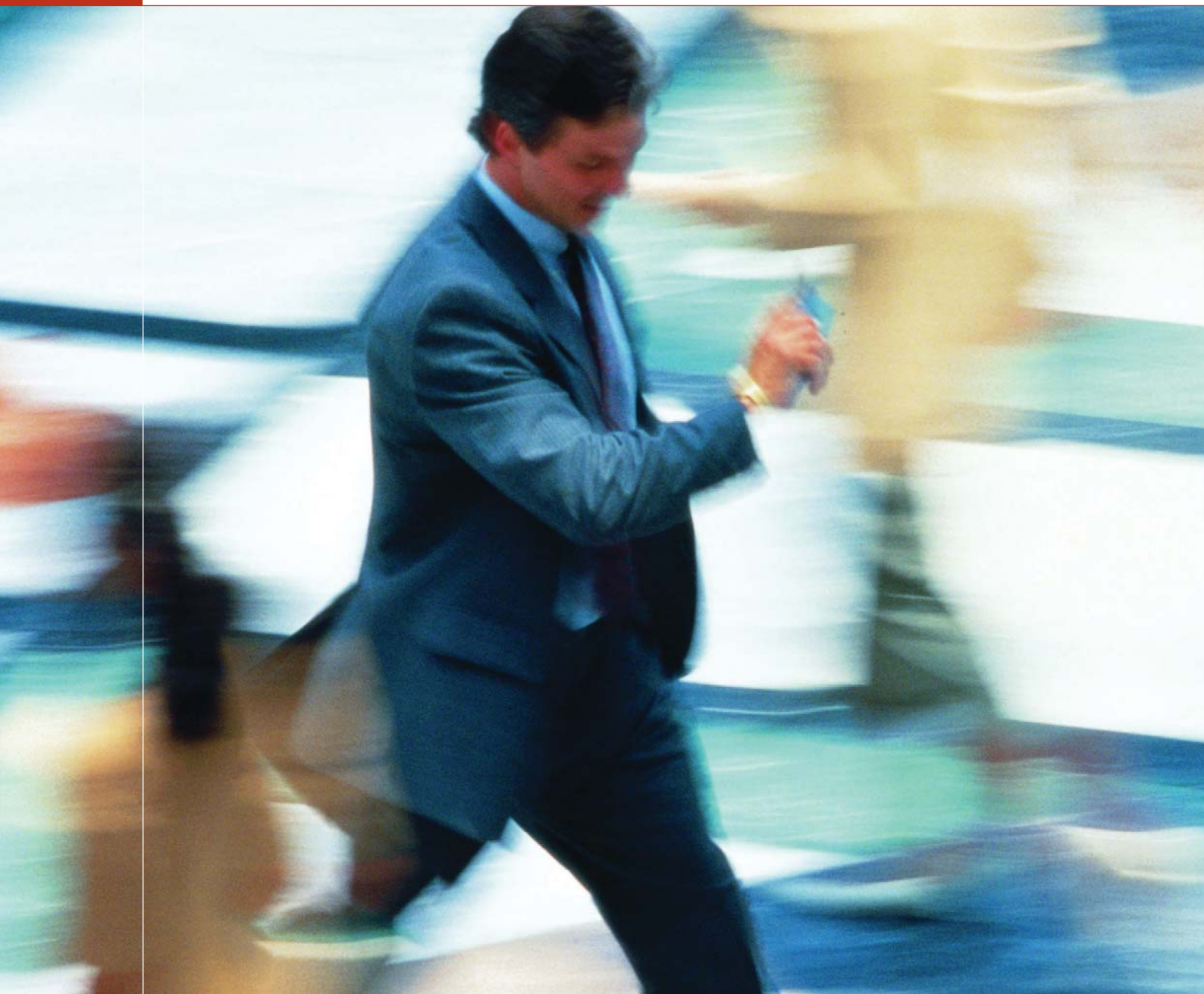


Picking up the pace:

The need to move towards target funding in SIGOMA areas



SIGOMA

Special Interest Group of Municipal Authorities

Background to SIGOMA

SIGOMA is a special interest group of 45 Municipal Authorities located outside London and is a recognised special interest group within the LGA. Its membership comprises 33 metropolitan districts and 12 major unitary authorities with similar characteristics. The combined population of SIGOMA authorities amounts to over a quarter of the population of England. Its member authorities account for over 25% of English local government expenditure and SIGOMA members comprise most of the largest housing authorities in England.

We are the collective voice of urban areas representing most of the large towns and cities in the northern, midland and south-coast regions of England.

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Introduction

Inadequate funding inevitably leads to poor services. SIGOMA has actively campaigned in the past to ensure the various funding formulae that allocate money to our authorities reflect the ever changing needs of our communities. A key feature of any system that the government use to allocate funding is fairness; that areas that need resources, should receive those resources.

The government has moved towards multi-year settlements in most major sources of funding for our areas. Formula grant, Primary Care Trust allocations and most specific grants are now allocated (sometimes indicatively) over a number of years. This has proved to be a welcome enhancement to the system; offering increased stability and predictability.

Various reviews have occurred in recent years, resulting in changes to the methods through which our largest sources of funding are allocated. For example, the 'four block' model was introduced to allocate formula grant in 2006. With these revised formulae came the inevitable consequence of funding 'turbulence' – shifts in funding between authorities based on the assessment of their need.

The use of protection or 'damping' arrangements, to retain the status-quo and avoid sudden changes in funding has been a hotly debated topic over the years. In an ideal world these damping mechanisms would not be needed, but the complex nature of funding allocation leads to transitional arrangements being a necessary evil to prevent large scale shifts in funding. However, an adequate balance must be struck between stability, fairness and need.

The end result is that some parts of the country receive less funding than their needs would dictate. This document will highlight the 'distance' our communities are from their target funding and highlight some of the inequities that are not being tackled due to lack of valuable funds in our areas.

SIGOMA communities are some of the most deprived in England. We have recently highlighted some of our needs in 'Breaking the Cycle; ending child poverty in

SIGOMA areas' and 'Housing; our big issues?' ; which evidenced the gaps that exist between our communities and other regions in England for key concerns such as educational achievement, unemployment, deprivation and housing need. Unless our councils are given the funding to really tackle these issues in the next decade, then the risk is that the gaps in many deprived areas will only be allowed to worsen. The government and opposition parties must put the effective resourcing of local authorities and Primary Care Trusts at the heart of their long term strategies for tackling inequalities.

**“Lack of money is the root of all evil” ~
George Bernard Shaw**



Key Messages

SIGOMA lose £618 million in formula grant over this spending review period through damping, despite having some of the most deprived communities in England. The formula recognises this need but changes to funding are slow.

£1.2 billion of health funding is lost through the pace of change policy on Primary Care Trust allocations while SIGOMA areas continue to have some of the poorest scores on major health indicators.

Life expectancy in SIGOMA areas is significantly lower than the rest of England, with male life expectancy 2.3 years behind the English average and female life expectancy 1.8 years behind. Compared to the 'best' regions in England, SIGOMA is 3 years behind on life expectancy.

SIGOMA loses significant amounts of money from specific grants such as Supporting People and the Housing Subsidy grant.

SIGOMA trails behind London in funding per pupil for Education with London receiving an average of £796 per pupil more than SIGOMA.

This is reflected in the poor attainment at GCSE level of pupils in SIGOMA areas – nearly 2 percentage points behind the English average and London.



How funding is calculated and subsequently ‘damped’

The diverse characteristics of each areas population mean there is no single ‘magic formula’ to allocate the various funding streams that Government distribute to local authorities. However, in order to understand how the damping regimes work, it is necessary to know a brief background to some of the main funding methodologies that government use, and the damping mechanisms that are in place.

