

**POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY**

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**Needs and Redistribution Working Group Update**

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1. The Needs and Redistribution Working Group met for the first time on 3 May 2016. This note provides a summary of progress and outlines our next steps.
2. We discussed proposed **Terms of Reference**, which the group agreed to. We also agreed that the Working Group's purpose was to first establish the *principles* for doing a new needs assessment, which would set the baseline of funding for authorities under 100% business rates retention. This should be done for the services that local government currently delivers first, with those that may be devolved as part of the move to 100% retention being considered later.
3. Following establishment of the principles for doing a needs assessment, the work of the group would switch to considering the the more detailed statistical analysis needed to produce a new funding formula.
4. The group discussed the **key questions** for the Fair Funding Review. It agreed that in addition to those that had been put forward, how the transition to a new distribution of funding is done should also be considered by the group.
5. On the question of how to measure need, the group agreed that a good starting point would be to analyse local government expenditure from 2014-15 and see how that differed between local authorities. **This action is being taken forward by DCLG/LGA.** The group also discussed how 'outcome-based' measures of need might be used and what the potential advantages of these might be over using previous expenditure as a measure of need. CIPFA have a tool called 'CFO Insights' which a number of group members felt was very useful and provided information on outcomes. **DCLG/LGA have invited the CIPFA representative to introduce 'CFO Insights' at the next meeting of the technical working group.**
6. The group discussed what the 'key cost drivers' of local government services might be and how these could be used to distribute funding. It was suggested that the indicators used in the 2013-14 local government finance settlement would be a useful starting point for identifying these cost drivers. **DCLG/LGA will provide members information on these indicators for them to consider in advance of the next meeting.**
7. The group also considered the potential for a simpler method of distributing funding. Some members felt that the needs of the majority of authorities would be similar and so a simple formula with little redistribution could be adopted for the majority of councils. This would allow you to focus redistribution between those councils with low relative need/high relative resource and high relative needs/low relative resource.
8. There were mixed feelings in the group regarding distributing funding at larger geographies. Some members felt that it would improve cooperation between neighbouring authorities, whereas others felt that it would be very difficult for councils to

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decide amongst themselves how much each individual authority should get. However, the group was in agreement that that question should still be considered.

9. On rewards/incentives, some members felt that the new needs assessment should incentivise spending on preventative services. Others felt that the question of rewards/incentives needed to be approached carefully as introducing rewards/incentives would reduce the amount of funding available to be distributed based on needs.
10. The group felt that it would be useful to engage with officials from other government departments as part of its work. It was agreed 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.

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