

Needs and Redistribution Working Group Update

POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

1. The discussion at the most recent meeting focussed on the next steps for the Fair Funding Review, cost drivers for transport services, capital financing and the work of the subgroup led by the Association of Local Authority Treasurer Societies (ALATS).
2. The group had a lengthy discussion about the responses received for the call for evidence on needs and redistribution. As expected, there were few points where respondents had complete consensus, including the balance between complex and transparent formulae. However, the group discussed other means of making the redistribution mechanism simpler to understand not limited to the formulae themselves, including presentation of how the needs assessment is put together from its constituent parts, the use of damping, treatment of two-tier areas and others.
3. DCLG officers discussed outline plans for the next consultation. This will be expanded upon as part of the substantive paper on the fair funding review which is on the agenda for this meeting of the Steering Group.
4. Officers from the Department for Transport attended the meeting and presented a paper on cost drivers affecting local services related to highways and public transport (bus services and concessionary fares). The group had a lively discussion about the main factors affecting highway maintenance, including usage of roads by HGVs and differentiation between types of road. On concessionary fares, there was broad agreement that the number of older people is a reasonable proxy for relative cost pressures as long as the benefit continues to not be means-tested.
5. The group received an outline paper about how historic capital borrowing (based on capital borrowing supported by the Government prior to the introduction of prudential borrowing) was treated. While the approach used in the current set of formulae was not challenged significantly, there were questions about whether this complexity in the system could be removed by dealing with the historic supported debt at the time of the introduction of the business rates retention system.
6. Finally, the group also received an update from the subgroup of the Association of Local Authority Treasurers' Societies whose work on a potential sector-led solution, focussing on a small basket of key cost drivers, is ongoing. This will be expanded upon as part of the substantive paper on the fair funding review which is on the agenda for this meeting of the Steering Group.