This document will concentrate on the implications of under-funding in five of the largest funding sources, with formula grant and PCT funding being the major sources of a regions income. These funding sources (amounts quoted are for 2009/10) are:

- Local Government formula grant allocation (£28.2bn) ¹
- Primary Care Trust (PCT) Funding allocation (£80.0bn) ²
- Dedicated Schools Grant (DSG) (£30.1bn) ³
- Supporting People Grant (£0.6bn) ⁴
- Housing Subsidy Grant (Figures not available at time of publication)

The Government aims to ensure all its allocation methods encompass some basic features; certainty, flexibility, equity and stability; and to a lesser degree, simplicity. Equity is a key feature for which SIGOMA has actively campaigned.



Local Government Formula Grant

The majority of council funding is distributed by the formula grant, using the ‘four block’ model. Each council’s share of grant is determined by a range of formulae which aim to measure the need for services in a particular area. These formulae are called Relative Needs Formulae. The Government use these to determine the relative needs of each council for all the services it provides.

The Government also includes an estimate of how much income each council can raise themselves through council tax charges; it’s ‘taxbase’. This represents the number of properties each council has in the different council tax bands.

In essence, the amount of grant each council receives is based on its relative need weighed against its ability to raise income through tax. For example, an authority with high relative need but a low council tax base will receive more funding than a council with a low relative need and a high tax base. This process is known as equalisation.

The final stage of the system looks at the level of funding a council received in previous years and ensures there are no excessive changes, either up or down. In this way, all councils can expect a degree of stability through a minimum grant increase (the floor). Conversely, those assessed as needing more funding have their increases scaled back to pay for this floor.

This process is known as damping.

PCT Funding Allocation

The funding to PCTs is determined by the 'Weighted Capitation Formula', which again has the underlying principle of allocating resources based on need. It aims to determine target shares of available resources to enable PCTs to commission similar levels of healthcare for populations with similar healthcare need, and to contribute to the Government's objective of reducing avoidable health inequalities.

In common with formula grant allocation, the final step of the determination is to ensure each PCT receives a minimum guaranteed increase year-on-year, while scaling back those who have high target allocations as determined by the formula.

Dedicated Schools Grant

The allocation of DSG is currently being reviewed with a view to a new formula being introduced from 2011. Since 2006/07, DSG has been separate from all other local authority funding and paid as a ring-fenced grant. The grant is currently calculated on a 'spend plus' methodology, basing current allocations on what local authorities planned to spend in 2005-06; a method that is unsustainable, inequitable and 'locks-in' existing disparities. The review aims to develop a single transparent formula for the distribution of DSG, which distributes resources in line with relative need, recognising the different costs of educating particular groups of pupils and providing education in different areas.

Supporting People Grant

This programme offers vulnerable people the opportunity to improve the quality of their life by helping to provide a stable environment that enables greater independence. Historically, allocations were not based on the needs of the administering authority, so funding has built up in an ad-hoc manner. To address this, a distribution formula based on actual need was introduced in 2007/08. However, the Government damped the formula's effect by capping the amount any authority would gain or lose. No authority would lose more than 5% of its budget nor gain more than 7% year on year, whilst some authorities see no change.

Housing Subsidy Grant

All councils with housing stock are part of the Government's Housing Revenue Account Subsidy programme, which is currently under review. A notional funding system is used to redistribute resources from those authority's that are deemed to have higher levels of resources (i.e. raise more income through rents) to those with lower resource levels.

SIGOMA authorities currently are net recipients of housing subsidy (21 received £218m of subsidy in 2008/09, whilst 13 authorities contribute £61m to the central pot). In light of the review, the current housing subsidy system has remained unchanged to maintain the status-quo. In doing so, current inequities are 'locked in'. Significant protection is still given to some authorities, diverting funding away from SIGOMA areas (£22m in 2008/09 and £11m in 2009/10).



The Financial Effects of Damping

SIGOMA has always supported the use of transitional arrangements such as damping to lessen the effects of change and reduce the financial turbulence that can occur. However, the Government needs to recognise that if damping is used, this means that our members will continue to pay for such protection and are not in the funding position they should be. Indeed, due to historic underfunding, our authorities still cannot fully achieve their community's underlying aspirations for improved public services.

The cumulative effects of under-funding in the main income streams mean SIGOMA areas are losing many

millions of pounds of funding, year on year. As SIGOMA areas have such high levels of deprivation and need, these resources are crucial to delivering our local priorities and addressing the inequalities that exist between our region and regions such as London and the South East.

The cumulative losses to SIGOMA are shown in table one below. (As Dedicated Schools Grant does not have a 'target' allocation, we are unable to display similar analysis for this grant but this will be detailed later).

Table One: Cumulative funding loss to SIGOMA from damping regimes

Funding (loss) / gain	2008/09 £,000	2009/10 £,000	2010/11 £,000
Formula Grant Damping	(257.686)	(202.489)	(157.888)
PCT Pace of Change	(200.998)	(524.408)	(492.041)
Supporting People Pace of Change	(13.450)	(12.997)	(11.657)
Housing Subsidy Transitional Protection	(21.844)	(10.595)	*
Total Distance from Target Funding	(493.978)	(750.489)	(661.586)

* Figures not yet available

It is clear that significant funding is being lost to SIGOMA, being used to boost the allocations to authorities which have been over-funded historically. Indeed, over the three years from 2008/09, £1.9 billion has been lost to our collective regions through the compound effects of damping on these major funding regimes alone.

