

**(NR TWG 05/09/16) Minutes – Meeting of Technical Working Group on Needs & Redistribution**

Title: **Needs & Redistribution Technical Working Group**

Date: **Tuesday 10 January 2017**

Venue**: Southwark Council, Tooley Street SE1 2QH**

# Attendance

* 1. An attendance list is attached as Annex A to this note.

# Welcome and Introductions

* 1. After an initial round of introductions, the Chair welcomed attendees to the eighth meeting of the Group.
1. **Removing tier level aggregation** – Geoff Winterbottom (SIGOMA)
	1. Geoff Winterbottom introduced his paper on the way the current funding formulas allocate money to different tiers of local government, with a proposal to simplify the needs formula by removing this.
	2. Mike Heiser reiterated that the tier split process was the product of the 4-block model, and asked Geoff if he was proposing the removal of this model?
	3. Geoff replied that some aspects of the model is good, but that aggregate data at tier level should be changed.
	4. DCLG reflected that the arguments were well made, that control totals on tier splits do affect needs allocations and the point on transparency was good. Dan Bates supported the argument for simplification and asked if this proposal could take effect without significant redistribution. John Bray supported the idea of distributing resources through 3 blocks as it would improve transparency on tier splits and threshold authorities.
	5. Duncan Whitfield argued that as there are a range of factors which affect overall distribution and this sort of proposal might only affect some parts of the sector for which transitional arrangements would need to be made.
2. **Fair Funding Formulas and Rural Communities** – Department for Environment Food and Rural Affairs
	1. Robert Rawlings introduced this paper. He concluded by asking the group if they agreed with the rural cost drivers suggested in the paper.
	2. Dave Shipton emphasised that the distance travelled by carers in rural areas is significant.
	3. Dan Bates of the Rural Services Network made reference to the 2014 published report by DCLG and Defra on rural cost drivers.
	4. He summarised that the report had difficulty finding statistical evidence although there is a lot of anecdotal evidence available. The RSN has studied the cost of delivering waste services in Northumberland and Devon. He added that a lot of evidence from the DCLG and Defra report was still valid, even if non definitive.
	5. Dan Bates brought up ‘unmet need’ for example bus routes.
	6. DCLG asked Defra where the evidence for the paper arrived from. Rob responded that it was a synthesis from among Defra policy materials.

**Action: DCLG to circulate LG Futures Report**

<https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/388587/Rural_summary_report.pdf>

* 1. James Walton argued that the statutory responsibilities and necessity to replicate certain services in rural areas was more economically difficult than in urban areas. Data exists around travel times as a proxy for need in this area. He also argued that infrastructure was an important consideration – some rural areas did not have as good broadband or telephone coverage which affects the cost of service delivery.
	2. Mike Heiser pointed out that the weighting of rural services is not currently set by regression analysis, but by judgement due to concepts of unmet need and other factors. Proportions set for sparsity is not possible using regression analysis. This raises the question of how unmet need can be calculated in the future, and how this affects the structure of funding formulas. Mike asked whether a rural services block might achieve this function, using a similar methodology to the Rural Services Delivery Grant.
	3. Dan Bates referenced the work by the Association of Local Authority Treasurers (ALATS) which is considering a model working with primary and secondary cost drivers, the latter of which could include sparsity.
	4. Duncan Whitfield outlined that ALATS’ work was moving towards a model with primary, secondary and now tertiary cost drivers. Examples of primary could include population or geography; of secondary could include road length or population characteristics. Duncan supported Defra’s paper which prioritised a small number of rural cost drivers which is helpful.
	5. DCLG added that they would continue to work with Defra to understand data sets around some of these cost drivers.
1. **Transport cost drivers for rural authorities**
	1. James Walton of Shropshire council introduced the paper. He emphasised that rural cost drivers relate to statutory responsibilities, such as bus services. Transport expenditure totals £2 billion. 150 Local authorities provide home to school transport yet 90 of those authorities spend relatively little. Funding formula development should consider how to balance the different levels of importance applied by authorities to this service.
	2. Mike Heiser pointed out that the Department for Education have a way to work out the distance to the second nearest school and calculate a sparsity element.
	3. DCLG added that the Index of Multiple Deprivation had a domain that measured access to services; costs relating to distance of travel could be an alternative to population sparsity. Dan Bates agreed and believed this works with ALATS’ model.
	4. Dave Shipton added that children with special needs transport was also significant; for example taxi costs.
	5. Paul Woods thanked James for a helpful paper and for the visibility on subjects such as school transport. Paul stated that there was a lack of information on this service yet it is an important issue for the north east of England; there are different mixes of home to school transport.
	6. Paul argued that there is a debate over what is a statutory and discretionary service: bus expenditure is statutory in some places but not in others, nor for rail concessionary fares which is often required despite being a discretionary expenditure for councils. He argued that urban areas also face difficulty getting people to hospitals which is a discretionary service. Paul asked to speak with DCLG officials about what data is available.
	7. Geoff Winterbottom stated that there is RO form data which has been analysed from 2013/14. This has been merged with lines from 2015/16. DCLG responded that RA and RO forms are on the same basis and that the Department for Education collect some of this data as well, which they could gather and share.
	8. Dan Bates added that section 251 data should be relevant. Concessionary fares is the biggest negative correlation with sparsity costs despite no particular funding.

