

Analysis of Change

Background

1. Ministers have decided to increase the size of the Relative Needs Amount from 70.99% in 2006/07 and 2007/08 to 73.0% in 2008/09 and to increase the size of the negative Relative Resource Amount block from -24.57% in 2006/07 and 2007/08 to -26.6% in 2008/09.
2. At grant level, increasing the size of the needs and resource amounts is most akin to a methodology change. We have decided to treat this “resource equalisation” separately from the other methodology changes in order to help authorities understand the effects of the four main reasons for change (i.e. data, control totals, methodology and additional resource equalisation).
3. DCLG are intending to provide this analysis at grant level only, although we have produced appropriate RNF runs to enable us to calculate the formula grant using the 4 block model.

What we have done

Run 1

4. We first re-ran the provisional 2008/09 settlement using the same splits between the four blocks as were used for the 2007/08 Settlement. We have used the same RNFs and police grant as have been used for the provisional 2008/09 settlement, together with the same overall level of RSG and redistributed business rates.
5. The shares of taxbase used for this run were:

Upper-tier share	0.709774481
Police share	0.090675927
Fire share	0.035242846
<i>Lower-tier share</i>	0.164306747

Run 2

6. We have rolled-forward the 2007/08 methodology for the 2008/09 Settlement. We have set the floor levels for both the Children’s Social Care Damping and the Younger Adults’ PSS damping at 0%. For this run we have had to create a set of adjusted 2007/08 RNFs in order to be able to carry out the RNF-level damping. We have treated the Isles of Scilly in the same way as all other education/PSS authorities in this run.

7. The shares of taxbase used for this run were:

Upper-tier share	0.740974511
Police share	0.082305113
Fire share	0.029364599
Lower-tier share	0.147355777

Run 3

8. We have used the rolled-forward 2007/08 methodology, together with the adjusted 2007/08 control totals given at annex A. Again we have set the floor levels for both the Children's Social Care Damping and the Younger Adults' PSS damping at 0%. We have treated the Isles of Scilly in the same way as all other education/PSS authorities in this run.

9. The shares of taxbase used for this run were:

Upper-tier share	0.735551722
Police share	0.083183883
Fire share	0.029648703
Lower-tier share	0.151615693

10. These three runs enable us to calculate the analysis of change as follows:

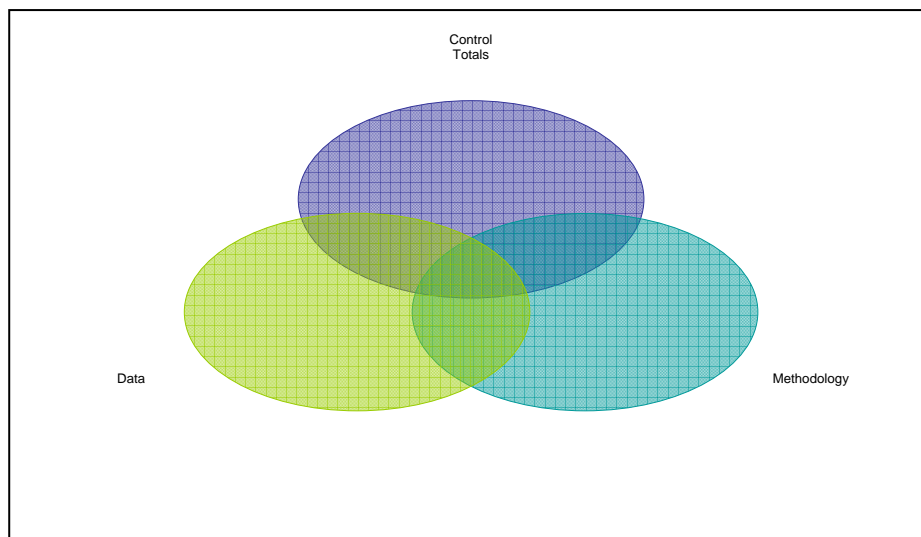
- Additional resource equalisation = provisional 2008/09 settlement – run 1
- Methodology = run 1 – run 2
- Control Totals = run 2 – run 3
- Data = run3 – adjusted 2007/08 formula grant

11. All of the percentage changes are expressed as percentages of the adjusted 2007/08 formula grant. This means that the sum of the component percentages should add to the total percentage change (NB this may not exactly be the case due to rounding).

Health warnings

12. There are potentially 24 different permutations whereby you can split the analysis of change into 4 separate components of change. We will only be exemplifying one of these options. Performing the analysis of change in a different order is likely to result in slightly different results.

13. A three-way analysis of change could be shown diagrammatically as follows:



The overlapping areas are known as the interaction terms. All of the interaction terms within our analysis are likely to be included within the data component.

Control Totals used in Runs

	Provisional 2008/09 Settlement ,Run 1 and Run 2	Run 3
Children's Services	0.13944842089171	0.13195490471386
Youth and Community	0.01041840421172	0.01013956614689
Local Authority Central Education Functions	0.04430586917722	0.04343712665105
Children's Social Care	0.08472414750277	0.07837821190892
Adult Personal Social Services	0.20067272886457	0.18430805922469
Social Services for Older People	0.12586494203733	0.11574792886382
Social Services for Younger Adults	0.07480778682724	0.06856013036088
Police	0.08333149556861	0.08085809572231
Fire and Rescue	0.03010979423202	0.02973806837730
Highway Maintenance	0.03199865082020	0.03199865082020
Environmental, Protective and Cultural Services	0.20407835392588	0.19496652906503
District-level EPCS	0.13042192105569	0.12687496111114
County-level EPCS	0.07061787700555	0.06510110493095
Flood Defence	0.00070839918055	0.00067667115769
Continuing EA Levies	0.00016311662382	0.00015581090002
Coast Protection	0.00020226461105	0.00019320551602
Fixed Costs	0.00196477544922	0.00196477544922
Capital Financing	0.05439923081703	0.06359429674751
TOTAL	0.74403867512002	0.71741860467091
RSG and Redistributed Business Rates	£23,353,766,634	£22,505,074,668