



(16/09) Minutes – Meeting of Technical Working Group on Needs & Redistribution

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

Date: **Monday 4 July 2016**

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

1. Attendance

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

2. Welcome and Introductions

2.1. After the initial round of introductions the Chair welcomed attendees to the third meeting of the Technical Working Group on Needs and Redistribution.

3. Feedback from the last Minutes

3.1. The Chair asked attendees for feedback on the minutes from the last meeting and, in particular, feedback from the representative bodies that members of the group represent. The following comments were made:

- A correction was submitted relating to paragraph 4.10 (a) that for some authorities the cost of Children's Social Care was more than Adult Social Care. An additional precept had been introduced to help fund the cost of adult social care but thought should be given as to whether this should be extended to include children's social care.
- A correction was submitted relating to 4.10 (d) that new services were rolled into the settlement in 2013-14 of which the most significant was council tax support.
- A correction was submitted relating to para 5.3 around the cost of issuing licences where that cost could only partly be recovered, if at all.

- An update on the position with regards to circulating a corrected version of the paper from last meeting which Paul Woods pointed out misrepresented relative spend in the North East & London was requested. The group was informed by the Chair that this has been corrected and a revised version published on the LGA website.

ACTION (16/16): DCLG/LGA to update minutes from last meeting to reflect these corrections.

4. Approach to Measuring Need: Outcome measures

- 4.1. Colleagues from Grant Thornton, on behalf of CIPFA, made a presentation to the group about some examples of outcome measures included within their CFO Insights Data Tool.
- 4.2. The group were presented with a series of slides providing some examples of outcome measures that could be used for different service areas and some discussion points about some of the issues with outcome measures.
- 4.3. The simple examples presented in the slides showed no significant correlation between expenditure and the outcome measures. However it was pointed out that there were other examples where correlations were present.
- 4.4. Following the slide show there was a discussion around what conclusions could be drawn from the graphs. Some members of the group felt the graphs demonstrated that the present allocations were incorrect, whereas other members interpreted these as showing that a single cost driver could not explain all the variance.
- 4.5. DCLG suggested to the group that regressions against outcome measures might be an alternative way of measuring need, and asked the group for suggestions about what outcome measures should be considered for each service.
- 4.6. Some members of the group felt that defining need by reference to historical data, whether it was expenditure data or outcome data, may not reflect future patterns of relative expenditure between areas. They felt that local authority expenditure was driven through needs of the population and that therefore defining future needs was the most important aspect of the new formula. For example expenditure on adult social care was likely to increase over the next 10 years. They suggested that the group should focus on defining need for each of the services in the future and basing allocations on this. Once this was established it might be possible to influence outcomes through the way the formula was applied.

- 4.7. Jenny Owen referred to research by Plymouth University which had been commissioned in relation to the Home Office's Police Funding Formula, which took a different approach to measuring need referred to in the paper as the Normative Approach. Broadly this approach works by using feedback from service providers to develop a "normative" service delivery model and the average cost of delivering that model. Jenny agreed to check with Plymouth University whether she was able to share the research paper with the group.

ACTION (16/17): Jenny Owen to circulate research paper to the group, if possible.

- 4.8. The group agreed that adult social care, particularly for older people, and children's social care were the most expensive services provided, and therefore that if funding for these were correctly distributed it would radically improve fairness. They suggested again that it would be worthwhile to invite the Department of Health to the Group to discuss. It was suggested that the Department for Education should also be invited to a subsequent meeting to discuss children's social care.
- 4.9. The group then asked whether it was possible to produce a work plan for the Group, setting out a timetable for the work to ensure completion in time for use for 2019-20, but also identifying topics for each working group meeting so that members of the group could contribute papers on those topics.

ACTION (16/15): Invite Department of Health and Department for Education officials to future group meetings. (*Original Action from meeting of 6 June 2016*)

ACTION (16/18): DCLG and LGA to produce a workplan for the next work of the group for the next 6 months to allow local authorities more time to prepare for future meetings.

5. Approach to Measuring Need: RNF Methodology in 2013-14 Paper (NR TWG 16/05)

- 5.1. Karen Sussex presented the paper to the group which covered the methodology used to derive the Relative Needs Formulae in 2013-14 and the expenditure lines used in constructing them. DCLG invited the Group for their views on whether they agreed that the current RNF blocks were sensible grouping of services. The group agreed that establishing service blocks was a necessary first step to creating needs formulae regardless of the method used to measure need. A member of the group suggested that Localised Council Tax Support needed to be included as a separate service area.

