

# SIGOMA

*The Special Interest Group  
of Municipal Authorities (Outside London)  
Within The LGA*

## **Picking up the Pace – The need to move towards target funding in SIGOMA areas Executive Summary**

SIGOMA has actively campaigned to ensure that the various funding formulae that the Government uses to allocate funding to our areas reflect the ever changing needs of our communities. Various reviews and changes to the formulae have occurred in recent years, which should allow funds to flow to the areas which have the highest needs. However, the use of a number of ‘damping’ or ‘pace of change’ policies restricts the movement towards target funding of some of the most deprived neighbourhoods in England.

The Government aims to ensure all its allocation methods encompass some basic features; certainty, flexibility, equity and stability. Equity is a key feature for which SIGOMA has campaigned. Unless our councils and Primary Care Trusts are given the funding to really tackle important issues like educational attainment, deprivation, housing need and unemployment, the gaps in many deprived areas will only be allowed to worsen. The government and opposition parties must put affective resourcing at the heart of their long term strategies for tackling inequalities.

- **SIGOMA lose £618 million in formula grant over this spending review period through damping. The formula recognises our needs but changes are slow as a result of damping.**
- **Compared to areas in London and the South East, SIGOMA has sizable gaps in the major health indicators. Early deaths from heart disease, cancer and stroke are higher than any English region. Despite this, over the current spending review period, £1.2 billion is diverted away from SIGOMA areas through the ‘pace of change’ policy, equal to almost £100 per head.**
- **SIGOMA areas have comparatively low achievement. In 2006/07, a third of SIGOMA schools had achievement rates of 30% or less children achieving 5+ A\*-C GCSE passes. When compared to the national average of a fifth of schools achieving below 30% passes, it is clear there are significant gaps.**
- **Despite the inequalities evident, SIGOMA areas receive an average £796 less per pupil (or 20% per pupil) through the Dedicated Schools Grant (DSG).**
- **Collectively, SIGOMA loses £70 million through transitional protection of the Supporting People programme and Housing Subsidy Grant, with allocations being held at historic levels.**

## The Effects of Damping

Damping arrangements are put in place to lessen the effects of change and reduce the financial turbulence that can occur when funding formulae are revised to better reflect need. However, it is vital that the Government recognises that when damping is used, our members pay for this protection and are not in the funding position they should be. The Government has worked hard to address inequalities in provision of major public services such as healthcare and education. The needs of our communities are now recognised through the use of 'target' allocations. Despite progress in some areas, the change from funding at legacy levels to those reflective of actual need is slow.

Regional analysis demonstrates that funding is being diverted away from high need areas such as SIGOMA, to fund the floors for authorities in London and the South East. The table below shows the distance from target funding of SIGOMA compared to London and the South East for the four major funding streams examined in 'Picking up the Pace'.

<b>2009/10 Allocations</b>	<b>Formula Grant</b>	<b>Primary Care Trust Allocation</b>	<b>Supporting People Grant</b>	<b>Housing Subsidy Grant</b>
	£m	£m	£m	£m
London	324.657	975.634	17.349	18.690
South East	168.392	253.519	(28.609)	(2.451)
<b>SIGOMA</b>	<b>(202.489)</b>	<b>(524.408)</b>	<b>(12.997)</b>	<b>(10.595)</b>

### FORMULA GRANT

As demonstrated above, SIGOMA areas lose £202 million in 2009/10 through damping (as well as £258m in 2008/09 and £158 million in 2009/10).

➤ **37 SIGOMA members have their allocation 'scaled back' in 2009/10 at a cost of £227 million.**

Across England, 98 were scaled back in total; hence SIGOMA authorities make up a substantial proportion (38%) of the authorities that fund the floor for others. SIGOMA members should have seen an increase in funding of 6.2% had damping not been used, however this was reduced to a 3.1% increase in 2009/10.

The knock-on effect of a shortfall in funding to communities that are already deprived is harmful. Pockets of deprivation are much more prevalent in SIGOMA and northern regions than places like London. In SIGOMA, nearly a quarter of our Super Output Areas (SOAs) are within the 10% most deprived SOAs in the country.

