



Title: **Needs & Redistribution Technical Working Group**  
Paper: NR TWG 18-11: Terms of Reference (v2) by MHCLG  
Date: For information

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### Background

1. A review of local authorities' relative needs and resources ('the Fair Funding Review of relative needs and resources' or 'the review' in short) was announced in February 2016, to accompany wider reforms to the local government funding system, including an increase in locally retained business rates. A further announcement in December 2017 signalled the Government's aim to move to a system of at least 75% Business Rates Retention (BRR) by 2020-21, alongside implementation of the outcome of the review.
2. Since the announcement of the review, the Ministry of Housing, Communities and Local Government (MHCLG) has been working in close collaboration with the Local Government Association (LGA) and representatives from across local government, as well as representatives from other departments.
3. To support this, the LGA and MHCLG set up an officer-level Business Rates Retention Steering Group to oversee the progress of reform and support MHCLG in providing advice and information to Ministers who will make final decisions on the design and operation of the local government finance system. In turn, the Steering Group recommended setting up a number of technical working groups (sub-groups). This 'terms of reference' (ToR) for the Technical Working Group (TWG) on Needs and Redistribution is an update from ToR version 1, of May 2016.

### Principles of the review

4. The review will construct new baseline funding allocations for local authorities based on a set of principles. The principles are in line with responses received to the Government's call for evidence in 2016, and represent the framework the Government plans to use in taking decisions on the new needs assessment:

- i) **Simplicity** – the overall number of formulas used within the current methodology, along with the layers of complexity contained within them, means that they are little understood and may no longer hold the same relevance as when they were introduced. The review is an opportunity for bold, clear thinking to identify the most important factors that drive the ‘need to spend’ on local services, and is aiming to produce a relative needs assessment that is as simple as is practicable,
- ii) **Transparency** – it should be straightforward for those affected by the relative needs assessment to understand what factors have influenced the levels of funding received by a local authority so that they can hold their local representatives to account for the decisions that they make. To support this we will make the link between local circumstances and funding allocations more visible,
- iii) **Contemporary** – the new relative needs assessment will be based on the most up-to-date data that is available. To facilitate more frequent updates, as far as practicable the funding formula will be based on data that can be regularly updated at planned intervals. If the collection of data or other technical requirements mean that desirable changes cannot be made when the Review is implemented, the Government will consider whether and how to phase these in at a later date whilst providing councils with financial certainty,
- iv) **Sustainability** – an evidence-based approach will be deployed to identify the factors which drive costs for local authorities today *and* in the future. The new funding formula must, as far as is practicable, anticipate future demand for services,
- v) **Robustness** - the new funding formula should take into account the best possible objective analysis, and
- vi) **Stability** – the funding formula should support predictable, long-term funding allocations as part of a multi-year settlement. Local authorities’ long-term financial planning and service delivery will also be assisted by temporary transitional arrangements to their new relative needs baseline to ensure there are no undue year-on-year changes in funding.

#### Purpose of the TWG

5. The purpose of the TWG is for local and central government representatives with relevant expertise to work together to consider the technical issues related to a new relative needs and resources assessment for English councils under the

local government finance system, which the Government is aiming to implement in 2020-21.

6. The TWG will enable those in local government to help shape the technical debate and ensure a rigorous process of consideration for the issues that central government needs to be aware of in finalising the review.
7. The TWG will continue to report to and be guided by the work of the Steering Group. All meeting papers and minutes will be made public by default unless there is a strong case for certain papers to be kept confidential.
8. The TWG will therefore oversee the progress of the review and support MHCLG in providing advice and information on the various issues and options, to Ministers who will make final decisions on the review.

#### Key tasks

9. The key tasks for the TWG will be to critically and constructively consider options for:
  - a. measuring local authorities' relative needs, initially focussing on the services currently funded through the local government finance settlement
  - b. considering the treatment of any additional responsibilities which might be incorporated under the settlement umbrella
  - c. measuring local authorities' relative ability to benefit from their own resources
  - d. the weighting of cost drivers and control totals within the review, and
  - e. transitional arrangements to a new funding distribution.
10. The TWG will consider these issues within the framework of the principles of the review, given above.

#### Frequency of meetings

11. The TWG meets on a bimonthly basis. However, this will be kept under review and meetings may become more or less frequent as necessary. The TWG may also consider issues by email.

#### Topics – papers / submissions to the TWG

12. Agenda items for the meetings will be agreed in advance, and proposed by MHCLG and the LGA with input from the TWG. Meeting papers will be circulated in advance, with the aim of papers being shared at least 5 working days ahead of the meeting wherever possible. TWG members may also circulate related papers to the TWG, with prior agreement from MHCLG.

13. Minutes from the meeting will be drafted by MHCLG, who aim to send the draft minutes to the TWG within one week of the meeting taking place. The TWG will then agree the minutes or amendments at the following meeting.

#### Membership

14. The TWG will be chaired alternately by Stuart Hoggan (MHCLG) and Aivaras Statkevičius (LGA). Other officers from MHCLG and LGA will attend as appropriate.

15. The current membership of the TWG is:

<b>Member</b>	<b>Organisation being represented</b>
Dave Shipton	County Councils' Network
Sally Marshall	District Councils' Network
Geoff Winterbottom	Special Interest Group of Municipal Authorities
Duncan Whitfield	Society of London Treasurers
Nikki Bishop	Society of Metropolitan Treasurers
Chris Tambini	Society of County Treasurers
Simone Hines	Society of District Council Treasurers
<i>tbc</i>	Society of Unitary Treasurers
Stuart Fair	CIPFA
Mark Johnson	Greater London Authority
Peter O'Connell	London Councils
Dan Bates	Rural Services Network
Paul Woods	North East Combined Authority
David Northey	Plymouth Council
Mike Griffiths/ Charles Kerr/ Phil Hales	Fire Authorities
Jenny Owens	Society of County Treasurers' Analysis Unit
Graham Soulsby	Kettering Borough Council
Carla-Maria Heath	IRRV
James Walton	Rural Councils

16. Other members representing specific local authority or departmental interests or expertise may be invited to participate in discussions as appropriate.