

Cabinet – 16 December 2009

Revenue Support Grant Provisional Settlement 2010/11

Portfolio:	Councillor C Towe, Finance and Personnel
Service:	Corporate Finance
Wards:	All
Key decision:	No
Forward plan:	No

1. Summary of report

The draft 2010/11 revenue support grant settlement for Walsall is exactly in line with figures received from Government on 24 January 2008. Walsall will receive a Formula Grant of £137.243m in 2010/11. This represents a 2.99% increase on the 2009/10 adjusted formula grant. The opportunity to respond to Department of Communities and Local Government closes on 6 January 2010.

2. Recommendations

- 2.1 Note the details of the draft settlement.
- 2.2 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 for finance and personnel.

3. Background information

- 3.1 The draft revenue support grant settlement was published on 26 November. The Secretary of State is required by sections 78(5) and 78A(3) and paragraph 10(2) of Schedule 8 of the Local Government Finance Act 1988, to consult with appropriate representatives of local government on the Government's 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 6 January 2010. 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 2009 for 2010/11 has remained exactly the same as previously advised.

4. Resource considerations

4.1 Financial:

- 4.2 Walsall Council's provisional formula grant entitlement for 2010/11 is **£137.243m**. This is a key driver to the final level of the council's budget and council tax levels. The settlement is in line with figures reported in the draft budget proposals presented to Cabinet on 18 November.
- 4.3 The draft settlement is an increase in cash terms of £3.950m or 2.96% over last year's settlement of £133.293m. Government inform that this is an increase of £3.983m or 2.99% from a baseline of £133.261m. Government has adjusted the baseline by £0.033m for student finances adjustment. This adjustment was also announced as part of the settlement in January 2008.
- 4.4 **Table 1** shows the % increase in formula grant and local and national comparisons. In both years Walsall is receiving increases above metropolitan and national averages.

Table 1 – Formula Grant Increases

	Formula Grant Change (%)
Region/Authority	2009/10 to 2010/11
Sandwell	3.04%
Dudley	3.03%
Walsall	2.99%
Birmingham	2.74%
England	2.65%
Metropolitan districts	2.56%
Coventry	2.42%
Wolverhampton	1.90%
Solihull	1.50%

- 4.5 A "floor" is a mechanism to protect councils from receiving only a modest grant increase. For 2010/11 the floor has been set at a minimum of 1.50% with a scaling factor of 28.3% (i.e. authorities can retain 28.3% of grant increases above the floor). If this scaling factor had not been used Walsall would have gained an extra £5.031m and had a total grant increase of £6.76m based on the 2009/10 adjusted baseline.
- 4.6 In total, Government revenue funding for local authority services will be £76.256 billion in 2010/11. This is an increase of 4%. Formula grant rises from £28.248billion (with the adjusted baseline) to £28.996 billion. This is an increase of 2.65% on 2009/10.
- 4.7 There have been no changes in the 'four-block' system of formula grant.

- 4.8 Damping arrangements are: floors 1.5% 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 group of councils that Walsall is included in, 100 of the 149 councils were dampened for 2010/11. Of the 238 shire districts 162 were dampened.
- 4.9 The statement of 26 November 2009 by the Parliamentary Under Secretary of state, Communities and Local Government, Mrs Barbara Follett, did not include any further detail about efficiencies from local government, however the last pre-budget report indicated further efficiencies of £5billion rising to £9 billion by 2013/14. Based on 2008, the efficiency gains by local authorities may soon be published and there may be more initiatives published in the pre-budget statement of 9 December 2009.
- 4.10 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.
- 4.11 Other (specific) grant allocations will be advised over the coming months. Walsall's Dedicated Schools Grant (DSG) does not become final until July 2010. It is based on pupil numbers at January 2009. Current estimates are £177.5m. This was forecast to be £183m at this time last year but decreases in pupil numbers will have caused a decrease in anticipated funding. Area based grant and other specific grant may vary over current estimates and the impact of this will need to be factored in the budget proposals as they develop.

4.2 Legal

None directly related to this report.

4.3 Staffing:

None directly related to this report.

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

8.1 Risk:

The final settlement is expected in late January/early February 2010. 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.

8.2 Performance management:

None directly related to this report.

9. Equality implications

None directly related to this report.

10. Consultation

A formal response is requested to the draft settlement by 6 January 2010. As is normal practice, Cabinet is recommended to delegate responsibility for this to the Chief Financial Officer (Assistant Director of Finance) in consultation with the portfolio holder for finance and personnel. Consultation on the wider budget is in progress including voluntary, community and business sector representatives.

Background papers

Various financial guidance and working papers

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Signed



James Walsh
Chief Finance Officer
26 November 2009

Signed



Councillor C Towe
Portfolio Holder – Finance and
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2 December 2009

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Rory Borealis
Executive Director (Resources)
7 November 2009