



Title: **Needs and redistribution technical working group (11.00-14.00)**

Date: **Wednesday 28th March 2018**

Venue: **LGA, Smith Square, London, SW1P 3HZ.**

1. Introductions

1.1. A full attendance list is attached as an Annex to this note.

2. Actions and matters arising from previous meeting

2.1. The [minutes from January's TWG meeting](#) were agreed.

2.2. The LGA summarised the recent series of regional stakeholder engagement events run in conjunction with MHCLG, which took place in February and March. Over 200 delegates attended six events across England. A [brief note](#) was circulated.

2.3. MHCLG gave a brief readout of the academic seminar held in January. It was attended by academics, think-tank representatives, and officials from other government departments and drew out lessons learned.

Action: MHCLG to share write-up of the academic seminar with the group

2.4. The current [terms of reference \(ToR\)](#) for the group will be revised and updated by MHCLG and the LGA.

Action: MHCLG / LGA to review current ToR and circulate to the group

3. Update on Children's Services research – MHCLG, DfE and LG Futures

3.1. MHCLG presented an [update on the Children's Services research](#), commissioned by MHCLG and the Department for Education (DfE). The project is being run by LG Futures, in conjunction with the universities of Plymouth and Huddersfield.

3.2. LG Futures explained the process, with an aim for the model to be finalised in summer 2019. The primary work included a large scoping exercise, with the involvement of multiple stakeholders, examining views on the current formulae, pressures in the sector and indicators in 4 key areas, children's social care, youth and community, early intervention and central education/home to school transport.

3.3. The feasibility of the work has been explored, resulting in two options put forward for the Children's Social Care (CSC), the largest aspect of the work, an area-based approach or a person-based research allocation approach (PBRA). In both cases a multi-level model would be built, based on data at LA-level and below, however in the case of the PBRA approach, the initial data would be obtained from the National Pupil

Database (NPD). The PBRA approach is MHCLG and DfE's current preferred option. The next stage of the work will include a decision on which model to build, followed by data collection.

- 3.4. The group asked for further clarification on how the PBRA approach would work, and whether individual LAs would still need to provide data, and the timescale for this. MHCLG explained that the NPD is a rich data source, and the various data would be combined to create a base dataset, which would be combined with other data collected at below LA-level. This would create a model that looks similar to an area-based model at a high-level, but be based on more robust data at lower level. LG Futures would be investigating whether to build more complex adjustments (such as 'tipping points' in the market) into the model. MHCLG stated that there would be two aspects to the model, the principal cost drivers and the scale of cost drivers, and this would support transparency. MHCLG confirmed that a decision regarding which of the two options to pursue and when to approach LAs for data was expected in the next few weeks.
- 3.5. The group reflected on changes in the complexity of cases over time and the need to future-proof the model, the importance of measuring need rather than demand, and the requirement that there is no link between an LA's decision making and the allocations it receives. MHCLG stated that this was an iterative process, that they had received feedback from LAs which indicated a recent increase in the complexity of cases, and that this would feed in to the process. MHCLG confirmed that the approach being used could not be affected by local decision making as this would be averaged nationally, removing any possible perverse incentives. MHCLG also mentioned that there were two aspects to the work – the model and the input to the model, and that it would be possible to input more up-to-date data into the model.
- 3.6. Some members of the group felt there was suppression of demand in certain areas of CSC, particularly in preventative care, and that there had been a move towards placing children out of area, increasing the cost of care. Some members also felt that deprivation was not only a driver for demand, but also in the cost of provision of CSC.
- 3.7. MHCLG recognised that CS was an important and complex area. On issues relating to the quantum of funding, MHCLG stated that these would fall within the scope of the Business Rates Retention Steering Group's work on the forthcoming Spending Review.
- 3.8. There were reminders from the group of the aim of simplicity and transparency in the review, and only to add to the formula cost drivers which add value. It was asked whether more detail could be provided on the progress of the research, and timeline. MHCLG responded that it would keep the group up to date on progress.

Action: MHCLG will keep the group up to date on the planned CS research.

4. Discussion paper regarding the approach to Adult Social Care in the review of relative needs and resources (NR TWG 18-04) - DHSC

- 4.1. The department of Health and Social Care (DHSC) presented a [paper on the approach to Adult Social Care](#) (ASC). The paper introduced the new ASC RNF, developed in response to the Care Act 2014, as a leading option for the review. DHSC detailed the features of the new RNF, contrasting these with the current formula. The

new ASC RNF includes further observations, more recent data and uses new, relevant cost drivers introduced since implementation of the current formula, to closely match the ASC eligibility criteria. DHSC also drew out the relationship of the formula with other aspects of the review, such as deprivation and sparsity. DHSC noted the link with on-going work on the Green Paper on Social Care.

- 4.2. Members asked questions on various aspects of the new RNF, including whether it was a disadvantage to use past data, or whether DWP benefits data had remained relatively stable over the previous period, suggesting it may be a reasonable indicator for future trends. The group reflected on whether sparsity should be included within the formula as a cost driver, or within the area cost adjustment (ACA). DHSC responded that the sparsity, ACA and income adjustments were 'sterilised' (included as separate adjustments) from the rest of the formula, in order that these could be included within the formula or via an alternative adjustment such as the ACA, and that MHCLG's measure of the ACA would be used in the formula. DHSC also mentioned that the DWP data was the best measure of eligibility for ASC, and that more recent benefits data would be less correlated or could not be used due to Universal Credit roll-out. They confirmed that they would investigate the stability of DWP data in the past, compared to 2012/13 data.

