



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

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

Date: **Monday 6 June 2016**

Venue: **London Councils, 1<sup>st</sup> Floor, 59 ½ Southwark Street, London, SE1 0AL**

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### 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 second meeting of the Technical Working Group on Needs and Distribution.

### 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:

3.1.1. Members felt that the minutes did not capture some of the attendees who dialled in to the meeting and should be updated to reflect their attendance.

**ACTION: DCLG/LGA to update minutes from last meeting to reflect those that had dialled in.**

3.1.2. Some members felt that the last minutes summary was too brief and did not contain enough of the context around which some comments were made.

3.1.3. It would be useful to have a separate record of the actions from the meeting, alongside the minutes.

**ACTION: DCLG/LGA to provide more context in meeting minutes and provide a note of the actions from the meeting along side the minutes.**

#### **4. Paper 1 – Local Authority Comparisons of 2014-15 Reported Expenditure**

- 4.1. DCLG/LGA presented a paper that compared the variation in local government expenditure in 2014-15 between authorities. The paper considered both total expenditure and expenditure on specific local government services.
- 4.2. DCLG highlighted that there is still considerable variation in local government spending even after you control for differences in population and service delivery. This suggests that there must be other factors driving the spending. DCLG asked the group what the other significant cost drivers they face are. The group thought some of the charts comparing regional expenditure were incorrect and that they should be corrected before the paper is published.

**ACTION: DCLG/LGA to look at the charts comparing expenditure between regions**

- 4.3. Members suggested that the groups of services did not reflect the current grouping used to determine the 2013-14 Relative Needs Formula. For example, the services covered in EPCS were drawn from most of the RO forms. It was suggested that in order to work out how services should be combined it was necessary to understand which lines within RO data suite were currently included within each service block.

**ACTION: DCLG agreed to provide detail of the lines of expenditure data currently used in calculating the dependent data for the 2013-14 Relative Needs Formulae**

- 4.4. Members agreed that population was a key driver of need, possibly the most important, but that it was not the only factor. Why two authorities with apparently similar characteristics could have different spending per head needed closer scrutiny. Members made a number of suggestions for other important cost drivers. These included; staff costs, cost of accommodation and political choices about approach to service provision. Population sparsity was also highlighted as factors that could have significant cost implications.
- 4.5. The group felt that the 4-block model distorted the original needs allocations as the weighting on the needs within the needs amount differed from the weighting of needs within the central allocation. There was the worry from members that if the needs formula were therefore changed under the current 4 block model the number of winners and losers would be increased due to the way the model worked.

- 4.6. In addition, one member felt that the implementation of 50% business rates had unduly reduced the importance of the resource amount. The 2016-17 methodology had helped to restore this but there is still perceived unfairness between geographic areas.
- 4.7. The Chair reminded members that there was no need to be constrained to the approach taken by previous model and the longer timetable this group was working to would allow time to consider all options carefully. It was noted that the 4-block model was derived following years of discussions at predecessor groups and it contained a lot of good elements that should not be forgotten.
- 4.8. The discussion then turned to the elements of the current funding system not covered by the Relative Needs Formulas. In particular the section 31 grants that had been rolled in using tailored distributions in 2011-12 and the nine grants rolled in to the Start-Up Funding Allocation in 2013-14. The Chair questioned whether these could be combined together with the existing Relative Needs Formulae where they covered similar categories of expenditure. For example preserved rights, learning disability and health reform could be combined with adult social care. The group generally agreed with this approach but had question about how this would be done. For example they highlighted that Supporting People contained some elements that fit with Adult Social Care and others which belong in EPCS, which currently contains GFRA housing-related services. The group agreed that these items of funding must be included in the new Needs Assessment.
- 4.9. Turning back to the analysis presented the group highlighted the historical nature of the data being used; it was from 2014-15. The Group pointed out that the proportion of expenditure on statutory services had already increased since 2014-15 as further reductions to RSG had been made. They suggested that by 2019-20 spending on discretionary services would be very limited. For this reason a key issue for the group to resolve will be how the funding should be split between services and how that should change over time. This focus on statutory services led many in the group to comment that the review should focus on make sure the needs assessment for Children Services and Adult Social Care is accurate. The Group also suggested that projections of need should to be made for up to a decade after the start of the new scheme.
- 4.10. Members also noted that:
- (a) the cost of children's social care had increased in areas like North East and North West and that this needs to be recognised as a major cost driver. There reasons for the huge variations in the numbers of looked-after children needed to be understood;
  - (b) adult social care falls into two main groups; 18-64 years and 65 years plus. There were major differences to be noted between the two sets of age groups

