



(NR TWG 05/09/16) Minutes – Meeting of Technical Working Group on Needs & Redistribution

Title: **Needs & Redistribution Technical Working Group**
Date: **Monday 5 September 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 an initial round of introductions, the Chair welcomed attendees to the fifth meeting of the Group.

3. Feedback from the last Minutes

- 3.1. The Chair asked attendees for feedback on the minutes from the last meeting. The following comments were made:
- Paul Woods wanted clarification on point 4.7 about the timetable that the group should be working to. At the previous meeting DCLG officials had mentioned that the previous Secretary of State had announced a proposed start date of 2019-20 for the new system, but as yet officials had still not yet got a steer on 100% Business Rates Retention or the Fair Funding Review.
 - The Group was asked whether they were comfortable to be named in the official minutes summaries. No objections were raised.
 - The minutes of the August meeting were then accepted and passed as correct.

4. Workplan Outline for Fair Funding Review – (NR TWG 16-15)

- 4.1. DCLG presented a paper outlining a possible future workplan for the Needs & Redistribution TWG.
- 4.2. It was presented as a high level summary of the wider reforms and how this TWG's work may fit in, but tentatively and pending a number of key decisions which had yet to be taken. The workplan set out key milestones, workstreams, and a broader timeline. DCLG was happy to take on board the views of the Group on two key questions:
 - **Do you agree that this work plan covers the key areas of work that this Technical Working Group needs to consider?**
 - **Do you have any comments about the proposed timeline and order of the key tasks?**

The Group discussion that followed had the following key points:

- 4.3. Sean Pearce, from the ALATS group, offered DCLG assistance with data collection and on methodology to look at dependencies. The ALATS group also wanted to assist with looking at what objective measures can be used for cost drivers, including possible establishment of per head costs and met need. Sean said an offer was on the table for DCLG to meet between the monthly Needs & Redistribution TWG meetings.
- 4.4. Sean also highlighted that, as per Point 7 of the workplan paper presented, there must be a firm commitment to look at all resources early on. As an example car parking revenue was a good income generator for some authorities. Paul Woods commented that there was a wide range of capacities to generate income between local authorities; and supported the idea that this should be discussed early in the process.
- 4.5. Paul Woods recognised that the data may take some time to collect but though the principles of the scheme should be agreed prior to the Bill being announced.
- 4.6. John Bray from London Councils suggested that to enable the entire system to be modelled it was necessary to include the new devolved services within the needs model.
- 4.7. He also highlighted that, going by the workplan as in its current form, a consultation in Quarter 3 in any financial year would be difficult for local authorities just as they are in the process of setting their annual budgets; he suggested a quarter 2 consultation would be better. This was supported by Paul Woods.

- 4.8. Sean Pearce highlighted the commitment at the last settlement review that the negative RSG problem would be reviewed. DCLG officials acknowledged that this still needs to be looked at.
- 4.9. The Group questioned whether the introduction of new formulae in 2019-20 would alter 4-year deals. Group members discussed what would happen to an authority who might receive less money than they had planned for under the 4-year deal and how transition might work.
- 4.10. DCLG officials commented that once a view had been taken on timings it would be shared. DCLG was not currently in a position to respond as Ministers had yet to take decisions on these topics.

ALATS group wanted clarity now as to what takes precedence – the 4-year deal or the new distribution - because the deadline for local authorities to take up the 4 year settlement is 24 October 2016.

5. ALATS Paper – Local Government Group – update (NR TWG XX/XX)

- 5.1. Sean Pearce gave an update to the Group on their meeting of 24 August 2016 at which DCLG officials was present. They discussed key cost drivers and how these could be reflected within the needs assessment.
- 5.2. The group was now working with DCLG on exemplifications and related technical pieces.
- 5.3. Key indicators would be the various population data that relates to specific services, for example 18 to 64 year olds for younger adults social care, together with the length of roads for highways maintenance. They also wanted to investigate whether the total population was the best indicator for fire services with Fire colleagues. The ALATS group hoped to exemplify the new formulae against other options, and have been looking at the weighting of the different services by different councils.
- 5.4. Paul Woods was happy with the first order cost drivers presented in the ALATS paper, but was concerned that deprivation had not been mentioned among the second order cost drivers. He stated that there could not be a fair funding system implemented without serious consideration of deprivation factors.
- 5.5. Duncan Whitfield explained that deprivation had been discussed at their meeting of 24 August but not put down as a key indicator, as it was thought this could be picked up through the density indicator.
- 5.6. Paul Woods pointed out that whilst it was broadly correlated with density, this did not explain the full picture. Deprivation was a distinct characteristic that was present in both dense and sparse areas, and caused increased costs in

both area types. As a key example, poorest households weren't able to afford the cost of Adult Social Care, and hence could not contribute to their funding. Alan Cross expressed his support.

- 5.7. A commitment was made to discuss deprivation in detail at the next ALATS meeting.
- 5.8. Sean Pearce stressed that the ALATS group wanted to add value and not divert from the work of the Needs and Redistribution TWG work, or complicate workstreams unnecessarily. It was agreed that the group should continue to meet.