Action: DHSC will investigate the stability of DWP benefit data before 2012/13.

- 4.3. The LGA mentioned that they were providing support and advice to some work on data updates by the University of Essex. The University would feed in a TWG paper on this shortly. MHCLG added that the use of multi-level modelling addresses the concerns the group had mentioned about the use of expenditure based regression (EBR).

Action: The LGA and University of Essex will present a paper on the work on data updates and use of population projections

- 4.4. Some members of the group felt that more background information was needed on the new RNF. The group acknowledged some of the benefits of the new RNF such as the increase in sample size used by the new formula, and some members felt that 2012/13 data with a more robust formula were more important than using more recent data. The group questioned why a 65+ age grouping was used, rather than an older age grouping (80/85+), however some members felt that a lower age grouping is a benefit as this would take into account differing healthy life expectancies around the country. The higher cost associated with those moving from the 18-64 to the 65+ component with more limiting conditions was also mentioned. DHSC commented that some of the cost drivers in the formula focussed more on older age groups and healthy life expectancy. DHSC confirmed that they would circulate the academic research paper on the new formula to the group on a confidential basis.

Action: MHCLG/DHSC will update the ASC paper for circulation as a technical paper

Action: MHCLG/DHSC to circulate the new RNF academic research paper to the group

5. Discussion paper regarding the approach to relative resources (NR TWG 18-05) – MHCLG

- 5.1. MHCLG presented a [discussion paper regarding the approach to relative resources](#) centring around the factors affecting:
- council tax base, (discounts, exemptions and premiums)
 - council tax levels (ASC precept, Parishes, Levying bodies and Freeze grant)
- 5.2. The group confirmed that these were right discounts and exemptions being considered by the review, however members of the group pointed out the different conditions of the LCTS scheme for pensioners and for working age people. The group also felt the effect of tier responsibilities and split should be considered, as upper tier authorities don't have control over the discounts and exemptions applied. The group also questioned how discretionary discounts would be taken into account, and whether this may generate perverse incentives. MHCLG stated that there had been assumptions made in past calculations over how to take into account discretionary discounts (e.g. empty housing), and that a similar system could be used going forward.
- 5.3. The issue of local discretion of discounts, exemptions and premiums was discussed; whether the cost of this should be spread nationally, and what incentive effects could arise from this. Members discussed the effects of collection rates, and the difference in resources required to collect at the same percentage across authorities.
- 5.4. The LGA mentioned its work on developing a council tax model in which various adjustments can be 'turned on/off.'

Action: The LGA will provide future updates on its council tax adjustment model

- 5.5. The chair summarised that the group agreed an adjustment for the mandatory council tax elements should be made, but that decisions must be made on discretionary elements which avoid perverse incentives. Further discussions or comments from the group were welcome 'off-line.'
- 5.6. There was a general discussion on the use of notional council tax levels. The group noted that if notional levels are used, the effects of setting a particular notional level and the impact on referendum principles must be considered.
- 5.7. The group discussed the effects of different factors on the levels of council tax, particularly the ASC precept and the effect of Levying bodies. The varying effect of these factors across the country was discussed. Some members felt that levies should not sit within the resources block, but should be treated separately, but that there was generally no need to adjust for levies. Some members also felt that if the ASC precept is taken into account, that this should not penalise authorities twice, through both less improved better care fund (iBCF) funding and business rates received. The question of 'fairness' for taxpayers was also raised.
- 5.8. The chair summarised that the resources workstream was not the only way to address the points raised. Different types of levying bodies would be considered, along with their relation to the needs side, and adjustments would only be made to the notional council tax level if a strong case is made to do so, and the impact on tax payers would be considered.

6. Any other business:

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

6.2. The chair thanked Alan Cross on his last meeting as a representative for the Society of Unitary Treasurers (SUT) from Reading BC on his contribution to the review.

Action: MHCLG/LGA will review the forward plan for future TWG meetings.

Annex: Meeting attendees

| Attendee | Organisation |
|---------------------------|-------------------|
| Stuart Hoggan (Chair) | MHCLG |
| Steph Kvam | MHCLG |
| Trefor Henman | MHCLG |
| Charlie Coleman | MHCLG |
| Emily Gascoigne | MHCLG |
| Henry Ogden | MHCLG |
| James Whitehouse-Hebbourn | MHCLG |
| Nick Littlewood | MHCLG |
| Stephen Smith | MHCLG |
| Duncan Cook | MHCLG |
| Anne Charlton | MHCLG |
| Wendy Russell Barter | MHCLG |
| Aivaras Statkevičius | LGA |
| Nicola Morton | LGA |
| Jude Ranasinghe | LG Futures |
| Erin Coghlan | DHSC |
| Jonathan White | DHSC |
| Rachel Merritt | DfE |
| Hussain Al-Hussaini | DfE |
| Chris Tambini | SCT |
| Paul Woods | NECA |
| Simone Hines | SDCT |
| Duncan Whitfield | SLT |
| Alan Cross | SUT |
| Dave Shipton | CCN |
| Mark Johnson | GLA |
| Dan Bates | RSN |
| Geoff Winterbottom | SIGOMA |
| Peter O'Connell | London Councils |
| Carla-Maria Heath | IRRV |
| Andy Camp | SCT Analysis Unit |
| Stuart Fair | CIPFA |
| By Telephone | |
| David Northey | South West |
| James Walton | Rural Councils |