



Title: **Needs and redistribution technical working group (13:00-15:00)**

Date: **18 May 2018**

Venue: **MHCLG, 2 Marsham Street, London, SW1P 4DF**

1. Introductions

1.1. A full attendance list is attached as an [Annex](#) to this note.

2. Public Health Grant – Department for Health & Social Care (DHSC)

2.1. DHSC presented a [discussion paper regarding the Public Health Grant allocation formula](#) (NR TWG 18-07). DHSC explained that the purpose of the paper was to provide members with a common understanding of the allocation methodology developed for the grant from April 2013, when public health functions were transferred from the NHS to local authorities (LAs). The other aim of the paper was to set out the broad policy options for distribution of the grant from April 2020 onwards as part of the wider review of authorities' relative needs and resources.

2.1.1. In 2012, the Advisory Committee on Resource Allocation (ACRA) was asked to develop a formula for distribution of the public health grant, which was used to set target allocations in 2013-14 and 2014-15. The '2012 formula' consisted of three components: Mandated services, Non-mandated services (excluding drug and alcohol services), and Substance misuse services. The formula utilised ONS population projections for LAs, with a weight per head to reflect relative need, and an adjustment for variations in unavoidable costs of providing public healthcare services (the market forces factor).

2.1.2. In 2014 ACRA was asked to develop a more evidence-based formula and consider the implications of the transfer of public health services for children aged under 5 to LAs from October 2015. The '2016 formula' is based on more recent data, includes a more detailed and evidence-based review of public health need and reflects new LA responsibilities which more closely align to public health delivery. In 2016 following a public consultation, ACRA made recommendations on an updated formula to the Secretary of State for Health.

2.1.3. The 2015 Spending Review (SR) set an average 3.9% real-terms reduction in the public health grant each year over the SR period to 2020-21. In order to provide LAs with stability in public health funding Ministers decided not to implement the 2016 formula to guide allocations and instead applied a uniform reduction to all LAs from 2016-17.

2.2. DHSC concluded by confirming that they and Public Health England (PHE) are continuing to work with ACRA to ensure the formula is up to date.

2.3. Members queried the use of SMR<75 as the primary indicator of need. DHSC clarified

that SMR<75 is only used in the mandated and non-mandated service components. SMR<75 was identified as a good measure of whole population health, and is used to consider need for a wide range of public health services. It should not be taken as an indication that the needs of 75+ and morbidity are unimportant. SMR<75 is highly correlated with other measures of mortality and morbidity, as well as deprivation.

- 2.4. Members asked whether the 2016 formula was constantly under review or if the latest phase of engagement with ACRA had a specific purpose. DHSC clarified that work on the 2016 formula concluded in 2016, which was consulted on at the time. The latest phase of engagement with ACRA is primarily focussed on identifying whether any further proportionate development or update of the formula was recommended given that it is one of the options for potential distribution of public health funding as part of the wider fair funding review.
- 2.5. Members asked whether the spend weights used to combine the weighted populations for each formula component and derive target allocations were based on expenditure prior to 2013-14. DHSC clarified that the spend weights in each component were based on national LA outturn data and that if the formula were to be implemented these would be updated using the latest available outturn data.
- 2.6. Members asked about the role of PHE in this work. DHSC confirmed that PHE has been heavily involved in the most recent engagements with ACRA, contributing much of the analysis considered by the Committee. DHSC and PHE are continuing to work closely together on matters relating to how public health services are financed in the future.
- 2.7. DHSC concluded by explaining that the nature of any further engagement regarding the formula would be dependent on the magnitude of any changes that were proposed following ACRA advice, given that a full consultation had already taken place. If more substantive changes were made, as opposed to data updates, then there would be a case for wider and more specific engagement.
- 2.8. The chair summarised the discussion by stating that members agreed with the importance of considering public health within the wider framework of the review, and members may wish to provide more detailed comments on the substance of the formula after consulting their respective membership groups, bearing in mind that this was previously the subject of consultation.

Action: DHSC/MHCLG will provide an engagement update for a future meeting.