6. Approaches To Estimating Relative Needs for Adult Social Care – Department of Health – (NR TWG 16/14)

- 6.1. This paper was presented by Jonathan White from Department of Health. The paper laid out the two broad approaches to relative needs assessment in relation to Adult Social Care; *utilisation* and *normative*. The paper also set out what data was available or could be obtained to apply these methods. It went on to give a broad view of the advantages and disadvantages of each approach. It was explained that the formulae used for Adult Social Care Relative Needs Formulae in 2013-14 was based on the utilisation approach. The new formulae that DH had been working on since the introduction of the Care Act was currently being peer-reviewed but was formed through a combination of utilisation and normative methods.
- 6.2. David Smith was interested in seeing the unpublished work which is currently under peer review.
- 6.3. DH officials committed to keeping TWG members informed but explained they were unable to comment further until the peer review had been completed and any additional work resulting from that had been implemented.
- 6.4. The Group was keen to receive an overview of responses to the BRR Consultation and Call for Evidence, as these may suggest alternative approaches for consideration. DCLG agreed to explore options for sharing this information with the group.
- 6.5. Sean Pearce (ALATS) enquired what the differences in allocations mean in terms of Adult Social Care. He felt the trouble with the formulas was their complexity. He offered for DH officials to attend the ALATS Technical Group meeting.
- 6.6. He reiterated the point that past expenditure is not a good predictor of future need. He was interested to know how unfunded responsibilities would be

taken into account. He also asked what happens from DH's perspective if they do not agree with some of DCLG's work on needs and redistribution.

- 6.7. DH officials acknowledged although there were currently aspects of social care that were funded through separate formulae and these could be added onto Relative Needs Formulae. He also accepted the invitation of being involved with DCLG and ALATS work.
- 6.8. Alan Cross questioned whether regional pay differences would be reduced due to the introduction of the national minimum wage. DH officials acknowledged that this interacted with the Area Cost Adjustment which takes into account pay and related factors but could not speculate on what effect they may have.

7. Resets Paper – Systems & Design Technical Working Group - (NR TWG 16/16)

- 7.1. This paper was presented by DCLG. It was also being discussed with the other Technical Groups and the main Steering Group. The paper outlined the issues of full and partial resets with strong emphasis being placed by the Systems and Design TWG on partial resets. The paper compared fixed proportions of retained growth at resets with variable, and looked at changes of baseline funding and income at resets. An annex chart table of illustrative modelling showing the redistributable receipts at resets was presented alongside the paper.

The discussion following the presentation of this paper contained the following points:

- 7.2. The LGA thought the paper showed a good interaction between full and partial resets but also noted the 3.5% of growth which the chart table was showing. This gave the picture of a rolling basis of growth reset, where growth is retained for a certain period similar to the New Homes Bonus model. The idea here was that it drops out gradually and helps authorities to avoid a cliff-edge.
- 7.3. The Group agreed that the rolling system would enable authorities to predict their income. Some members of the group thought that this should be in addition to keeping and growth earned over the 50% business rates retention scheme as this funding was being used to fund services.
- 7.4. Paul Woods suggested that not all authorities would benefit to the same extent from growth. For example, councils with Enterprise Zones in their areas, which already retain 100% business rates growth, would not benefit from this portion of the funding.

- 7.5. Geoff Winterbottom (SIGOMA) felt that more frequent resets and revaluations, ideally at the same time, was a good option but that needs should be at the forefront and not be dismissed as an afterthought.
- 7.6. Members suggested that it was more important to ensure that the current services, e.g. adult social care, were properly funded before adding in additional services to bring it up to 100% business rates. Additional services to be rolled in should help to encourage growth in local areas e.g. adult education.

8. AOB

- 8.1. The ALATS group stated that they also have their own societies with whom they have been having discussions..
- 8.2. It was collectively agreed the next meeting would be on 13 October 2016 at DCLG HQ.

Attendee	Organisation
Aivaras Statkevičius - (Chair)	Local Government Association (LGA)
Sean Pearce	Society of County Treasurers
Alan Cross (phone)	Society of Unitary Treasurers
Sally Marshall (phone)	District Councils Network
Caroline Lee (phone)	CIPFA
Carla-Maria Heath	City of London - IRRV
Jenny Owens	Society of County Treasurers Analysis Unit
Martin Mitchell – sent apologies	Greater London Authority
Duncan Whitfield	Society of London Treasurers Southwark Council
David Smith (phone)	Society of Municipal Treasurers
Nick Eveleigh (phone)	Society of District Council Treasurers
Geoff Winterbottom	SIGOMA
John Bray	London Councils
Jonathan White	Department of Health
Erin Coughlan	Department of Health
Karen Sussex	DCLG
Maxwell Soule	DCLG
Charles Coleman	DCLG
Jeremy Hughes	DCLG
James Livingston	DCLG
Chris Megainey	DCLG
Stephen Smith	DCLG
Shafi Khan	DCLG