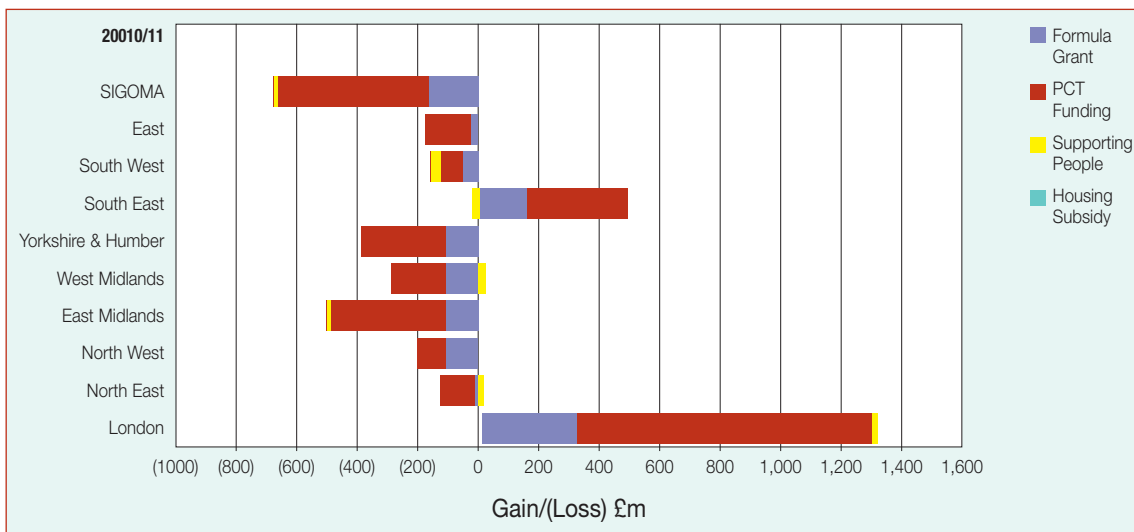
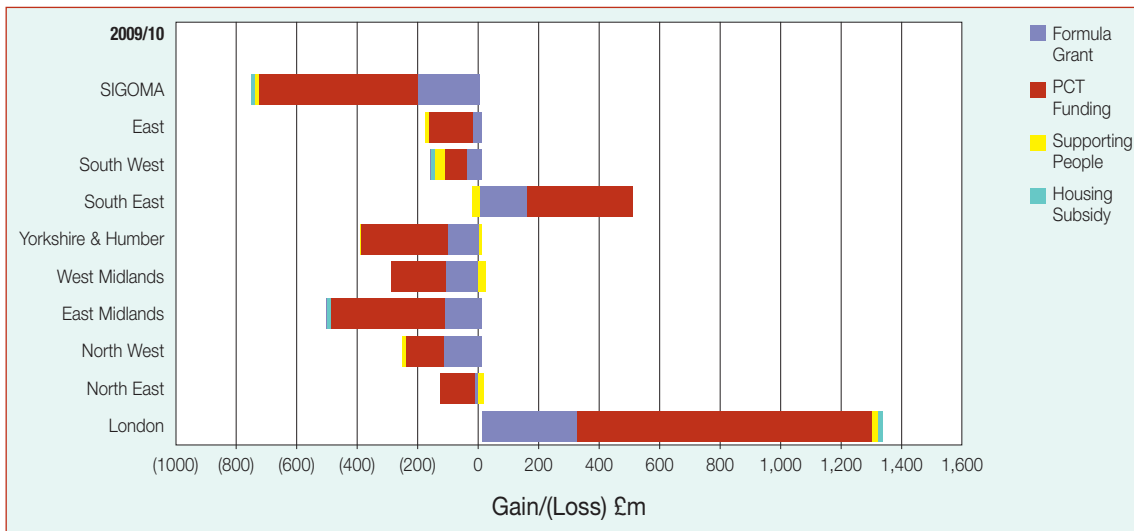
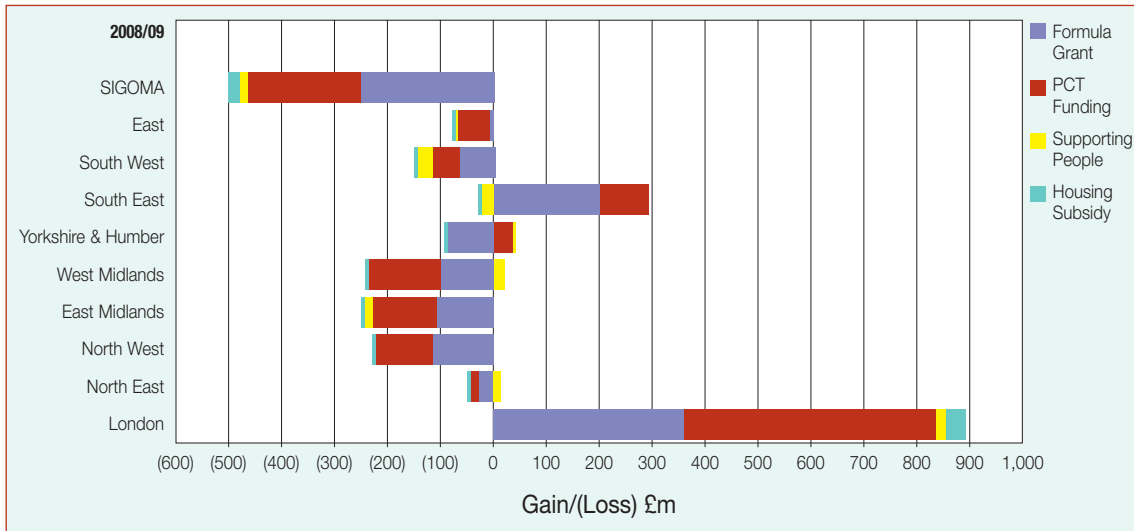
The Government has worked hard to address inequalities in provision of major public services such as healthcare and education. Progress has been made in the past and the needs of our communities are now recognised through the use of 'target' allocations. The Government has listened to SIGOMA's concerns and we made progress on issues

such as the removal of social care damping and the replacement of Neighbourhood Renewal Funding with the new Working Neighbourhoods Fund. However, the pace of change of moving from funding at legacy levels to those determined by actual need is slow. The North – South divide still exists.

Regional analysis shows that funding is being diverted away from needy areas to fund the floor for authorities in London and the South East.

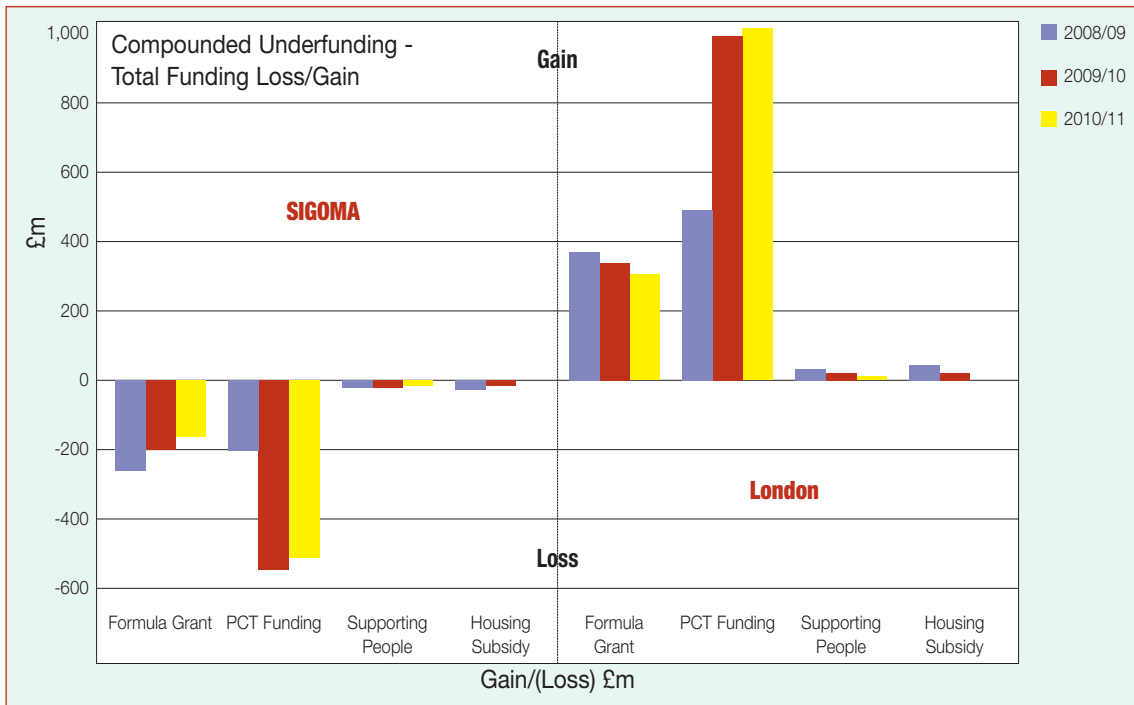
The graphs in figure one highlight the proportions of funding flowing between regions through the various damping regions over the years in the current spending review period.

Figure One: Regional gains or losses for upper tier authorities through damping from 2008/09



SIGOMA regions collectively lose a significant proportion of the funding that is redistributed by damping as demonstrated in figure two.

Figure Two: The cumulative underfunding in SIGOMA regions



In effect, local authorities are held back with funding kept at historical levels rather than receiving allocations that reflect up to date local circumstance. This sits at odds with the principles adopted by Government to ensure fairness and equity and hinders our authorities in addressing the vast inequalities that exist between SIGOMA and other English regions.



How this Funding Impacts on our Regions

FORMULA GRANT – the effects of damping

The ultimate effect of damping in SIGOMA areas is to take much needed funding away from our communities and re-distribute this to areas that the governments funding formula recognises as having less need than ours. Table two shows the scale of

increase or decrease that each type of authority should receive in 2009/10, and the subsequent effect of damping the funding. It demonstrates the limiting effect of damping on funding areas outside London. SIGOMA areas should see a collective increase of 6.18% in 2009/10, but see this scaled back to just 3.05%.