3. Fire and Rescue Services – National Fire Chiefs Council (NFCC)

- 3.1. The NFCC presented a [discussion paper on the fire funding formula](#) (NR TWG 18-08) which summarised the NFCC's views regarding the cost drivers within the current fire and rescue formula and how well these match the service as it is today. The NFCC began by describing some of the different challenges facing fire and rescue services across England, including those operating in more rural or densely populated areas. The NFCC pointed out that it is increasingly the case that fire and rescue services are attending non-fire related incidents such as flood rescue, medical response or road traffic collisions.
- 3.2. The NFCC are in favour of retaining a specific funding formula for this service area,

whilst recognising that population is still a significant cost driver, on the basis that fire and rescue services are risk-based and as such need to be prepared for major, and on occasion simultaneous, incidents. The discussion paper set out some areas around which they would like MHCLG/Home Office to carry out further analysis to determine whether these should form part of a new funding formula. These areas include the costs of delivering services in more dispersed areas, the impact of road traffic collisions, the current top-up for high risk sites, the age groups of those people at higher risk of death from fire, and the approach to a cost line adjustment.

- 3.3. MHCLG agreed that the areas highlighted in the paper would be explored through the analytical work already under way to determine whether they can and should be included in the funding formula. MHCLG also identified that a potential constraint around the option of multi-level analysis of smaller areas was that expenditure data is not collected below fire authority level. As a result, MHCLG and HO will be exploring the option of using outcome measures instead, and would need to consider which measures may be appropriate and any potential incentive effects such an approach may introduce.
- 3.4. The chair asked for clarification around the timing of next steps for this work. MHCLG confirmed that the work around the fire and rescue formula would be progressed as part of the wider framework of the review, which was currently working towards an autumn 2018 consultation. The aim of this consultation will be to confirm the overall structure of the needs assessment, including proposals around which services areas require specific funding formulas, and the leading cost drivers and analytical techniques for each area. The work to determine the weightings of the cost drivers is a longer term piece of work and initial proposals around this would be the subject of further consultation, potentially in spring 2019.
- 3.5. The chair summarised the discussion by stating that the group noted an update on the development of a service specific fire and rescue formula, and will receive a progress update on proposals in due course.

4. Consultation on relative needs – MHCLG

- 4.1. MHCLG presented a [discussion paper which summarised responses to the consultation on relative needs and next steps](#) (NR TWG 18-06). The paper summarised the key messages received through the recent consultation, presented the areas of the relative needs assessment that will require further consideration, and sought the group's views on these issues.
- 4.2. MHCLG confirmed that the consultation had demonstrated a broad level of consensus around the principles of the review and for the approach set out in the consultation, which proposed a needs assessment based around a simple and transparent foundation formula alongside several potential service-specific formulas. There was also broad agreement around many of the proposed cost drivers, although many responses proposed additional cost drivers and data sources which will be subject to more detailed analysis over the coming months. MHCLG concluded by summarising the outstanding issues set out in the paper in relation to the structure of the needs assessment, cost drivers and analytical techniques.
- 4.3. The group discussed the Annex to the paper, which 'mapped' lines of expenditure from a Revenue Outturn form to the potential structure of the needs assessment and highlighted the areas where there are outstanding questions. MHCLG clarified that the

paper would be updated prior to wider publication due to an error in the homelessness section of the paper.

Action: MHCLG will correct the Annex to the paper prior to publication on the LGA website

- 4.4. Members noted that flood prevention was captured in the paper and asked whether this included Internal Drainage Boards (IDB). MHCLG clarified that IDBs had been raised in consultation responses, and that further consideration was needed regarding whether a specific approach was required for flood prevention. The issue regarding treatment of IDBs relates more directly to council tax policy on referendum principles, which is not in scope for the work of the review. However the resources discussion paper presented to the group in March 2018 set out factors for which potential adjustments may, where practicable, be made to the measurement of council tax levels in the assessment of an authority's relative resources; one of which related to levying bodies.
- 4.5. Members discussed the quality of data obtained from RO forms and the growing importance of ensuring that these are completed correctly. MHCLG confirmed that extensive validation checks are in place, and that the use of aggregate level data provided additional levels of confidence in the accuracy of the data used in any analysis.

Action: MHCLG will present a discussion paper on Legacy Capital Finance at the next working group meeting

Action: MHCLG will provide an updated Annex to the paper which breaks down the data between classes of authority

- 4.6. The chair summarised the discussion by confirming that the group approved the summary paper from MHCLG regarding the key issues that were raised through the December 2017 consultation on relative needs.

