Department for
Communities and
Local Government

Local
Government
Association

Summary Note – Meeting of Technical Working Group on Needs & Distribution

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

Date: **Tuesday 4 May 2016**

Venue**:   Smith Square 1, Ground Floor, Local Government House, Smith Square, London, SW1P 3HZ**

Attendance

An attendance list is attached as **<u>Annex A</u>** to this note.

1. <u>Welcome and Introductions</u>

1) After the initial round of contributions the Chair welcomed attendees to the inaugural meeting of the Technical Working Group on Needs and Distribution. He informed attendees that this was one of three technical working groups, alongside those on new responsibilities and system design/business rates tax.

2) All of the technical working groups would sit under the umbrella of the Steering Group, which would provide overall direction. However, the technical group may also want to pursue its own pieces of work.

3) The purpose of this group would be to help inform the detailed advice going to Ministers on Needs and Redistribution. However, its purpose is not to recommend any one approach over another.

2. <u>Terms of Reference</u>

The Chair asked attendees for their comments on the proposed Terms of Reference. The group agreed with the terms but made the following points:

1) The presence of representatives from the different parts of local government across all the technical working groups was welcomed, as this was important in order to ensure the widest possible range of views and opinions.

2) To help diary management, invites for future meetings should be sent to members as soon as possible.

ACTION: LGA/DCLG to schedule advance meeting dates, offering options for agreement where possible.

3) The members expressed a wish for papers to be sent in good time in advance of meetings, so that they can make sure that their own groups are able to feed into the technical working group meetings in a positive and constructive way.

4) In response to a question on the timescales for the group's work, the chair stated that the work of the group would be to a longer timetable than the others. It is likely that there will be consultation in Summer 2016 on other aspects of 100% retention, but there will not be any substantial element regarding needs and distribution in the consultation.

The group asked what the end-point to the group's work would be. The Chair responded that the ultimate distribution would require a lot of time and analytical effort. Therefore, initially, the review would be looking to identify the principles to inform the distribution of funding. This would help determine a final distribution of funding, which would feed in to the introduction of 100% retention by the end of the Parliament.

3. Links to other working groups

1) Group members requested that materials from the other working groups be shared where there are overlaps and linkages.

2) The Chair made clear that where there were interactions with other working groups, the relevant papers would be shared with both groups. In addition, where necessary, the relevant leads for those working groups would come along to present them

3) Papers for all the working groups will be publicly available online on the LGA website by default. Therefore, if group members felt there was something being discussed in another group that impacted on this group, they could raise it in the meetings.

4. Discussion of the initial questions for the Fair Funding Review

DCLG/LGA was looking to the technical working group here for their views on the fundamental questions on the review, whether they were the right ones and if there were any missing.

1) The group felt that an important question for the review was how any transition to a new distribution of funding was done. This was agreed by the group.

How to measure need?

2) Local government officials made the point that sometimes the need is there and present but because of "under-funding" from central government, the money is not spent and need goes unregistered.

3) On using expenditure data, the group said that a good starting point would be to look at local government expenditure from 2014-15 and see how that differed between local authorities. This might help identify differences in spending, though not what the cause for that difference was.

Action – DCLG/LGA to analyse Revenue Outturn expenditure from 2014-15 and present initial findings at the next meeting of the technical working group.

4) Local government services are often trying to achieve particular outcomes; fewer patients using NHS, fewer youngsters in prison etc. Is there a way of using these outcomes as an alternative measure of need?

5) It was suggested that funding on preventative services should also be considered given that this would reduce needs and help to achieve the desired outcomes more efficiently.

6) CIPFA have a tool called 'CFO Insights' which a number of group members felt was very useful and provided information on outcomes. This might be a useful data source to consider.

Action – DCLG/LGA to invite a CIPFA representative to introduce 'CFO Insights' at the next meeting of the technical working group.

7) Simplicity – Some members commented that for the majority of authorities, their needs may be broadly similar. Therefore, a simple approach with little redistribution might work for the majority of authorities.

8) Key cost drivers – Group members discussed a need to understand what the key cost drivers for different services were. The Chair suggested that a good starting point would be to use the indicators from the 2013-14 local government finance settlement and determine which of these might be considered key cost drivers.

Action – DCLG/LGA to provide the group with information on the indicators used in the formulae behind the 2013-14 local government finance settlement.

Action – Technical working group members to consider what the key cost drivers for particular services are in preparation for the next meeting of the technical working group.

9) There was a broad understanding that it might be appropriate to proceed with a phased approach, first tackling the existing set of services and considering new services and responsibilities later.

10) Resource basis – members expressed an interest in how council tax income and different council tax raising capacity will be taken into account.

11) Geography – The chair suggested that using larger geographical areas might reduce the variation in need between areas e.g. Westminster currently has a very large tariff whereas that for the whole London would be much smaller. Local government officials felt that the formulae should be created on a local authority-level basis, otherwise it was likely that in order to distribute the funding to individual authorities each grouping would have to apply the aggregate formula to the smaller geographical areas as a starting point for disaggregating the funding.

12) Reward / Incentives – Some members felt that this was a risky area. Introducing rewards or incentives may reduce the available funding for others? An alternative model for this would be to allow local areas to come up with their own reward/incentive schemes.

13) Resets – the new distribution will inevitably be different to the existing one as it will take into account factors such as the impact of population change in different areas. There will also need to be a guiding set of principles on how to deal with those that have seen gains/losses in their local taxes at the point of introducing the new system.

14) Some members were not happy that revaluation gains were not kept by local authorities. The Chair stated that questions around economic growth would be considered by the workstream on systems design.

15) Members understood that they would not be able look at every issue of the business rates retention agenda. However, it was agreed that questions around growth and resets should be considered by both the needs and system design groups.

<u>AOB</u>

- The group felt that it would be useful to engage with officials from other government departments as part of its work. The Chair said that this would be organised as necessary, but that in the absence of representatives from other departments, DCLG officials would be acting as representatives for all of government.

Attendee	Organisation
Paul Woods	North East Combined Authority
Alan Cross	Society of Unitary Treasurers
Laura Deery	CIPFA
Dan Bates	Rural Services Network
Dave Shipton	CCN
John Bray	London Councils
Graham Soulsby	Kettering BC
Martin Mitchell	Greater London Authority
Alison Kilpatrick	Kent Fire
Geoff Winterbottom	Special Interest Group of Municipal Authorities
Amy Lane	SCT Analysis Unit
Duncan Whitfield	Society of London Treasurers
Sally Marshall (phone)	DCN
David Northey (phone)	Plymouth Council
David Smith (phone)	Society of Municipal Treasurers
Aivaras Statkevičius	Local Government Association (LGA)
Stuart Hoggan	DCLG
Max Soule	DCLG
Farhad Chikhalia	DCLG
Karen Sussex	DCLG
Ian Rose	DCLG
Shafi Khan	DCLG