Table Two: The effect of damping on the percentage increases in 2009/10, by class of authority ¹

	% Increase on 2008/09 before floors and scaling	% Increase on 2008/09 after floors and scaling
Inner London	(9.07%)	1.79%
Outer London	(2.53%)	2.28%
Metropolitan Districts	5.37%	2.89%
Shire Counties – Fire	2.51%	4.08%
Shire Counties – Non Fire	9.13%	4.29%
Shire Districts	13.08%	4.82%
Unitary Authorities	6.14%	3.50%
SIGOMA	6.18%	3.05%

In total, 37 of our members have their allocation scaled back from their funding target in 2009/10, at a cost of £227m. Government needs to continually recognise that our members are still not in the funding position they should be. This scaling back equates to a cost of £20 per head to each resident in SIGOMA areas (using 2007 mid-year population estimates). Contrast this to London, which receive protection equivalent to £43 per head in 2009/10. This is clearly

going to have a significant knock-on effect to the council tax payer.

Table three illustrates the position of some of the underfunded authorities in SIGOMA. Again, compared to some of the authorities over target funding there are stark differences (Hammersmith and Fulham £27.3M (or 30%) over target, Wandsworth £51.6M (or 54%) over target)

Table Three: The furthest away from target in SIGOMA areas ¹

2009/10	Formula Grant Before Floors £m	Grant Received £m	Distance from Target	Distance from Target %
Blackburn with Darwen	86.120	77.804	(8.316)	-9.7%
Blackpool	84.599	78.638	(5.961)	-7.0%
Stoke-on-Trent	131.289	123.062	(8.227)	-6.3%
Rotherham	126.683	118.936	(7.747)	-6.1%
Oldham	124.751	117.534	(7.217)	-5.8%

This lack of resources has the effect of further compounding the already deprived communities that SIGOMA represent.

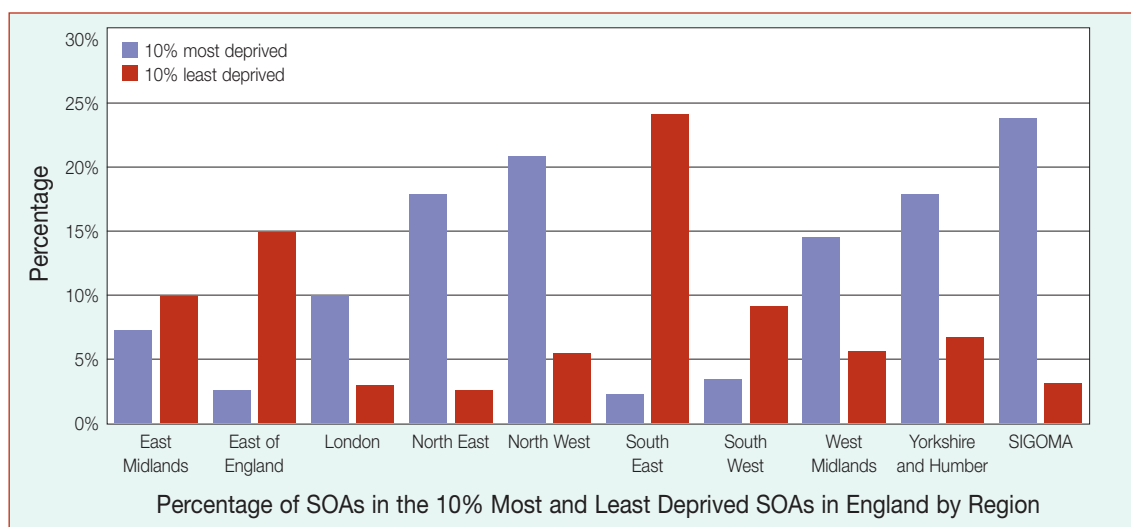
Deprived Communities

Pockets of deprivation are much more prevalent in SIGOMA and northern regions than places such as London. “Clusters” of poor wards dominate large parts of Northern cities such as Liverpool and Manchester. In SIGOMA, nearly a quarter of our Super Output Areas (SOAs) are within the 10% most deprived SOAs in the country, highlighting that the communities we represent face significant hurdles to match areas such as the South East – where only 2%

of the regions SOAs are within the 10% most deprived.

Further to this, analysis of the Index of Multiple Deprivation 2007 shows that out of the top 100 most deprived SOAs, 84 were in SIGOMA, while London authorities did not rank at all within this measure of deprivation. Figure three shows the significant levels of deprivation that exist in our communities, compared nationally.

Figure Three: The distribution of the most and least deprived super output areas in England ⁵



40% of SIGOMA residents live in one of the fifth most deprived areas of England ⁶. When compared to London and the South East which have 29% and 6% respectively of their population in these high deprived areas it is clear that SIGOMA areas face significant challenges in addressing deprivation.

High levels of deprivation have a knock on effect in our communities; leading to reduced aspirations and lower life chances which effectively lock communities in to a vicious circle of deprivation. SIGOMA communities have a long journey ahead to match other English regions in terms of important issues such as achievement in education and addressing inequalities in health. Adequate and fair funding is vital if any progress is to be achieved.

Formula grant is the single biggest source of funding for local authorities, and is therefore essential for tackling deprivation. Through damping arrangements some Councils lose significant amounts of funding. For example, in 2009/10 for authorities with education and social service responsibilities, overall damping arrangements set the floor at 1.75% (compared to 2.0% in 2008/09). Any authority with funding above this floor will have their allocation scaled back to fund those below it. The scaling factor is 72.92% (64.19% in 2008/09), meaning that authorities receive only 27.08% of funding above the 1.75% threshold.

- Nationally in 2009/10, 98 authorities are scaled back at a cost of £631m (89 in 08/09, £686m) ⁷
- In SIGOMA, 37 authorities are scaled back losing £227m (37 in 08/09, £276m)

HOUSING FUNDING – Transitional protection

Housing is also a significant issue in SIGOMA with levels of affordable house building well below the English average and significant numbers of households on the waiting list for social housing; a third of all households on the waiting list nationally are in SIGOMA regions⁸. More resources are needed to address this and also to bring the empty and long term vacant properties that blight SIGOMA communities back in to use; SIGOMA currently has significantly high numbers of vacant properties, accounting for 34% of vacants in England⁹. What is more, these properties tend to stay empty for longer periods, further adding to the deprivation of a community by attracting crime and anti-social behaviour.

Despite these problems, funding is being diverted away from SIGOMA authorities for protection arrangements that continue to be in place well after they should have been phased out. Protection arrangements apply to Management and Maintenance allowances, paid to reflect the different costs of managing and maintaining different types of property in different places.

In 2004/05, CLG introduced a new formula for these allowances which would have a significant impact on some authorities. Transitional relief was applied to protect those who lose from the changes, whilst scaling back those who gain. One of the main changes related to the proportion of flats in an area. From 2001 to 2004/05 the weighting applied to high rise flats was higher and changes in 2004/05 put reduced emphasis on the cost of managing high rise flats. Therefore, authorities with a higher proportion of flats had a reduced allocation. SIGOMA authorities should have benefitted from this change.

The transitional protection began in 2004/05 and was intended to last only a few years. However, in 2006/07 this was extended when Government introduced a cash protection system, meaning no authority will receive less on a per dwelling basis than the year previously. After the most recent consultation, Ministers decided to continue this cash protection in 2009/10 and 2010/11. Hence the transitional protection will have been in place many years, taking us up to the current review planned to be in place by 2011/12.

EDUCATION FUNDING – The impact on attainment and qualifications

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. The government has recently further outlined its aims to achieve a fairer, more inclusive society in its New Opportunities white paper. As will be demonstrated, SIGOMA areas receive less funding per pupil than areas such as London and the effects of this funding shortfall are evident in the attainment and achievement of young people in our areas.