**ACTION – DCLG to circulate links to the RA and RO forms and relevant DFE statistics.**

1. **Waste and recycling cost drivers – Department for Environment, Food and Rural Affairs**
	1. DCLG introduced a paper based on information provided by waste and recycling officials from Defra.
	2. Duncan Whitfield responded that ALATs agreed with most of the cost drivers listed and that the inclusion of high rise flats was interesting.
	3. David Shipton queried the inclusion of deprivation as an indicator in this list and asked what evidence there was to support this.
	4. Duncan stated that ALATs had landed on poverty as a proxy for deprivation. DCLG responded that in the past poverty has been mapped using income-based measures.
	5. Geoff Winterbottom argued the importance of looking for correlation of cost drivers. Chris Tambini disagreed: it is important to look for causal relationship of cost drivers. He argued that Defra’s paper needs to provide evidence for these drivers which he did not see. This paper was intended as the starting point for a discussion.
	6. James Walton asked about outcomes and incentives for waste and recycling and whether the new needs assessment could accommodate this – it should be a question for future discussion.
	7. Alan Cross said he could see some correlating factors in this paper, and some causal.
	8. Geoff stated that poor areas tended to generate more waste but there was a question of whether this meant more was spent by local authorities or not. This should be researched. Paul Woods stated that wealthier areas had individuals more likely to transport waste to tips; in poor areas there was more burden on authorities although evidence is anecdotal.
	9. Dan Bates referred to data from research in Northumberland looking at Lower Super Output Areas (LSOAs), i.e. pockets within local authority boundaries, and costs relating to sparsity – there is research out there but not national. Relevant data collection is possible but it would require a lot more work.
	10. Paul Woods stated that he would check on data available for LSOAs and the cost of waste services.
	11. Dave Shipton argued that in his local authority waste volume had reduced since 2008/09 by 10%.
	12. Paul Woods said there are different types of collection services across the country with different costs. DCLG responded that this needs assessment is about need and not how to collect waste, which is a decision for local authorities, although it is something to be aware of as development continues.
	13. Nikki Bishop referred to a joint waste authority in Manchester. The area has different levels of poor and rich areas within that boundary. There is more expenditure in poorer areas, and more recycling in rich areas however there are still high costs associated with processing recycled waste.

**Action:** **DCLG agreed and committed to ask Defra officials about the evidence for why these were the right cost drivers.**

