in a similar format:
  - a. An opening plenary to discuss the progress of the review in general terms, with an opportunity for delegates to raise points that are not necessarily directly related to the scope of the consultation.
  - b. A series of parallel discussions in smaller groups which went through the content of the consultation step by step. There were two separate discussion 'blocks':
    - i. One focussing on the concept and contents of the simple 'foundation' formula;
    - ii. Another focussing on service-specific formulas, and the analytical techniques that are available to weight cost drivers in a formula.
4. The input of delegates is considered to be part of the official consultation process and as such the points made will be fed directly into the work of the review.
5. The following is a summary of the most common points raised across the six events as captured by the LGA. LGA and MHCLG officers took notes of the discussions under 'Chatham House rules' which means that remarks are not attributable to particular delegates.

### **Key points: Foundation formula and common cost drivers**

- The foundation formula is likely to be largely driven by population, and may miss other cost drivers for areas such as health/social care. The general opinion was that people would support the idea of service specific formulas as well.

- There were concerns that a primarily population-driven formula could significantly result in large distributional changes and may not recognise prevention factors in service delivery.
- On the use of population forecasts and the frequency of updating data:
  - o Population statistics used in the formula could be updated regularly, which has the advantage of taking account of changes in relative need, but reduces financial certainty for local authorities. Using less frequent assessments could potentially provide more certainty for strategic planning.
  - o There were questions about the accuracy of ONS population projections, with a suggestion of looking at how accurate past projections were.
  - o Questions also arose as to whether population projections should be updated before a reset.
- There was broad agreement that it was important to focus on drivers of demand (e.g. number of people in need of a service) rather than the number of people actually receiving services, in order to avoid any perverse incentives and account for local policies / choices around service delivery.
- There was no significant objection to the idea that deprivation is a common cost driver. However, the discussions were focussed on the extent to which it also affects service-specific needs, such as children's services. There was an appetite for this not to be 'double-counted'.
- **Rurality:**
  - o Some delegates highlighted specific challenges in delivering services in rural areas e.g. remote populations, lack of private sector service providers, poor broadband etc. which are distinct from those in urban areas.
  - o However, there were also suggestions of looking at how/whether there are comparable arguments to be made in terms of densely populated areas.
  - o There was a debate about whether the impact of rurality is about the cost of a service or the demand it drives. It could be different in different services.
  - o There were different suggestions on how rurality could be measured. Examples of measures suggested included the current sparsity measure, the proportion of the population living in rural areas, journey times or use road lengths per head of population.
- **Area costs:**
  - o The discussions focussed on what should be taken into account, as different areas have different prices/markets.
  - o Particular points were made about the ratio between income and property prices.

- The impact of the National living wage was mentioned as a factor.

## **Key points – service-specific formulae and statistical techniques**

Suggested cost drivers and issues to consider:

- Adult social care:
  - Growing number of people with complex needs (physical, mental and learning disabilities) and their impact on cost of services
  - Age profile of population (e.g. number of children transitioning to adult social care) and impact of homelessness
  - Health and social care integration
  - Increasing role of district councils in prevention
- Children's services:
  - Need to be mindful that children of different ages have different needs and costs (e.g. number of children with special educational needs and disabilities)
  - Links between deprivation and the complexity of needs
  - Home to school transport
- Waste disposal/collection:
  - Number of households, deprivation, travel time, recycling, density, sparsity
  - Whether disposal and collection should be treated separately, with different cost drivers
- Highway maintenance and public transport:
  - Road length, traffic volume, migration of day-time population
  - Classification of roads, different requirements for traffic management and the need to avoid perverse incentives
  - Some discussions about whether home to school transport for children and concessionary fares could be combined into a highways / public transport formula
  - Density and additional costs incurred
- There were some concerns over using statistical techniques that rely on previous patterns of expenditure.
- There was a view that pressures related to homelessness should be examined, either in terms of inclusion of particular cost drivers or a specific formula if those are distinctive enough.

## **Points not directly related to the consultation**

- Delegates raised concerns about the sufficiency of resources at a national level.

- Delegates stressed the need to see exemplifications and to understand the final outcome of different scenarios as early as possible.
- A desire for the system to incentivise efficiency, and wider consideration about the balance between a system which provides funding certainty and one which responds to changing patterns of need over time.
- There was some support for dealing with services that have a relatively small spending share at the national level, but are concentrated in a few local areas, where they are significantly more important (e.g. flooding) outside of the formula system.
- Simplicity, transparency and fairness issues:
  - o There was a broad consensus that there needs to be a balance between simplicity and complexity: There was a sense that less simplified solutions may be required for complex issues (a “simple” formula may not adequately describe the factors driving costs in some service areas). At the same time there was general consensus that a degree of simplification should be possible so that authorities can understand their allocations. The majority of attendees were not in favour of pursuing simplification at the expense of fairness.
  - o There was a desire for greater transparency in the way that government makes decisions and many delegates were keen to avoid subjective decisions from Ministers in determining allocations.
- Questions were raised about the transition mechanism and when there would be more detail.
- Council tax and other income adjustments:
  - o Some discussion about whether council tax support could/should be adjusted for on the assessment of relative need.
  - o Delegates stressed the distinction between notional and actual council tax.
  - o Some debate on whether parking revenue as well as other fees and charges could be taken into account without harming incentives.