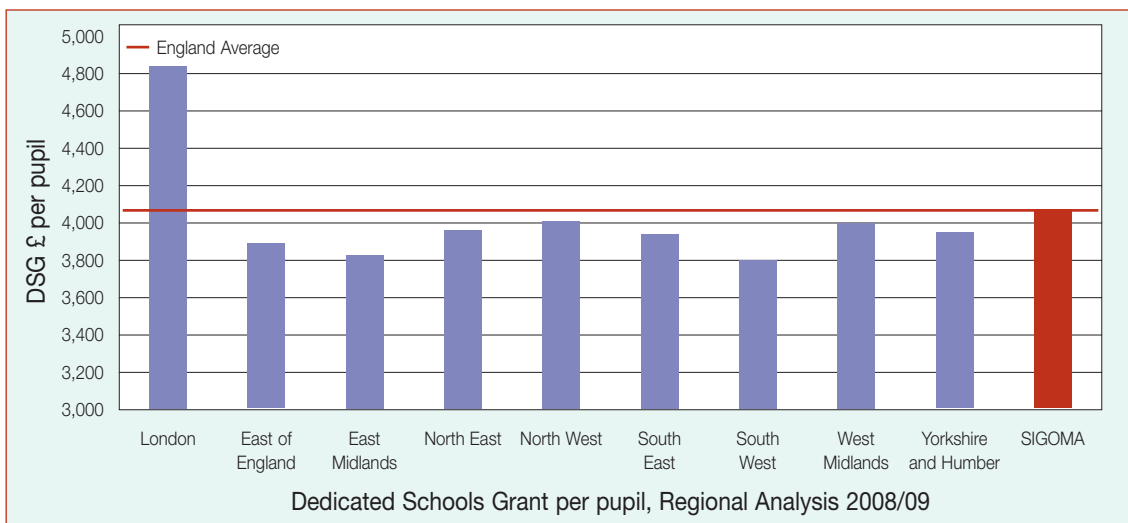
As previously described, the ring-fenced DSG is calculated by a “spend plus” approach, where all authorities get a basic per pupil increase plus funding for Ministerial priorities on top; this uses the historical Schools Formula Spending Shares (SFSS) in 2005-06, but incorporates updated data on deprivation and area costs. However, this has not been enough to make an impact on attainment.

This underfunding translates into reduced outcomes in terms of pupil attainment. To have a chance of making an impact on these inequalities, each authority must at the very least be adequately and fairly funded. Yet SIGOMA authorities have simply seen funding uplifts from a base that was under-resourced to begin with. Figure four demonstrates the vast difference between funding per pupil in London and the other regions.

Figure four shows the DSG paid per pupil in 2008/09. There is clearly a vast difference between London and all other government regions in England.



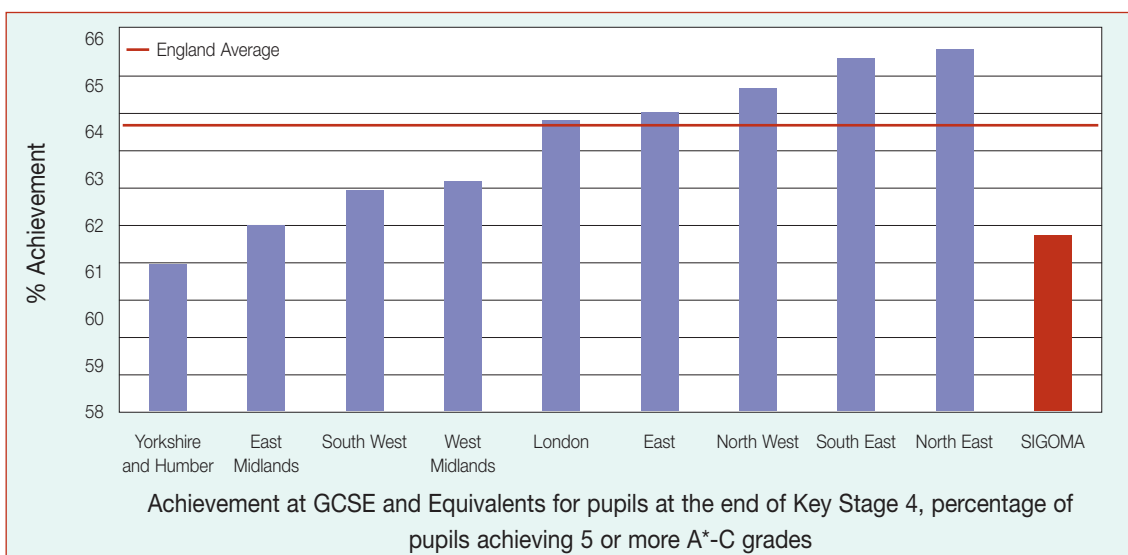
Figure Four: DSG received per pupil in 2008/09 ¹⁰



To measure attainment, one of the indicators in the Governments Public Service Agreements (PSA) focuses on raising the achievement of all children and young people (PSA Agreement 10). Recent years have seen increases in the numbers of pupils

achieving high grade GCSEs in all areas, however SIGOMA areas still lag significantly behind other regions. Figure 5 shows the percentage of pupils achieving 5 or more GCSEs at grade A* to C (a good pass).

Figure Five: Achievement of a 'good pass' at GCSE, 2008 ¹¹

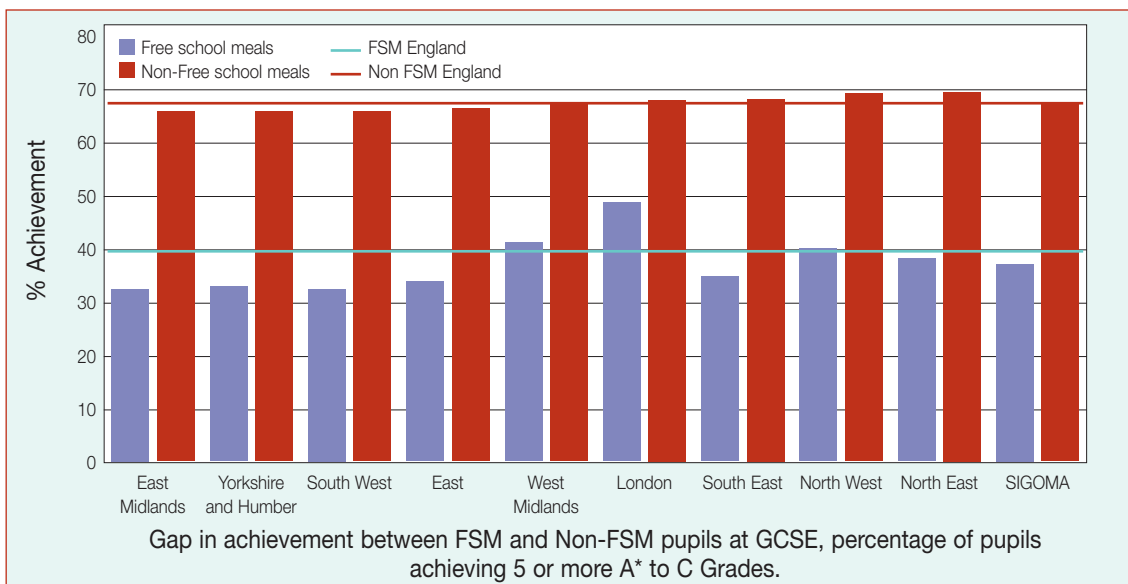


SIGOMA falls behind most other English regions, and is almost two percentage points behind the English average.

The gap between the achievement of those in lower income households and disadvantaged backgrounds and their peers is also prominent in SIGOMA areas. PSA agreement 11 aims to narrow this gap using a

number of indicators. One of the most useful proxy measures of the gap is to analyse achievement of pupils who claim free school meals (FSM) compared to those who don't (Non-FSM). Figure 6 illustrates the gap in achievement evident in all regions, with SIGOMA being near the average for Non-FSM achievement but below average for FSM pupils.

