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

Paper: NR TWG 17-12 Fair Funding Review - LGA work programme update by the Local Government Association

Date: 16 November 2017

Venue: Southwark Council

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

Background and the LGA's approach

1. The Fair Funding Review was announced in February 2016 by the then Secretary of State, Greg Clark. As part of the joint DCLG and LGA work on further Business Rates Retention a joint officer level Needs and Redistribution Working Group (renamed the Fair Funding Review Working Group) was formed to take forward this work under the guidance of the Business Rates Retention Steering Group. Public-facing work paused earlier this year with the announcement of the general election and reconvened in July 2017. The group has met twice since the general election, most recently on 29 September. Full papers of the meeting can be found on the [LGA website](https://www.local.gov.uk/topics/finance-and-business-rates/business-rates-retention).
2. The work on the Fair Funding Review and further business rates retention is a key priority for the LGA and LGA members place a high priority on this work. The LGA’s work on the Fair Funding Review has largely been aimed at not duplicating what is being done by DCLG and others, and also giving the sector the maximum opportunity to contribute to the debate.
3. The LGA’s work is based on the premise that:
   1. The LGA will not take a view on the formulae as views of fairness differ among authorities and any changes may result in significant redistribution between authorities. This can be subject to change if there is a broad emerging consensus and cross-sector agreement.
   2. Instead, the LGA aims to facilitate the conversation between member authorities and central Government, with clear and continued opportunities by all parts of local government to state their evidence-based case.
   3. The LGA is also clear that any result of the Fair Funding Review is not sustainable with the current levels of local government funding. Councils will have seen a £16 billion reduction to core central government funding over this decade and are facing a funding gap of at least £5.8 billion by 2019/20. Changing individual local authority funding allocations will not solve either of these challenges and risks making the situation worse. As a result, the LGA’s efforts have instead been concentrated on increasing the total amount of funding available to local authorities.
4. In practice, this means that the key projects and deliverables in the LGA’s current work plan are:
   1. Joint work with DCLG including arranging, producing papers, and chairing future meetings of the Fair Funding Review Working Group.
   2. Responding to all future consultations on Fair Funding Review.
   3. A series of free regional workshops aimed at gathering views from our members on the Government’s consultations on the Fair Funding Review (this follows on from six workshops in 2016 and a further six in 2017 organised by the LGA and attended by 500 delegates).
   4. An ‘away day’ for officer representatives of the Steering Group and the technical working groups.
   5. Providing continued ‘critical friend’ support to the Association of Local Authority Treasurers’ Societies and attending the meetings of its Fair Funding Review subgroup.
   6. Regular meetings of the LGA’s Task and Finish Group on Business Rates Retention to help develop the LGA’s position on the Fair Funding Review and further business rates retention.
   7. Regular updates to seek the views of the LGA’s Leadership Board and Executive on the Fair Funding Review and business rates retention.
   8. Ensuring member authorities are kept up to date with regular feedback on the work on the Fair Funding Review and further business rates retention.
5. As the Fair Funding Review is a key concern for authorities, the LGA needs to think how it can extend its work programme in this area while still adhering to the principles in paragraph 3.

An additional proposed LGA work plan on the Fair Funding Review

1. Officers have used the information above to develop a proposed additional LGA work plan for the Review. The main objectives have been:
   1. To ensure that proposed work is in line with principles set out in paragraph 3.
   2. To ensure that any LGA-specific work is additional to the work already being done by stakeholders and the Government.
   3. To ensure that the outputs of the work are helpful to our members when they evaluate the impact of future propositions made by the Government or other stakeholders in the future on their authority. This could take the shape of modelling tools which allow councils to compare the results of different options to their local authority and others and build their own case for the Government’s Review.
   4. To provide an evidence base for the LGA’s policy and to help the LGA provide informed responses to the Government’s consultations and technical discussion papers, in anticipation of future developments and milestones of the Government’s own plan.
   5. To share knowledge with member authorities more generally.
2. The outline of additional work as approved by LGA Leadership Board and Executive is outlined below. The aim is to deliver on a significant part of this work programme over the next six months. We would welcome the views of the group.

| **Project** | **Purpose and description** | **In-house or commissioned?** |
| --- | --- | --- |
| Key criteria for assessing proposed distribution models and methodologies | To give the LGA a structured and consistent way to assess new distribution models. | In-house with the support of the Task and Finish Group, Leadership Board and Executive |
| Damping/transition mechanisms | An analysis of historic damping / transition mechanisms and a model to inform discussions on the guiding principles of transition. To inform LGA and member authorities’ policy. | Consider commissioning |
| Council tax equalisation | A model to identify the impact of adjustments for council tax and council tax support on individual authorities.  To inform LGA policy and to help individual member councils evaluate DCLG proposals. | Consider commissioning |
| Distribution model: develop a distribution model | A model to allow local authorities to see the impact of different key cost drivers and differential weightings. To help the LGA and member councils evaluate the impact of various Government and stakeholder proposals on their council and to allow them to put forward their own proposals | Consider commissioning |
| Distribution model: update the data | Update the data in the current distribution model (where updated data is available) to see the impact of this on individual allocations separate to any methodology changes. In effect this would provide an updated baseline to inform a discussion on how long the formulae remain ‘future proof’ without any review of weightings.  To help the LGA and member authorities form policy on the frequency of distribution resets, or other ways to ‘future proof’ the mechanism. | Consider commissioning |