

## **Updating the LGA's Funding Outlook Model**

### **Purpose of report**

For discussion and decision.

### **Summary**

Last year the LGA published Funding outlook for councils from 2010/11 to 2019/20: Preliminary modelling. Based on assumptions of future changes in income and demand for service spending, the LGA estimated there would be a funding gap of £16.5 billion a year by 2019/20 or a 29 per cent shortfall between revenue income and spending pressures.

Since January 2013 the LGA has been working on making a number of changes to the funding outlook model. The purpose of this report is to update members of the Finance Panel on the changes made to the model and agree a plan for publication later in the year.

### **Recommendation**

The Finance Panel is invited to discuss the work to date and agree a plan for taking this forward.

### **Action**

Officers to proceed as directed.

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## **Updating the LGA's Funding Outlook Model**

### **Background**

1. In July 2012 the LGA published 'funding outlook for councils from 2010/11 to 2019/20: Preliminary modelling'. Based on assumptions of future changes in income and demand for spending, the LGA estimated there would be a funding gap of £16.5 billion a year by 2019/20 or a 29 per cent shortfall between revenue income and spending pressures. Assuming that demand in social care and waste are fully funded, it was estimated that other services would face a cash cut of more than 66 per cent by the end of the decade. When capital finance and concessionary fares were also funded in full the cash cut for remaining services rose to 90 per cent.
2. The results of this preliminary modelling work were summarised in a report which was launched at the LGA's 2012 annual conference. The work received extensive media coverage and has been used by the LGA in subsequent lobbying and media activity such as around the local government finance settlement and in anticipation of the 2013 Spending Round.
3. In addition, the LGA also made available a council version of the model to each member authority so that they could look at the impact on their own authority. This model which could be altered by local authorities, to reflect alternative assumptions, was well received by member authorities and the LGA has received a great deal of positive feedback on this work.

### **Updates to the model**

4. Since January 2013, the LGA has been working on making a number of changes to the funding outlook model. Some of the main changes include:
  - 4.1. updating the model to use the latest information on budgeted and outturn spend;
  - 4.2. use of the latest information on funding available to local government as announced in the 2013/14 and provisional 2014/15 local government finance settlements;
  - 4.3. use of local authority level data to estimate future demand, cost pressures and local growth estimates. The 2012 model applied national trends in demographic and other data at the local authority level;
  - 4.4. different assumptions have been applied to changes in employee expenditure compared to other running costs;
  - 4.5. granularity of spend data rather than grouping by major service area;

- 4.6. presenting a range of scenarios that allow the local authority to select a series of options on some of the assumptions made such as use of reserves, changes in council tax, potential for future growth in income etc. Councils will still be able to alter the model to be based on their own assumptions.
5. The purpose of these changes, in addition, to reflecting the latest available data on income and spend, is to provide local authorities with a tool that provides a better indication of potential income and spend at the local authority level.

### **Conclusion and next steps**

6. The model is currently going through a number of checks for accuracy of the calculations and data sources and reasonableness of the assumptions underpinning the model. A sample of volunteer local authorities will also be sent their own council's model to undertake these and other checks. Although this checking will not be fully completed by the time of the Finance Panel meeting in May, a verbal update will be provided at the meeting on some of the key numbers emerging from the new model.
7. The intention is to launch the updated funding outlook model at the LGA conference in July. The 2013 Spending Round, which will set out local government expenditure limits (that is the funding available for local government from the Department for Communities and Local Government) for 2015/16, is due to be published on 26 June just a few days before the LGA conference.
8. Subject to the agreement of the Panel, and the relevant information being published on 26 June, the LGA will attempt to update the funding outlook model to reflect the local authority expenditure information contained in the 2013 Spending Round before the model is launched at the conference. This would mean that the model is as up to date as possible at the time of publication but could potentially rule out the possibility of a professionally published document being available at the conference. A hard copy of a report would be available at conference.
9. The Finance Panel is asked to discuss and agree this approach.

### **Financial Implications**

10. This will be met from within existing LGA resources.