Figure Six: Gap in achievement between FSM pupils and Non-FSM pupils, 2008 ¹¹



HEALTH FUNDING – The Inequity in funding

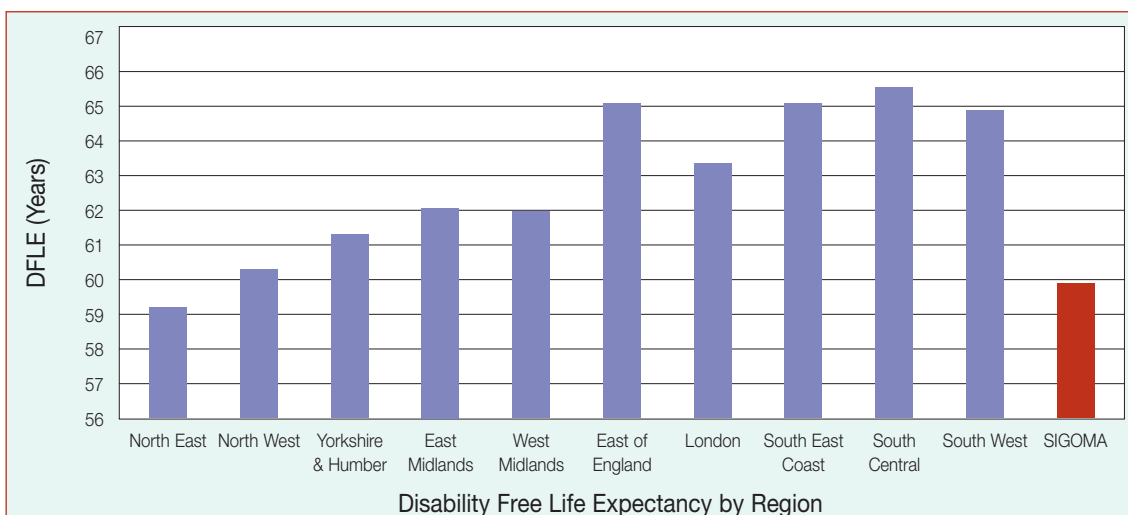
The ‘weighted capitation’ formula used by the Department of Health to allocate resources to PCT’s has two underlying aims:

- to enable PCT’s to commission similar levels of healthcare for populations with similar healthcare need;
- and to reduce avoidable health inequalities.

Recent changes have been made by ACRA, the body that determines the basis of the formula, to put more

emphasis on reducing avoidable health inequalities; and indeed they introduced a separate element in the formula to address this. The main indicator adopted to measure health inequalities in this new part of the formula is Disability Free Life Expectancy (DFLE), the length of time a person can expect to live their life free from disability. This change to the formula, along with other changes recommended, has benefitted SIGOMA regions by acknowledging the current poor health our regions have compared to others. Figure 7 illustrates the DFLE analysed by region, showing the low average age of the onset of disability in SIGOMA areas.

Figure Seven: Disability Free Life Expectancy ²



As illustrated in table one, in PCT funding alone, SIGOMA regions lose £1.2bn of funding over the current spending review period despite the new formula assessing our need as being greater than others. This equates to a funding loss of nearly £100 per head in SIGOMA areas, using 2007 mid year population estimates. By contrast, over the same period, London's funding is protected to the tune of £2.4bn, a funding boost of £320 per head of the population.²

Over recent years, NHS and Health Services have received funding increases at record levels, and SIGOMA has not been excluded from this. In 2009/10, we saw increases of £1.15bn (5.6%) and £1.20bn (5.5%) in 2010/11. This increase compares broadly with the current pace of change policy put in place by the Department of Health; this policy states that:

- average PCT growth will be 5.5% each year
- minimum growth is 5.2% in 2009/10 and 5.1% in 2010/11

- no PCT will be more than 6.2% under target by the end of 2010/11
- no PCT will move further under target as a result of above average population growth in 2010/11

It is noteworthy that the pace of change policy that applied to 2008/09 allocations stated that no PCT would be more than 3.5% under target. As a result, some SIGOMA authorities have moved further away from their 'target' in percentage terms. So despite the weighted capitation formula assessing our needs as higher, SIGOMA has moved further away from target both in percentage and cash terms.

To put this into context, between 2009/10 and 2010/11, Barnsley PCT saw the second highest % increase in England at 15.2% over the two years. In spite of this, it remains on the floor, behind target funding by 6.2% (and was likewise on the floor in 2008/09). Table four illustrates how the 'distance from target' (DFT) has increased for SIGOMA, compared to London and the South East.

Table Four: Distance from target funding 2008/09 to 2010/11

PCT Funding	2008/09 Closing DFT	2009/10 Closing DFT	2010/11 Closing DFT
South East	£87m (1.5%)	£254m (4.1%)	£259m (4.0%)
London	£474m (3.9%)	£975m (8.0%)	£999m (7.7%)
SIGOMA	-£201m (-1.0%)	-£524m (-2.3%)	-£492m (-2.0%)

To move towards target funding at the rate stated in the pace of change policy will be slow. To use Ashton, Leigh and Wigan PCT as an example; at the end of 2009/10 this PCT is £25.43m (or 4.7%) under target funding. In 2010/11, it moves only £56,000 further to its target to £25.38m (or 4.5%) under target. Put simply, at this pace, this particular PCT would take 22.5 years to reach its target funding.

Our regions have a long history of health inequalities. It is vital that the pace of change policy does not prevent funding being allocated to those authorities that the governments own formulae demonstrate have the greatest need.

The Public Health White Paper *Choosing Health – making healthier choices easier* set out the importance of ensuring that, as the country strives to improve its health, a priority must be given to tackling health inequalities so that all groups in society benefit from improvements in public health. The Government set a Public Health Service Agreement target to address geographical inequalities in life expectancy, cancer, heart disease, stroke and related diseases. The targets aim to see faster progress compared to the average in the 'fifth of areas with the worst health and deprivation indicators.' Achievement of the targets will be assessed on the outcomes for this group in 2010. The 'Spearhead group' was set up to tackle these areas with particularly poor health and deprivation indicators¹².

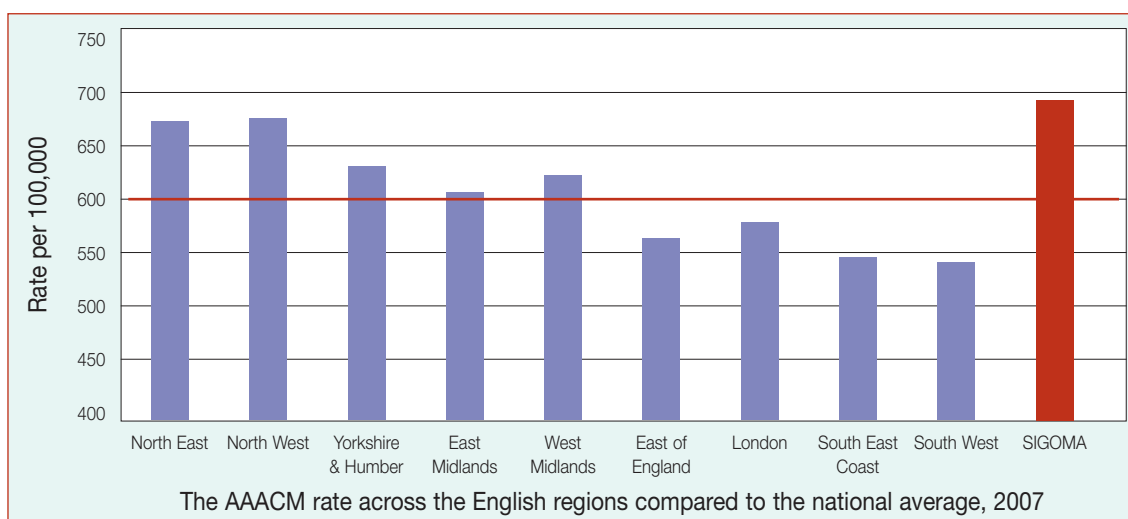
36 SIGOMA authorities are members of the 'Spearhead' group, comprising over half the total members, further highlighting and evidencing the extent of the problems in our areas.

