

Cabinet – 17 December 2008

Revenue Support Grant Provisional Settlement 2009/10 to 2010/11

Portfolio: Councillor Griffiths, Finance and Personnel

Service Area: Corporate Finance

Wards: All

Key decision: No

Forward Plan: No

1. Summary of report

The draft 2009/10 and 2010/11 revenue support grant settlement for Walsall is exactly in line with figures received from Government on 24 January 2008. As part of the pre-budget report there is an expectation that public sector bodies will provide an extra £5 billion of efficiency savings during 2010/11. There is no indication currently of how that will affect the local government sector and subsequently Walsall Council. Current methodology measures efficiency at local government level not at council level. Local government has a target of £4.9 billion for 2010/11 before any increased expectation. However, Walsall will now have to publish its efficiency achievements on the face of the council tax bill.

2. Recommendations

- 2.1 To note the details of the draft settlement.
- 2.2 To delegate the development and dispatch of a formal response to the draft settlement to the Chief Finance Officer (CFO), in consultation with the portfolio holder.

3. Background Information

The draft revenue support grant settlement is published annually in late November or early December. The Secretary of State is required by sections 78(5) and 78A(3) of, and paragraph 10(2) of Schedule 8 to, the Local Government Finance Act 1988, to consult the appropriate representatives of local government on her determinations relating to revenue support grant; and to notify them of the proposed bases of distribution of revenue support grant and the distributable amount. Responses to this consultation must be received by 5pm on 7 January 2009. The settlement announced by Government on 24 January 2008 was a 3 year settlement covering financial years 2008/09 to 2010/11. The draft settlement published 26 November 2008 for years 2009/10 and 2010/11 has remained exactly the same.

4. Resource and legal considerations

- 4.1 Walsall Council's provisional formula grant entitlement for 2009/10 is £133.294m. This is a key driver to the final level of the council's budget and council tax levels. **Table 1** shows the settlement over the next 2 financial years. These numbers are exactly in line with the information received from Government on 24 January 2008.

Table 1

Formula Grant		
	2009/10 Actual £m	2010/11 Actual £m
Walsall	133.294	137.243

- 4.2 This draft settlement will be an increase in cash terms of £4.445m or 3.45% from last year's settlement of £128.849m. Government inform us this is an increase of £4.531m or 3.52% from a baseline of £128.763m. Government has adjusted the baseline by £0.086m for student finances adjustment. This was announced as part of the settlement in January 2008 and there will be a further adjustment in 2010/11 of £0.033m for comparative purposes.
- 4.3 **Table 2** below shows the % increase in formula grant across local and national comparisons. In both years Walsall is receiving increases above metropolitan and national averages.

Table 2

	Formula Grant Change (%)	
Region/Authority	2008/09-2009/10	2009/10-2010/11
England	2.84%	2.65%
Metropolitan districts	2.88%	2.56%
Birmingham	3.26%	2.74%
Coventry	2.84%	2.42%
Dudley	3.52%	3.03%
Sandwell	3.74%	3.04%
Solihull	1.75%	1.50%
Walsall	3.52%	2.99%
Wolverhampton	2.25%	1.90%

- 4.4 A "floor" is a mechanism to protect councils from receiving only a modest grant increase. For 2009/10 the floor has been set at a minimum of 1.75% with a scaling factor of 27.1% (i.e. authorities can retain 27.1% of grant increases above the floor). If this scaling factor had not been used Walsall would have gained an extra £6.132m and had a total grant increase of 8.2% based on the 2008/09 adjusted baseline. For 2010/11 the floor has been set at 1.5% with a scaling factor of 28.3%. In 2010/11 damping has reduced Walsall's formula grant by £5.031m.

- 4.5 In total, Government revenue funding for local authority services will be £73.12 billion in 2009/10 and £76.357 billion in 2010/11. These are increase of 4.2% and 4.4% respectively. Formula grant rises from £27.474billion (with the adjusted baseline) to £28.254 billion. This is an increase of 2.84% on 2008/09. This rises to £28.996 billion in 2010/11, an increase of 2.65% on the adjusted baseline of £28.248billion.
- 4.6 There have been no changes in the 'four-block' system of formula grant.
- 4.7 Damping arrangements are: floors 1.75% for councils with education and social services responsibilities, 2.5% for police; 0.5% for shire districts and 0.5% for fire. These are paid for by scaling down the grant increases to authorities within the same class above the floor. Within the education/social services stream that Walsall are part of 89 councils were dampened in 2008/09 and there will be 98 in 2009/10. This will increase to 101 in 2010/11.
- 4.8 John Healey MP, Local Government Minister announced that the Government would be making a regulation that allowed local authorities with funds invested in Icelandic banks to postpone the impacts of the impairments required by accounting practice from 2008/09 to 2010/11. This regulation will allow local authorities to exclude the effects of these from their 2009/10 budgets.
- 4.9 John Healey MP also stated, "Last year I explained to the House that we expect of local government the same 3% annual efficiency improvements as the rest of the public sector. Delivering this means the equivalent of £89 in Council Tax for the average Band D home this year. Delivering this means councils have an extra £4.9 billion to spend over three years in improving services or keeping council taxes down. The public has a right to expect better value for money, from both local and national Government. And at this time, people expect councils to tighten their belts like everyone else. So today, I am publishing figures on the new efficiency savings councils expect make during 2008-09. At just over £1 billion it is similar to what councils have achieved in the past, but it is not good enough now. Councils need to be finding more than £1.5 billion new savings every year. The efficiency figures I am publishing also show how each council is measuring up to its own efficiency challenge. So to ensure local residents have easy information about their council's efficiency performance and to encourage them to challenge their council to do better, I have decided - following consultation - that councils will be required to set out standard efficiency figures on council tax bills from next year."
- 4.10 Within the Pre-Budget report 2008 there was reference to increased efficiencies from the public sector within 2010/11. It is unclear at this time where these efficiencies will come from. Previously Government was expecting £30 billion within 2010/11 with £4.9 billion being Local Government. However, with the Government now expecting £35 billion, there would seem a strong likelihood that Local Government will be asked to find more. Walsall Council does not have an official target for efficiencies for 2008/11. However, there is now the intention to publish efficiency savings on council tax bills.
- 4.11 Despite the changes in the economy over the last 12 months, the settlement has remained at the levels we received from Government on 24 January 2008.

- 4.12 Other Grants. Walsall's Dedicated Schools Grant (DSG) does not become final until July 2009. It is based on pupil numbers at January 2008. Current estimates are:

Indicative DSG 2009/10	£177m
Indicative DSG 2010/11	£183m

5. Citizen impact

The settlement provides resources for service delivery across the Borough and is a key driver of council tax levels.

6. Community safety

None directly related to this report.

7. Environmental impact

None directly related to this report.

8. Performance and risk management issues

The final settlement is expected in late January/early February 2009. Government advise that only very exceptional circumstances will see the methodology of calculation and subsequent level of funding change. The budget is risk assessed and informs the recommended level of reserves, provisions and contingencies in line with the medium term financial strategy. The final budget will reflect the council's vision and priorities, with service objectives reflected and managed through service planning.

9. Equality implications

None directly related to this report.

10. Consultation

A formal response is requested to the draft settlement by 7 January 2009. As is normal practice, cabinet is recommended to delegate responsibility for this to the executive director (CFO) in consultation with the portfolio holder. Consultation on the wider budget is in progress including with voluntary, community and business sector representatives.

Background papers

Various financial guidance and working papers.

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Signed

CFO: James T Walsh

Date: 8.12.08



Signed

Cllr Griffiths – Portfolio Holder

Date: 8.12.08