

## **Analysis of Change**

### **Background**

1. Ministers have decided to retain the same splits of the 4 blocks as for the 2008/09 Settlement. There is therefore no change in the amount of equalisation within the system in 2009/10. The Additional Resource Equalisation component is therefore zero for every authority for 2009/10.
2. Since this is the second year of a three-year settlement period the methodology used to distribute formula grant has not changed from that used in the 2008/09 settlement. The methodology component is therefore zero for every authority for 2009/10.
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*

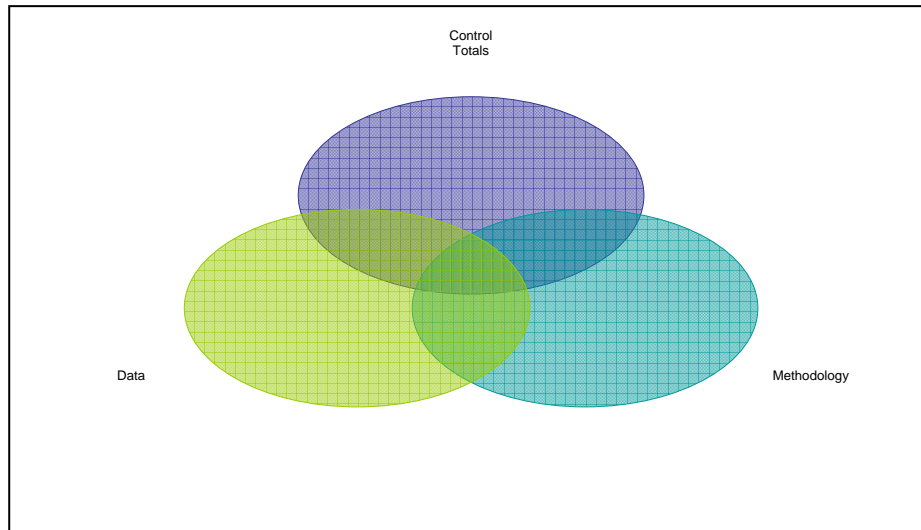
4. We have used the adjusted 2008/09 control totals given at annex A. We have assumed that the Isles of Scilly would receive the same level of formula grant as in 2008/09.
5. The shares of taxbase used for this run were:

Upper-tier share	0.710253504
Police share	0.091160803
Fire share	0.035396460
Lower-tier share	0.163189233

6. This run enables us to calculate the analysis of change as follows:
  - Control Totals = provisional 2009/10 formula grant – run 1
  - Data = run1 – adjusted 2008/09 formula grant
7. All of the percentage changes are expressed as percentages of the adjusted 2008/09 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**

8. 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.
9. 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.

**Annex A**

**Control Totals used in Runs**

	Provisional 2009/10 Settlement	Run 1
<b>Children's Services</b>	<b>0.14319143395229</b>	<b>0.13920124643752</b>
Youth and Community	0.01070491033860	0.01041840421172
Local Authority Central Education Functions	0.04493986860627	0.04405869472303
Children's Social Care	0.08754665500742	0.08472414750277
<b>Adult Personal Social Services</b>	<b>0.20879731406497</b>	<b>0.20067272886457</b>
Social Services for Older People	0.13075202519143	0.12586494203733
Social Services for Younger Adults	0.07804528887354	0.07480778682724
<b>Police</b>	<b>0.08559834381772</b>	<b>0.08333996423932</b>
<b>Fire and Rescue</b>	<b>0.03048616666382</b>	<b>0.03010979423202</b>
<b>Highway Maintenance</b>	<b>0.03199865082020</b>	<b>0.03199865082020</b>
<b>Environmental, Protective and Cultural Services</b>	<b>0.20915442825394</b>	<b>0.20407835392588</b>
District-level EPCS	0.13262313786293	0.13042192105569
County-level EPCS	0.07346760364608	0.07061787700555
Flood Defence	0.00072497862890	0.00070839918055
Continuing EA Levies	0.00016693422459	0.00016311662382
Coast Protection	0.00020699844223	0.00020226461105
Fixed Costs	0.00196477544922	0.00196477544922
<b>Capital Financing</b>	<b>0.05536869413655</b>	<b>0.05439923081703</b>
<b>TOTAL</b>	<b>0.76459503170949</b>	<b>0.74379996933654</b>
<b>RSG and Redistributed Business Rates</b>	<b>£24,000,851,634</b>	<b>£23,340,052,887</b>