

Future Funding Model

Purpose of report

To report on the latest position on the development of the Future Funding Model for 2013 and the process for publication, as well as to seek views on the question of publishing individual authorities' data.

Summary

The 'Funding Outlook for Councils from 2010/11 to 2019/20' was published in June 2012 and in general this was well received as a contribution to the debate and lobbying efforts on local government funding. For 2013, the model is being refreshed and developed further with a view to publishing an updated version at Conference in July. This report sets out the current position and the steps that need to be taken leading up to publication. It also reports some of the key messages emerging from the modelling. Further detail will be provided at the meeting.

Among the improvements that have been made to the model, has been more attention to using data relating to each local authority. This improves the model both as a predictor of what may happen in the sector as a whole and also as a tool for individual authorities to assist their planning. In consequence of the enhanced authority-level modelling, there has been increased interest in the model at authority level and from the media.

Recommendation

That the Leadership Board notes the report.

Action

Officers to complete the development of the Future Funding model, subject to approval by appropriate office holders.

Contact officer:

Alan Finch

Position:

Interim Head of Financial Programmes

Phone no:

0207 774 3085

E-mail:

alan.finch@local.gov.uk

Future Funding Model

Background

1. The 'Funding Outlook for Councils from 2010/11 to 2019/20' was first published in June 2012 with a view to drawing attention to the impact of funding cuts on local authorities and opening up debate on the future trend in both funding and demand pressure. The paper was well received within the sector and caught the attention of Government and the media, attracting well-reported comment at the Department for Communities and Local Government (CLG) from both the Secretary of State, Eric Pickles and the Permanent Secretary, Sir Bob Kerslake.
2. In view of this, work has been carried out to update the model for a fresh release at the July Conference. This brings the data used more up to date (allowing, for example, for the use of Census 2011 data and trends), reflects better the new business rates retention system and incorporates more data at local authority level.
3. This report sets out the key messages from the modelling so far and the process for publication.

Improvements to the model

4. As with the 2012 version, the model remains based on the period 2010/11- 2019/20. 2010/11 is, in effect, the baseline position, representing the last year before Government funding reductions were introduced, while 2019/20 represents the end of the next Parliament and encompasses the whole of the likely period of austerity that has been indicated by the Chancellor (to 2017/18) and beyond.
5. Some very useful feedback was received at the last Conference and as a result of this and other comments received, a number of improvements have been to the modelling. New data available since last year has also been included. The main changes are :
 - 5.1. In contrast to 2012, when analysis was done at an aggregate level for England, analysis in 2013 has been undertaken at a local authority level and then totalled.
 - 5.2. In 2012, cost drivers – the factors that are thought to increase or reduce cost pressures as they change – were applied to net expenditure for each service. In 2013 they have been applied separately to each spending element (employee costs, other running costs etc.) allowing for more sophisticated modelling of the impact of change.
 - 5.3. In 2013, more cost drivers have been based on data analysis rather than policy assumptions. Where possible, cost drivers that have been used in other similar analysis have been chosen. For example, the same modelling for Adult Social Care pressures has been used as was used for the Dilnot report.
6. Feedback so far from reference authorities has been very positive. However we will again listen carefully to feedback from member authorities to update the model further in 2014, and improve it both as a guide to policymakers and a working tool for member authorities.

7. This may include, for example, further improving the extent to which it can be used to model different scenarios or the degree to which it reflects individual authorities' circumstances. We will need to balance this against the effort involved to update the model and whether further embellishments produce only small incremental benefits.
8. The model complements the 'AnyCouncil' paper which was issued as part of the Spending Round submission to Central Government as an exemplification of the way funding reductions so far have affected a typical authority. This will be supplemented by two further exemplifications; 'AnyCounty' and 'AnyDistrict' which will fulfil the same role in relation to the two specific authority types. These will be available for release at the Conference.