but collectively this was the single highest cost for quite a number of authorities.

- (c) concessionary travel is the largest part of transport costs; this is largely driven by the number of pensioners and not linked to the general population;
- (d) the analysis paper did not make any mention of local government capital finance spend including council tax support expenditure.

## **5. Paper 2 – Cost Drivers for Local Government Services**

- 5.1. DCLG and the LGA jointly presented this paper. It summarised responses the Group had provided to the nine questions circulated after the last meeting about: how to simplify the needs assessment model; additional top-ups for drivers of need; using previous expenditure to calculate weightings for indicators and using some form of judgment to these calculations and how this might work in practice. Members' views were also sought on hidden drivers of need: which of these particularly drive expenditure and what existing data sets might be used to capture this hidden need.
- 5.2. The Group had a wide ranging conversation on this paper. It started by focusing on the suggestion that waste was the major cost in EPCS and therefore that the EPCS formula could be simplified to focus on the cost drivers for waste i.e. potentially population only. Members agreed that waste was an important element within EPCS but that it was certainly not the only one; planning and cultural services were highlighted as other important elements which had quite distinct cost drivers compared to waste. The group also felt that simply looking at population as the only cost driver for EPCS was too simplistic. The group highlighted that waste collection was more dwelling-based than population-based and that recycling in terms of efficiency tended to differ considerably between authorities, partially dependent on whether waste collections were weekly or fortnightly.
- 5.3. The Group also highlighted how Culture and leisure activities were particularly valuable in poorer urban areas. Statutory homelessness services were a large cost driver in some areas, following changes to housing benefits. There was some discussion around whether some services were fully financed through fees and charges. It was felt that in most instances licensing costs could normally be recovered by authorities.
- 5.4. Members then moved on to discussing whether the needs assessment should consider all services or if it should only focus on statutory services. Members then asked which services were statutory and which were discretionary. Paul Woods thought this work had already been carried out by a number of North East authorities and agreed to provide this to the group.

**ACTION POINT: Paul Woods to provide a list of key statutory services in EPCS**

- 5.5. Members highlighted that discretionary spend can often prevent the need for statutory spend later, but this should be included as an additional expenditure category as it is still necessary to ensure that statutory duties are carried out. For example prevention of fires may be considered discretionary expenditure, but when a genuine fire does take place fire authorities have a statutory duty to put out the fire. Representatives from Fire Authorities also described how fire funding was based on an assessment of the risk rather than need. The group agreed that the funding formulas should reflect non-statutory duties as well as the cost of statutory ones.

**ACTION POINT: DCLG/LGA would welcome from the group views on what EPCS services should be reflected.**

- 5.6. Members suggested that there should be a detailed discussion at the next meeting on the indicators currently used in the needs assessment. The group generally felt that the indicators that had previously been used remained broadly the correct. However some members of the group highlighted that the recent update to the Index of Multiple Deprivation introduced some new indicators, and suggested that these should be considered for use in the new formulae.
- 5.7. Members also identified that the paper had not included the revenue cost of funding capital expenditure as one of the service blocks. Members highlighted that for some authorities capital expenditure was their 3<sup>rd</sup> most expensive service following children's and adult social care and that it was therefore important that this area of expenditure was included in the work going forward. DCLG agreed to provide the Group with detailed information about all of the indicators used in the current needs assessment to help inform a discussion at the next meeting.