- 5.2. DCLG explained to the group that in the past multi-level modelling techniques have been used to provide more robust modelling of cost drivers for children services. They highlighted that these techniques take a number of years to generate results, and asked the group whether they would therefore still wish to consider this as a potential methodology.
- 5.3. Some of the group reiterated that past expenditure was not a good measure of need. While others said that past expenditure was a good fall-back and should not be totally dismissed, and recommended that multi-level modelling is a good way of deriving the needs formulae, suggesting that the group should continue to reflect on the work the University of York undertook on the children's social care formula.
- 5.4. It was pointed out that a different formula, particularly if based on different methodology, was likely to introduce a discontinuity in the funding available to individual authorities when first introduced. DCLG recognised that there could be a need to introduce transitional arrangements to enable local authorities to adjust to the results of a new methodology. .
- 5.5. It was agreed that the local government members of the group would discuss options for determining needs formulae that were not based on historical data and bring a paper to the group with suggestions as to how this might work. They would also suggest the drivers of need for each service. DCLG mentioned that the Systems and Design working group were also intending to bring a similar paper to their next working group meeting. DCLG was very open to alternative options.

ACTION (16/19): A paper will be brought by the local government side on a proposed approach to measuring need.

6. Indicators Used In The 2013-14 Start-Up Funding Assessment (16/06)

- 6.1. Karen Sussex presented the paper to the Group. This paper covered the indicator data that had been used in the 2013-14 settlement and an assessment of whether this data would be available for use in 2019-20. The group concentrated the discussion around the indicators that it may not be possible to replicate.
- 6.2. It was agreed that further work would be undertaken by DCLG to confirm whether the introduction of Universal Credit data would stop benefit indicators from being used on a consistent basis. It was suggested that alternative indicators might be available.
- 6.3. In addition, the group discussed whether previously purchased data would be required in the new needs formulae. It was agreed that a decision could be postponed until the group had agreed an approach for measuring need. .

- 6.4. There was a further discussion around whether DCLG should attempt to update the day visitors model, noting that previous attempts had been rejected by the sector. The group agreed that updating this model should be postponed until the group had agreed on approach for determining cost pressures. It was suggested that alternative data sources might be used as proxies instead, for example data on the number of retail outlets within an authority or data on blue-flag beaches.

7. Growth and Redistribution paper

- 7.1. Ian Rose gave a short presentation of this paper; a fuller discussion on its contents will take place at a future meeting. This paper was the product of the System Design Working Group and it explored the options around how the system could balance rewarding growth and ensuring sustainable funding for local services.
- 7.2. The discussion focussed around resets. The group pointed out that since the introduction of 50% rates retention, a reset had yet to occur and therefore no one could predict the results of such an event. The group highlighted that a number of changes to business rates were already scheduled that was making financial planning difficult, they highlighted: the first revaluation of business rates in 2017-18; a further revaluation adjustment in 2018-19; followed by the proposed move to 100% business rates in 2019-20.
- 7.3. DCLG said that further modelling was being undertaken to inform papers for the System Design Working Group. DCLG are exploring various options for resetting for needs which the group agreed would have to occur at some point. The group generally felt that regular known resets were preferable to resets triggered by unpredicted events.

ACTION (16/20): DCLG to present the group with the results of its modelling around reset options and Next Steps.

- 7.4. The action points were summarised and agreed as being the next steps to take forward.
- 7.5. It was collectively agreed the next meeting would be on 4 August 2016 despite that month being popular for people to be away on leave.

Annex A

Attendee	Organisation
Aivaras Statkevičius	Local Government Association (LGA)
Sean Pearce	Worcestershire County Council
David Northey	Plymouth Council
Alan Cross	Society of Unitary Treasurers
Sally Marshall	District Councils Network
Caroline Lee	CIPFA
Geoff Maren (phone)	West Yorkshire Fire
Alison Kilpatrick (phone)	Kent Fire
Carla-Maria Heath	City of London - IRRV
Paul Woods	North East Combined Authority
Martin Mitchell	Greater London Authority
Duncan Whitfield	Society of London Treasurers Southwark Council
David Smith (phone)	Society of Municipal Treasurers
James Walton	Shropshire Council
Nick Eveleigh (phone)	Chelmsford Council
Jenny Owens	SCT Analysis Unit
Amy Lane	SCT Analysis Unit
John Bray	London Councils
Dan Bates	Rural Services Network
Geoff Winterbottom	Special Interest Group of Municipal Authorities
Dave Shipton	CCN
Graham Soulsby	Kettering BC – (East Midlands)
Chris Megainey	DCLG
Karen Sussex	DCLG
Ian Rose	DCLG
Stephen Smith	DCLG
Shafi Khan	DCLG