Health Inequalities in SIGOMA

Public Service Agreement 18 aims to promote better health and well-being for all. One of the indicators it looks at is the All Age All Cause Mortality (AAACM) rate (i.e. the death rate from all causes).

Figure 8 shows the AAACM rate across the English regions compared to the national average, it is clear that northern regions have a higher rate than the national average, with southern areas being generally lower.

Figure Eight: The AAACM rate compared to national average ¹³



In addition to the higher mortality rate, SIGOMA exhibits significant differences compared to other English regions in most of the major health inequalities as illustrated in table five.

Table Five: Analysis of some of the key indicators on health ⁶

Indicator	SIGOMA average	England average	Highest of the English regions	Lowest of the English regions
Male life expectancy	75.0	77.3	78.5	75.8
Female life expectancy	79.8	81.6	82.7	80.1
Infant deaths *	6.1	5.0	6.5	4.0
Deaths from smoking +	291.1	225.4	285.8	192.3
Early deaths: heart disease & stroke +	120.6	84.2	102.2	69.5
Early deaths: cancer +	139.7	117.1	136.0	108.1

* Rate per 1,000

+ Rate per 100,000

Only through giving our areas the resources they need can these inequalities be addressed. There can be no excuse for depriving our communities of the funding they deserve.

SUPPORTING PEOPLE - The Historical Inequality in funding

The Supporting People Programme offers vulnerable people the opportunity to improve the quality of their life by helping to provide a stable environment, allowing greater independence for them to remain in their own home. The services now encompassed by Supporting People funding were previously scattered under a range of services e.g. housing, social care and health. In April 2003, these were brought together and initial allocations were determined by authorities completing a costing exercise to show the cost of providing existing services; some authorities included ineligible services or inflated costs of provision in this exercise.

The Government commissioned a review to examine the distribution of resources after it was recognised that, in 2004/05, one-fifth of authorities accounted for 30 per cent of the total Supporting People budget. A new funding formula was therefore developed to allow funding to accurately reflect actual need.

Once again, overall SIGOMA authorities suffer as a result of the pace of change policy introduced with this new funding formula. This policy stipulated that no authority would lose more than 5% of its funding nor gain more than 7% year on year, whilst the majority of authorities would see no change. To illustrate this, let us take the example of Stockton-on-Tees;

In 2007/08, Stockton received Supporting People funding of £2.95M.

The formula determined that Stockton actually needed £8.68M to provide its services in 2008/09 based on actual need (an increase of 194% on 2007/08 funding).

Through the pace of change policy, Stockton was limited to just a 7% increase; giving the authority £3.16M in 2008/09, an increase of just £0.21M.

To put the scale of losses in to context, in 2008/09, five SIGOMA authorities are capped at the maximum 7% increase in funding. Table six illustrates the top 5 'losing' authorities and how long they would take to reach their target funding based on the current pace of change.

Table Six: Analysis of damping in top 5 losing SIGOMA authorities ¹⁴

Authority	2007/08 Allocation	DAMPED			UNDAMPED			Number of years to reach target funding
		Damped 2008/09 Allocation	Change on 2007/08 Funding	% change on 2007/08 Funding	Un-damped 2008/09 Allocation	Change on 2007/08 Funding	% change on 2007/08 Funding	
	£m	£m	£m	%	£m	£m	%	Years
Stockton on Tees	2.95	3.16	0.21	7	8.68	5.73	194	14
Stoke on Trent	5.48	5.86	0.38	7	11.21	5.73	105	9
Wigan	7.63	8.16	0.53	7	15.32	7.69	101	9
Gateshead	5.99	6.41	0.42	7	9.82	3.83	64	5
Blackpool	6.14	6.57	0.43	7	10.04	3.90	64	6

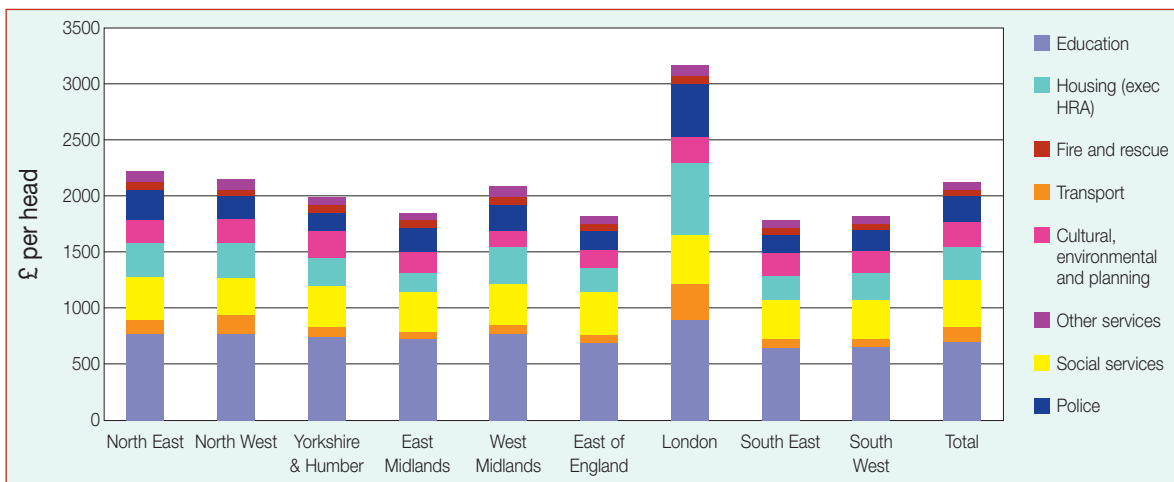
From April 2010, Supporting People grant will become part of the Area Based Grant, in other words it will be un-ringfenced. The Government needs to ensure that the current inequities do not go unchallenged as a

result of this change. The pace of change must be accelerated to ensure those in need receive the resources which they are due.

The North – South Divide

Figures published by the Government highlight the substantially lower share of public money that the northern and midland areas of the country receive, compared to London. For major areas such as transport, housing and education the amount spent per head in London is vastly different to amounts spent in the Midlands and the North. These areas of public expenditure are where SIGOMA needs more resources. Figure nine outlines the per capita spend on some of the major areas of public expenditure in 2007/08.