**ACTION POINT: DCLG to provide information on the indicators in the current formulae and their present status.**

- 5.8. The group then discussed the way that the previous weightings for each indicator and service block had been derived. They emphasised that previous expenditure was largely dependent on the resources available to the council, which were largely controlled by central government. They suggested that expert judgement could replace weightings based on expenditure as a method of determining the weights, or as a sense-check to analysis in some areas. They suggested that alternative methodology for measuring need should be discussed at the next meeting.
- 5.9. An important part of the judgements over weights would be the control totals allocated to each of the services. There was concern amongst members that

insufficient funding would be allocated for children's services and adult social care. One member stressed that although it was useful to look back at past expenditure for Adult Social Care it was equally important that emphasis is placed on looking forward through the full cycle and not just up to 2019/20 but further beyond. It was therefore important to consider the needs formulae in the light of the funding available to be distributed.

**ACTION POINT: DCLG to distribute the Devolution of Responsibilities paper to the group on the estimate of the aggregate funding available in 2019-20.**

- 5.10. One member suggested that it was important to reflect that adult domiciliary social care was more expensive in rural areas due to the distances involved in travelling between clients.
- 5.11. DCLG and the LGA were keen to look at other measures for determining needs such as outcomes and reminded members that CIPFA had been invited to make a presentation at the next meeting. It was pointed out that the CFO Insights work was backwards-looking whereas the group wanted more of a forward-looking focus.

**ACTION POINT: CIPFA to present to the group on their CFO Insights tool**

- 5.12. Members pointed out that the Department of Health had been doing work around unit costs on social care and wished to consider these as an alternative potential method of allocating funding.

**ACTION POINT: Invite Department of Health officials to explain how the unit costs have been derived.**

- 5.13. DCLG and the LGA sought views on how hidden costs could be measured and whether this should be recognised. Members suggested that there were two forms of unmet needs: either the potential service user has never accessed the service (unmet need) or that insufficient funding was available to offer the service (unfunded pressures).
- 5.14. In that context members emphasised that some authorities have unfunded pressure from those individuals who have no recourse to public funds. Certain client groups have bigger impact on local authority spending. In particular the Group outlined how the current welfare benefits reforms and the move towards Universal Credits is not in local authority control and these can also lead to unfunded pressures.
- 5.15. Members suggested that where the current formulae no longer reflected need this led to some areas being unable to provide services. For example although the settlement guarantees that local authorities can offer concessionary bus passes to all older people, if the buses do not run or run

infrequently in the area then it will not be possible for them to access bus travel. As taxis are considered to be discretionary concessionary travel expenditure these are not funded through the settlement.

## **6. Actions and Next Steps**

- 6.1. The action points were summarised and agreed as being the next steps to take forward.

<b>Attendee</b>	<b>Organisation</b>
Dan Bates	Rural Services Network
Jenny Owens (apologies) Substitute: Amy Lane	SCT Analysis Unit
Nick Eveleigh (apologies) Substitute: Norma Atlay	Chelmsford Council North Herts Council
Sally Marshall	District Councils Network
James Walton	Shropshire Council
David Smith (phone)	Society of Municipal Treasurers
Duncan Whitfield	Society of London Treasurers
Martin Mitchell	Greater London Authority
Paul Woods	North East Combined Authority
Carla-Maria Heath	City of London
Alison Kilpatrick	Kent Fire
Geoff Maren (phone)	West Yorkshire Fire
Laura Deery	CIPFA
Caroline Lee	CIPFA
Alan Cross	Society of Unitary Treasurers
David Northey (phone)	Plymouth Council
Stuart Pearce	Worcestershire County Council
Aivaras Statkevičius	Local Government Association (LGA)
Geoff Winterbottom	Special Interest Group of Municipal Authorities
Stuart Hoggan	DCLG
Farhad Chikhalia	DCLG
Karen Sussex	DCLG
Ian Rose	DCLG
James Livingston	DCLG
Shafi Khan	DCLG
Dave Shipton	CCN
John Bray	London Councils
Graham Soulsby	Kettering BC