



Department for
Communities and
Local Government



Fair Funding Review

Needs and redistribution technical working group

Agenda pack

29 September 2017

Local Government Finance



Department for
Communities and
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Meeting details

Date: **Friday 29th September 2017 (13:00 start)**

(Please arrive 10 minutes before designated start time to allow time to get through security)

Venue: **Southwark Council offices - 160 Tooley Street,
London, SE1 2QH**

www.2.southwark.gov.uk/location

Conference call details: **UK landline: 0844 473 7373**
UK mobile: 87373
Your PIN: 670522



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Meeting agenda

29 September 2017

Item	Supporting docs	Lead
1. Actions and matters arising from previous meeting	<ul style="list-style-type: none"> • Slide 5 • Minutes from previous meeting (under separate cover) 	DCLG
2. FFR programme update	<ul style="list-style-type: none"> • Slides 6-12 	DCLG
3. Area Cost Adjustments	<ul style="list-style-type: none"> • Discussion paper regarding the approach to Area Cost Adjustment and rurality in the Fair Funding Review (NR TWG 17-04) • Funding for higher unit costs associated with sparsity and rurality (NR TWG 17-07) 	DCLG RSN
4. Deprivation	<ul style="list-style-type: none"> • Discussion paper regarding the approach to Deprivation in the Fair Funding Review (NR TWG 17-05) • Deprivation in the Needs Allocation Formula (NR TWG 17-06) 	DCLG SCT
5. AOB	-	-



Outstanding actions

Meeting	Actions	Lead	Status
Jul	Update and recirculate minutes of Feb 2017 meeting to reflect amendments provided by Paul Woods and Alan Cross.	DCLG	Closed
Jul	Present a discussion paper at the next TWG meeting on the Area Cost Adjustment.	DCLG	Closed
Jul	Present a discussion paper at the next TWG meeting on Deprivation, with attendance from a member of the IMD team.	DCLG	Closed
Jul	Provide a more detailed forward plan for the Review and Technical Working Group meetings	DCLG	Closed
Jul	Circulate an updated version of the Resources paper to the group.	DCLG	Closed
Jul	<p>Group members were asked to:</p> <ul style="list-style-type: none"> • Consider a favoured option from those identified in the resources paper and the group's discussion, • Consider the basis on which it would be possible to explain and defend this approach, and • Circulate a response by email via the group or directly to DCLG. 	TWG	Open



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The Fair Funding Review Programme update

Key updates for the technical working group include:

- 1) The commissioning of a [Children's Services research and data collection project](#),
- 2) An overview of on-going work with Ministers to explore the implications of a [Fair Funding Review timeline](#) that potentially works towards implementation in 2020/21,
- 3) A planned [technical consultation on relative need](#), and
- 4) Proposed areas of focus for [future technical working group meetings](#).



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The Fair Funding Review

1) Children's Services research

- The Review is working to identify the extent to which a simple and transparent 'foundation' formula using common cost drivers can be used to allocate at least a proportion of the available funding to each type of local authority.
- At the same time the Review is also considering whether there may be a need to identify individual service areas where a more specific approach is required, with a proportion of the available funding allocated based on the particular cost drivers for those services.
- Because the Review is progressing both of these approaches in tandem, an immediate priority has been to commence a high-level assessment of robust analytical options that can be taken forward for further consideration in relation to a foundation formula or a more service specific approach.
- The current Children's Services model uses a multi-level model approach. Any service-specific approach to this area in future may also require a multi-level model, in order to ensure a degree of analytical robustness appropriate for a service area of this size, sensitivity and complexity.



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1) Children's Services research

- In order to keep open what may be the optimal option for a service-specific approach in relation to Children's Services, it is necessary to immediately commence work on a large data collection exercise at a low geographical level due to the time it will take to complete a project of this scale.
- The programme will be led in partnership between DCLG and the Department for Education. We envisage that it will enable an improved understanding of the drivers of need within the sector and collect data on cost pressures for Children's Services.
- The programme will be scoped in full once a provider is appointed; however our current expectation is that the project will be fully completed in the summer of 2019.
- This research programme allows us to keep the option of a service specific approach to Children's Services open, along with several other potential service area previously discussed with the group.
- We will circulate a summary note to the group once procurement commences, along with an overview of the programme being commissioned.

Do the group have any questions about the aims of this project?



The Fair Funding Review

2) Implementation

We are working with Ministers to fully understand the implications of a timeline for the Fair Funding Review that works towards potential implementation 2020/21. A draft high-level timeline is set out on the following slide.

Some considerations include:

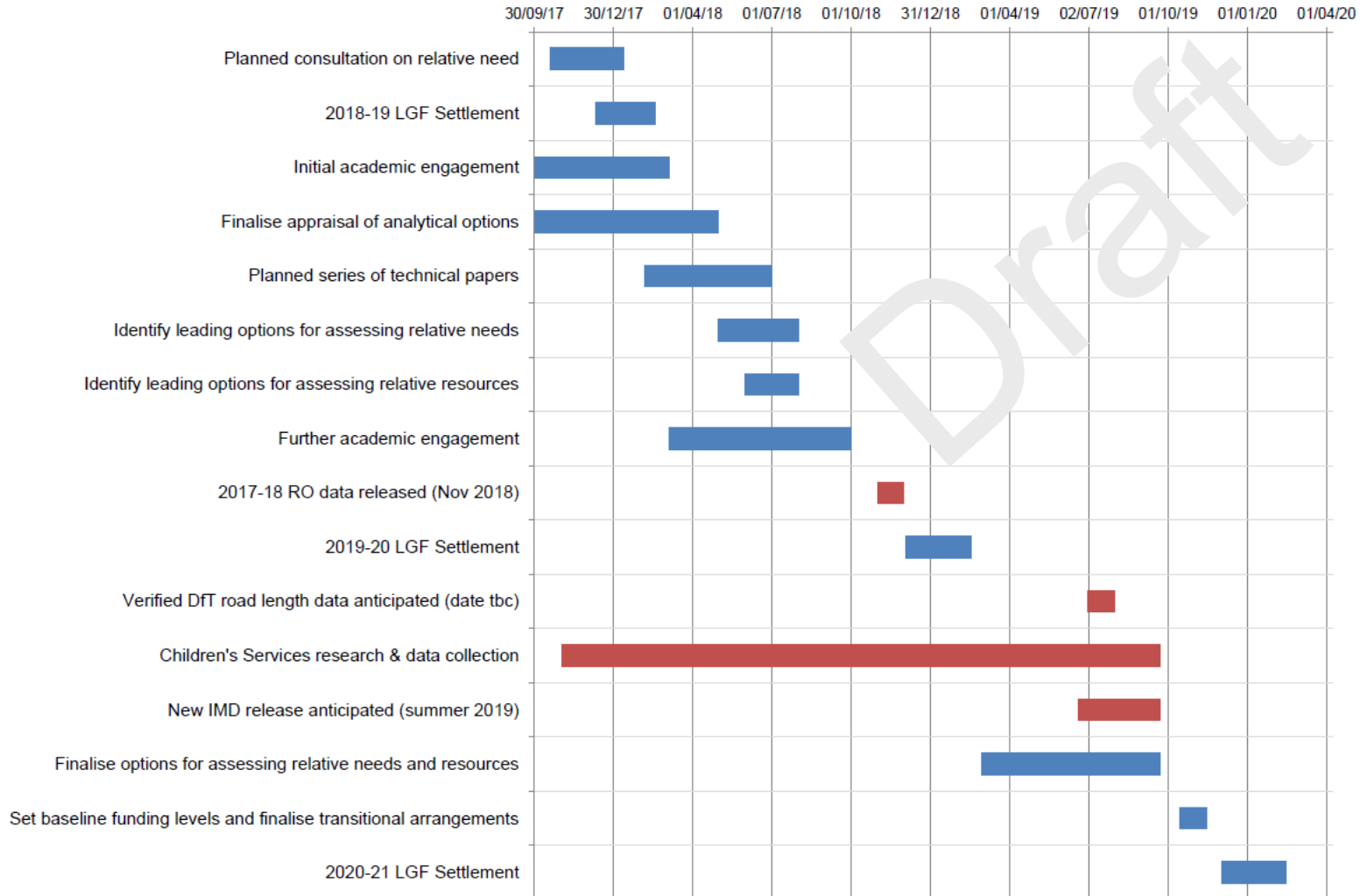
- As the work of the Review progresses, implementation in 2020/21 would enable us to keep all options open in relation to the treatment of Children's Services, in particular the option of a multi-level model methodology which may offer the most analytically robust approach (see slides 7 & 8).
- Maintains the option of using up-to-date deprivation indicators through the use of the next IMD release in summer 2019.
- We will need to consider at which points we hold further formal consultation with the sector, given the constraints highlighted in this potential timeline and the impact that they have on our ability to produce final exemplifications. These include the anticipated data release schedules and research completion deadline.
- The potential alignment between the Review and further progress towards business rates retention, the existing multi-year LGF settlement and the Spending Review cycle.

What are the groups reactions to this potential timeline, given some of the highlighted constraints?



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2) Potential timeline working towards 2020/21 (subject to final decisions and on-going review)





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3) Planned consultation on relative need

- We are currently progressing a technical consultation on relative need, based on input from the technical working group.
- The consultation would be an important milestone for the Review, providing the framework for our future work and further collaboration with the sector.
- We envisage that the consultation will include the following key areas:
 - An overview of funding formulas, including potential future approaches, and the Review's criteria for considering cost drivers,
 - The 'common cost drivers' for local government that have been identified so far through earlier engagement with the group and wider sector,
 - The potential 'service specific cost drivers' for local government that have also been identified, and
 - The potential statistical methodologies that could be used to 'weight' funding formulas and cost drivers.
- We are currently aiming to launch the consultation in Autumn 2017 and will keep the group informed as this progresses.



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4) Proposed areas of focus for future technical working group meetings:

Meeting	Planned agenda items
November 2017	<ul style="list-style-type: none"> ➤ Programme update ➤ Relative Resources (Council Tax) ➤ Foundation Formula
January 2018	<ul style="list-style-type: none"> ➤ Programme update ➤ Overview of analytical option appraisal workstreams
March 2018	<ul style="list-style-type: none"> ➤ Programme update ➤ Summary of responses to autumn technical consultation ➤ Relative Resources (including Council Tax, Sales, Fees and Charges)
May 2018	<ul style="list-style-type: none"> ➤ Programme update ➤ Principles for transitional arrangements

Do the group have any comments on this proposed forward plan?