Figure Nine: Net Current Expenditure on services per head, 2007/08 ¹⁵



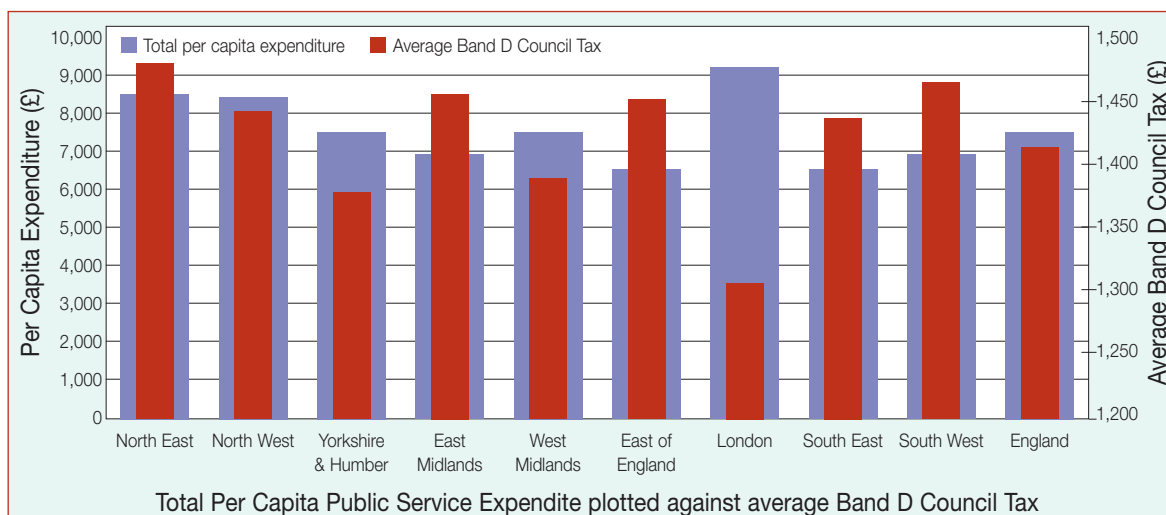
The Impact on Council Tax Payers

SIGOMA has campaigned for the council tax system to be re-evaluated. The inequalities that the current system perpetuates means that the least able to pay continue to subsidise those more able. There is a distinct North-South divide when it comes to council tax, with London boroughs having lower taxes than other areas of the country.

Traditionally, London levies lower taxes than areas in the Midlands and the North, and 2009/10 is no different. Figures issued for 2009/10 show that councils in London are implementing an average 1.1% increase on the previous year, with twelve London councils freezing their tax at 2008/09 levels. Indeed, one inner London borough has reduced its council tax

from 2008/09. This contrasts to average increases in SIGOMA areas of 3.5%, with the lowest increase being 1.9% and highest 5%. When this is weighed against the fact that many London Boroughs are significantly over target funding on both Formula grant and PCT allocations, it strengthens the case that the damping mechanisms in place are perpetuating a subsidy on these authorities, keeping council tax levels artificially low. Figure ten presents the total per capita expenditure detailed in table five against the average Band D council tax for each region. It demonstrates the high levels of public expenditure in London, compared to the low taxes levied by these boroughs.

Figure Ten: Public Service Expenditure compared to average Council Taxes ^{15 and 17}



Out of the five lowest Band D council tax charges in 2009/10, four of these are in London boroughs; the five lowest tax charges are Wandsworth (£687), Westminster (£688), City of London (£943), Kensington and Chelsea (£1,092) and the Isles of Scilly (£1,135).

Table seven illustrates the average band D council tax paid in Inner and Outer London compared to Mets and Unitary authorities.

Table Seven: Average Band D Council taxes in 2009/10 ¹⁷

2009/10	Average Band D council tax for the authority (excluding parish precepts)	
	£	%
Inner London	1,117	0.5
Outer London	1,426	1.7
SIGOMA	1,348	3.5
Metropolitan districts	1,372	3.3
Unitary authorities	1,429	3.5

Conclusions and the Way Ahead

What does all this add up to for SIGOMA?

Table eight brings together many of the issues so far discussed for a random sample of authorities in London and SIGOMA. It illustrates the extent to which individual authorities are affected by the issue of damping and gives a quick comparison to the levels of deprivation and council tax in the area. (The lower the IMD, the more deprived the area).

Table Eight: The compounded effects of underfunding

Authority	Average Band D Council Tax 2009/10 £	Council tax increase from 2009/10	Formula Grant		PCT Funding		Supporting People	Housing Subsidy	Index of Multiple Deprivation Rank
			DFT 2008/09	% DFT 2008/09	DFT 2008/09	% DFT 2008/09	DFT 2008/09	DFT 2008/09	
			£m	%	£m	%	£m	£m	
London									
Hammersmith & Fulham	1,147	-2.2	+ 27.8	+ 31.1	+ 17.0	+ 6.0	+ 2.6	+ 4.3	59
Kensington and Chelsea	1,092	2.3	+ 19.1	+ 22.8	+ 14.8	+ 4.9	+ 3.2	+ 3.0	101
Wandsworth	687	0.0	+ 51.4	+ 54.6	+ 47.3	+ 11.9	0.0	+ 6.1	144
Bromley	1,289	2.0	+ 22.0	+ 53.1	+ 13.3	+ 3.2	+ 1.8	+ 0.0	228
SIGOMA									
Blackburn with Darwen	1,449	2.3	- 10.2	- 12.2	- 8.0	- 3.3	+ 1.2	0.0	17
Wolverhampton	1,462	3.5	- 2.2	- 1.6	- 13.8	- 3.5	- 2.1	- 0.7	28
Sandwell	1,309	2.0	- 11.9	- 6.5	- 15.3	- 3.1	- 2.3	- 0.9	14
Wigan	1,344	2.6	- 8.0	- 6.0	- 11.6	- 2.4	- 7.2	- 0.6	67

+ = Gain in funding

- = Loss in funding

Some of the most deprived areas in this country are suffering high council taxes and losing funding as a result of loss of funding through damping regimes.



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

SIGOMA has always supported the use of a floor in grant allocation to provide stability and certainty. The volatility that occurred before the government implemented the floors methodology in 2000 caused unacceptable financial turbulence, and hence had harmful effects on services. However, the level of floor needs to be set to allow resources to move to those areas that need it at a reasonable pace.

Improvements in the funding formula to better reflect need are effectively negated to a large extent by scaling and little benefit is seen by authorities such as those in SIGOMA, despite their recognised needs. Emphasis needs to be placed on need in the formula and the resources should be directed accordingly into the relative needs block.

SIGOMA supports a balance between stability and the funding of agreed needs, but believes this balance must be kept under review as we move forward into future funding periods.

We ask 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.



In addition, the transparency with which the allocations are announced for PCTs needs to be improved. Currently, the Government consults on major funding streams like Formula grant and the Housing Subsidy determination. However, although the allocations are overseen by ACRA, there is no such consultation period for views on PCT allocations, nor the pace of change policy which is determined by Ministers.

There should be an adequate consultation period for all major funding streams allowing authorities to voice concerns

SIGOMA also remains of the view that the cost of the overall damping mechanism should be met from outside the system – this will enable resources to flow through to those recognised as requiring further support and they will receive the full amount of their ‘target’ grant.

The costs of overall damping should be met from outside the local government finance system

The gaps between our areas in major areas such as health and education need to be narrowed. The need for proper levels of resources needs to be met now to allow SIGOMA authorities to continue to provide quality services, and have the capacity to go further and address the inequalities.

Source Notes

- 1 Communities and Local Government; Settlement data 2009/10
- 2 Department of Health: Exposition book 2009/10 and 2010/11
- 3 Teachernet, DSG Allocations 2008/09 and 2009/10.
- 4 Supporting People Website, Distribution Formula
- 5 Index of Multiple Deprivation 2007, Communities and Local Government
- 6 Department of Health, Health Profile 2008
- 7 Communities and Local Government, Local Government Finance Settlement 2009/10
- 8 Communities and Local Government Housing Statistics, table 800
- 9 2008 Housing Strategy Statistical Appendix , section A
- 10 Teachernet. DSG Allocations 2008/09 to 2010/11
- 11 Department for Children, Schools and Families. Key Stage 4 tables 2008
- 12 Department of Health. Tackling Health Inequalities; the Spearhead group of local authorities and primary care trusts
- 13 Information Centre for Health and Social Care: Compendium of clinical and health indicators / Clinical and health outcomes
- 14 Supporting People Distribution Formula. www.spkweb.org.uk
- 15 HM Treasury. Public Expenditure Statistical Analyses 2008 / Local Government Financial Statistics
England NE 19 2009
- 16 Communities and Local Government Council Tax 2009/10 Table 4 data
- 17 Communities and Local Government. Council Tax 2009/10 Table 5 data

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