5. Divergence of relative needs over time (NR TWG 18-09) – LGA, University of Essex

- 5.1. The LGA introduced a [discussion paper by the University of Essex regarding the divergence of relative needs over time](#) (NR TWG 18-09), which is related to one of the items in the LGA's associated work plan. The LGA wished to identify how the result of a formula could shift over time as a result of changes in the underlying data, and whether there were ways to mitigate for any divergence over a reset period. As a result of the analysis, the LGA's policy preference was for population projections to be included in a future assessment of relative needs, where possible.
- 5.2. Jim Vine, Research Fellow from the University of Essex, set out the scope of the analysis which began with the 2013-14 relative needs formulae. Significant constraints around the availability of equivalent, up-to-date data were identified, which meant the analysis focussed primarily on refreshed population data. The partial data update resulted in many moderate changes for a number of LAs with some significant outliers.
- 5.3. The analysis was not able to use an updated council tax variable as there is no direct match between the tax base variable used in 2013-14 and the current published data. However two comparable tax base variables were identified and used to sense check the analysis; neither of which significantly moderated or amplified the pattern identified

through the data update.

- 5.4. The [working paper is available online](#), and the conclusions from the paper were presented in the LGA discussion paper as a set of 'mechanism neutral' criteria for further consideration.
- 5.5. Members discussed the assumptions made in the paper regarding relative resources. Jim Vine confirmed that the two variables used in the analysis were obtained from MHCLG statistics, one of which accounted for local council tax support schemes and the other which did not. Neither of these were a direct equivalent for the tax base variable used in 2013-14.
- 5.6. Members discussed the so called 'Wokingham effect' and asked about possible future approaches to avoid this. MHCLG clarified that the review was not seeking to replicate the 'four block model', and would instead be a more straightforward assessment of relative needs, adjusted for relative resources, with some form of transitional arrangements.
- 5.7. The chair summarised the discussion by stating that members noted the LGA's policy preference for population projections to be included in a future assessment of relative needs.

Action: MHCLG/LGA will share a link to the University of Essex's working paper

6. Actions and matters arising from previous meeting

- 6.1. The [minutes from March 2018 TWG meeting](#) were agreed.
- 6.2. MHCLG provided a short [progress update on the children's services research project](#) (NR TWG 18-12).

Action: MHCLG will confirm the 5 pilot authorities when a decision has been made

7. Any other business:

- 7.1. The LGA provided a short overview of their paper which set out [criteria for evaluating Fair Funding Review proposals](#) (NR TWG 18-10). The criteria were developed following a request from the LGA Leadership Board for a way of evaluating the merits of any future and existing proposals and could potentially be used in discussions to assess whether the LGA could consider supporting a particular proposal or element of a proposal.
- 7.2. The group agreed that the agenda items for July's meeting would include Area Cost Adjustment, principles for future transitional arrangements and Legacy Capital Finance. There may also potentially be papers from SIGOMA / Core Cities on density and a public health engagement update.
- 7.3. Members asked whether there were still plans to publish technical papers. MHCLG confirmed that this was the aim where it would be helpful, although there was no fixed deadline to do this by. Some possible subjects for papers included DHSC's Adult Social Care formula (discussed in March) and the Public Health Grant; however the group will be informed if this is the case.

7.4. A [read-out from the meeting](#) for public use was agreed.

Annex: Meeting attendees

Attendee	Representative organisation
Stuart Hoggan	MHCLG
Trefor Henman	MHCLG
Emily Gascoigne	MHCLG
Henry Ogden	MHCLG
James Whitehouse-Hebbourn	MHCLG
Stephen Smith	MHCLG
Aivaras Statkevičius (Chair)	LGA
Nicola Morton	LGA
Steve Hickman	Home Office
Emma Lawrence	Home Office
Charlotte Loveless	Home Office
Jennifer Huynh	DHSC
Mike Griffiths	NFCC
Adrian Bloomfield	NFCC
Charles Kerr	NFCC
Sally Marshall	DCN
Mark Johnson	GLA
Dan Bates	RSN
Geoff Winterbottom (apologies) Substitute: Frances Foster	SIGOMA
Peter O'Connell	London Councils
James Walton	Rural authorities
Stuart Fair	CIPFA
Jim Vine	University of Essex
By Telephone	
David Northey	SUT
Jenny Owens	SCT Analysis Unit
Paul Woods (apologies) Substitute: Paul Darby	NECA
Simon Reeves	DHSC
Scott Mahony	PHE
Simone Hines	SDCT
Claire Smith	MHCLG
Apologies	
Duncan Whitfield	SLT
Dave Shipton	CCN
Carla-Maria Heath	IRRV