1. **Local Authority Flood Funding by the Department for Environment Food and Rural Affairs**
	1. Alice Baverstock from Defra introduced her paper. She said that the Association of Directors of Environment, Economy, Planning and Transport (ADEPT) had fed into her paper since it was circulated. She referred to the availability of ground surface water risk and the metrics available, including number of properties at risk versus land at risk.
	2. Alice referred to the importance of ‘upstream’ funding measures i.e. preventative defense work and asked if the Review could look at this.
	3. She outlined how regional flood committees work and asked about the role of local tax levies and how his relates to national funding addressing the same risks. Alice said that there was a debate over how much other national flood funding devolves into business rates.
	4. Dave Shipton argued that flood funding is an example of why the funding formulas are complicated and questioned its place were the needs assessment simplified. He asked whether council tax could be made responsible for services like flood defence.
	5. Duncan Whitfield said that flooding should sit outside a future national funding block of formula. Flooding affects different authorities in different ways.
	6. Mike Heiser argued that flood funding was very significant for some local authorities, and that this fact was important.
	7. Paul Woods argued that flood funding could be sourced from a central pot of emergency funding and not in national formula; both recovery and defense and drainage funding could be looked at in this way for 2019/20.
	8. Mike asked whether flood funding could be fully funded by local precepts. DCLG responded that this is in the current Settlement Funding Assessment and that were it removed there could be significant losers. The levy for flood funding was important, but this should be a question for the Resources work stream within the Fair Funding Review. It is important not to assume that just council tax can pay for all flood funding. Sally Marshall said that such reliance might be insufficient for some authorities, especially due to the cap on council tax increases.
	9. Dan Bates said he liked the idea of control totals for distribution for those authorities affected. There could be a burden on council tax payers in rural local authorities. DCLG responded that flood funding might require a bespoke approach similar to concessionary fares.
	10. Alice Baverstock said that there was a question of land and properties affected and stressed again the importance of upstream funding, and that there was a question whether all flood funding should be for local decision makers.
2. **DCLG introduced a paper including a long list of possible cost drivers for services delivered by local government.**
	1. This paper might be seen as a useful counterpart to ALATs smaller list, although stressed this was a starter for discussion and not intended to presume DCLG are arguing that such a long list should continue. The forthcoming consultation document will focus on cost drivers. Input from the working group on presentation would be valuable.
	2. Dave Shipton argued that the list of drivers for adult social care in this paper, provided by Department for Health officials, was overly weighted to older adults and no younger adults which are more costly for authorities. Control totals transferred by health to social care did not look right. Sally agreed that measures of older people was out of data, that ‘over 65’ should be replaced by an ‘over 70’ and then an ‘over 80’ population cost drivers. Geoff Winterbottom agreed and referred to data available on life expectancy of older adults with disabilities – those older than 70 are more dependent on care services.
	3. Chris Tambini said that there was a question of income deprivation in relation to the number of older people. Also, this list had too many duplications. Nikki Bishop agreed. The size of a house was not a good proxy for income deprivation.
	4. Mike Heiser said that the list provided by Health were technical indicators and not cost drivers – there should be agreement on key areas before looking at how these can be represented by indicators. Dave Shipton said adult social care should have 3 key drivers.
	5. Referring to Children’s social care, John Bray argued that a cost driver reflecting ‘no recourse to public funds’ was important. This is significant for some authorities, particularly in London, and reflects unmet need in the system.
	6. Alan Cross said it was important that the Children’s cost drivers listed do not lead to perverse incentives or inefficiency.
	7. Gordon Jones asked whether Children’s social care required a sparsity adjustment.
	8. Paul Woods asked how to measure children ‘at risk’ i.e. whether there are drivers which are predictive of demand.

**Action:** **DCLG to ask the Department for Education about whether there are statistics that they believe are predictive of demand**

* 1. Moving on to the cost drivers listed for Highways maintenance, Paul Woods stressed the importance of reflecting how costs can move up and down and not just how to measure proportional distribution based on length of road etc. Alan Cross stated that these drivers would need to be weighted and the list was unclear on how that would happen.
	2. Referring more generally John Bray stressed the importance of population and household density and the associated costs involved.
	3. Martin Mitchell, referring to Homelessness cost drivers, said that the varying costs of temporary accommodation should be considered. DCLG stressed that the current area cost adjustment (ACA) within the needs assessment reflected local labour and local authority building costs, and not housing costs. Alan Cross stated that there were inconsistencies in funding for homelessness between authorities which needed to be considered.
	4. DCLG asked for further comments by correspondence, particular around whether presenting cost drivers in a public consultation grouped according to headline service areas was appropriate

**Annex A - Attendees**

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| **Attendee** | **Organisation** |
| Stuart Hoggan (Chair) | DCLG |
| Maxwell Soule (Chair) | DCLG |
| Ian Rose | DCLG |
| Charles Coleman  | DCLG |
| Trefor Henman | DCLG |
| Mike Heiser  | Local Government Association  |
| Nikki Bishop (phone) | (Society of Municipal Treasurers) |
| Martin Mitchell  | Greater London Authority |
| Geoff Winterbottom (phone) | SIGOMA |
| John Bray | London Councils |
| Dan Bates | Rural Services Network |
| Paul Woods (phone) | North East CA |
| Dave Shipton  | County Councils Network |
| Alan Cross (phone) | Society of Unitary Treasurers |
| Sally Marshall (phone) |  |
| James Walton  |  |
| Chris Tambini (phone) | Leicestershire County Council |
| Duncan Whitfield | Association of Local Authority Treasurers |
| Gordon Jones | Defra |
| Robert Rawlings | Defra |
| Alice Baverstock | Defra |