Key Messages from the Modelling

9. The model is the most comprehensive publicly available expression of the impact of change on local government at an overall and an authority level, and the fact that the improved model for 2013 supports the modelling undertaken in 2012 argues for its robustness and integrity.
10. The model aims to set out the most likely scenario that will develop if current trends continue and nothing is done to address them. In practice, authorities have already moved on from 2012/13, which is the last year for which published planning data is available, and are acting to address growing budget gaps in the future which will change the reality that the model seeks to describe.
11. The 2013 model confirms the main finding from the 2012 model, which is that the gap between spending at current levels of service and available funding across all Councils continues to grow at around £2 billion per year over the period of the model. The fact that the enhanced model reflects the same outcome suggests that much of the criticism of the modelling undertaken last year was misplaced.
12. The authority-level model reveals significant variation between types of authorities, with Shire Districts least affected and Met Districts and London Boroughs most affected on average. The impact on Shire Districts is largely driven by the fact that Social Care pressures do not bear directly on these authorities and the benefit that some of these authorities receive from the New Homes Bonus. This does not mean to say that there are not authorities within these categories that buck the overall trend.

Projected funding as a percentage of projected expenditure 2019/20 by type of authority			
	Minimum	Maximum	Mean
London Boroughs	40.9	85.8	72.1
Met Districts	52.2	79.0	71.2
English Unitaries	67.9	85.4	76.4
Shire Counties	71.6	85.6	78.5
Shire Districts	60.1	100.0	90.6
All authorities	40.9	100.0	83.7

13. The relatively greater impact on Mets and London Boroughs matches the finding that there is a greater impact of funding cuts on authorities with relatively high levels of deprivation. Again, this hides to some extent considerable variation within the categories.

Projected funding as a percentage of projected expenditure 2019/20 showing impact of relative deprivation (Index of Multiple Deprivation)			
	Minimum	Maximum	Mean
Fifty most deprived authorities	52.2	91.4	70.9
Fifty least deprived authorities	79.4	100.0	94.2
All authorities	40.9	100.0	83.7

14. Regional analysis also reveals some differences and similar levels of variation between authorities. The model suggests that London, the North-East and the North-West may be the worst affected, with the South-East and South-West fairing relatively better.

Projected funding as a percentage of projected expenditure 2019/20 by region			
	Minimum	Maximum	Mean
East Midlands	67.9	100	86.4
East of England	60.1	100	87.0
London	40.9	85.8	72.1
North-East	69.7	77.0	73.7
North-West	63.5	98.2	76.9
South-East	66.1	100	89.9
South-West	72.3	100	88.8
West Midlands	68.6	99.5	82.2
Yorkshire & Humberside	52.2	100	78.2
All authorities	40.9	100.0	83.7

15. It is important to bear in mind that all of these results are based on a model which does not take account of all local factors and does not allow for variation in local policies and strategies for tackling funding reductions. However, the few authorities we have shared the model with so far generally feel that the figures reflect their own modelling.

Authority level data

16. The use of more robust modelling at local authority level improves the integrity of the overall model and makes it a potentially much more useful tool for member authorities to use to assist their own planning. Leadership Board's attention is drawn to the question of transparency.

17. The fact that detailed forecasts are now available at authority level has already started to draw the attention of the media and authorities themselves. It has always been the intention to share authority modelling with the authorities themselves, but in relation to a more general release, officers do not believe that it will be possible to keep authority level data confidential. The data is probably of a kind that would be disclosed under the Freedom of Information Act.
18. However, authority-level data is politically sensitive and there is potential for it to be misused. Member authorities will have their own carefully calibrated processes for developing their budget proposals and consulting and communicating on these with services users and the media and release of data in an uncontrolled way could cause a lot of unnecessary work and disruption for Councils.

Conclusion and next steps

19. Development of the model has now been completed and in the last few weeks it has been submitted to a reference group of local authorities for comments and testing. Further changes may be made to the model in light of comments received.
20. The accompanying report will be cleared with office holders over the next few weeks. However, the announcement of the Spending Round on 26 June presents the opportunity to update the model ahead of Conference. Whilst it will be necessary to submit the report to print before the Spending Round announcement, it is intended to issue a supplement at the Conference so that the data is as relevant as possible and delegates can see the impact of the spending announcement.

Financial Implications

21. The cost of publication will be met from Finance & Policy Team budgets.