➤ Analysis of the Index of Multiple Deprivation (IMD) 2007 shows that **out of the top 100 most deprived SOAs, 84 were in SIGOMA**, while London areas did not rank at all within this measure of deprivation.

Formula grant is the single biggest source of funding for local authorities, and is therefore essential for tackling deprivation.

## HOUSING SUBSIDY GRANT

SIGOMA recently published '*Housing: Our Big Issues?*' which detailed the current housing problems in our areas. Soaring waiting lists for social housing and rapid increases in the numbers of repossessed homes are some of the headline findings of this document.

- A third of all households on the waiting list nationally for social housing are in SIGOMA regions. Also, our areas have significantly high numbers of vacant properties (34% of vacant properties in England are within SIGOMA regions).

Despite these problems, funding through the housing subsidy system is being diverted away from SIGOMA authorities to fund protection arrangements from 2004/05 that continue to be in place long after they should have been phased out.

- **SIGOMA loses £32 million from transitional protection of Housing Subsidy in 2008/09 and 2009/10.**

## EDUCATION FUNDING

SIGOMA recently launched '*Breaking the Cycle: Ending Child Poverty in SIGOMA areas*' which highlighted the significant progress that needs to be made in terms of addressing the inequalities that exist across our regions. The Government is committed to achieving a society where all children and young people can achieve their full potential and not be held back by their background.

However, in 2008 SIGOMA regions fall behind most other English regions in terms of achievement of good GCSE passes; being two % points behind the English average.

- SIGOMA areas lag behind London on funding received per pupil. In 2008/09, **SIGOMA areas received an average of £796 per pupil less than London boroughs.** Funding is currently allocated using a "spend-plus" approach, where all authorities receive an allocation based on 2005/06 Formula Spending Share data. This method uses data that locks in historical inequities and does not reflect true need.

## PRIMARY CARE TRUST ALLOCATIONS

The Department of Health (DoH) uses the 'weighted capitation' formula to allocate resources to PCTs which has the dual aims of allowing PCTs to commission similar levels of healthcare for populations with similar health care needs, and reducing avoidable health inequalities.

SIGOMA areas have demonstrably poorer scores on the main health inequality indicators, and on the Disability Free Life Expectancy, the measure used by DoH to ascertain how long an individual can expect to live without a permanent disability.

- **SIGOMA areas lose £1.2 billion in PCT funding despite the evident high needs of our communities.** The 'pace of change' policy in place from 2009/10 has meant that some of our members have moved further away from target in both cash and percentage terms

## **SUPPORTING PEOPLE FUNDING**

A new distribution formula was devised to allocate funding for the supporting people programme after it was recognised that one-fifth of authorities accounted for thirty percent of the total allocation in 2004/05.

- **SIGOMA areas lose £38 million over the three years from 2008/09** as the pace of change policy in place only allows allocations to increase by a maximum 7 percent year on year.

## **THE IMPACT ON COUNCIL TAX AND THE TAXPAYER**

In the past, council tax increases have been lower in London than other areas of the country. In 2009/10, the average band D council tax in Inner London increased by 0.5% to £1,117. In SIGOMA for the same year, the average increase was 3.5% to £1,348. Conversely, London boroughs tend to be the areas that have high levels of public expenditure. Through the damping regimes in place, funding is being used to subsidise the council tax levied in these areas.

**SIGOMA authorities lose £1.9 billion over the three years of the current spending review period from these funding streams alone; resources which would make a valuable impact on some of the most deprived communities in the country.**

### **SIGOMA asks;**

- **That the government sets down and makes explicit a policy on the pace of change and the movement towards target that an authority can reasonably expect within each settlement period.**
- **There should be an adequate consultation period for all major funding streams allowing all authorities to voice concerns**
- **The cost of overall damping should be met from outside the local government finance system**

**For further information please contact the SIGOMA Office:**

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