

BRIEFING NOTE

TO: Corporate Services Scrutiny and Performance Panel
DATE: 18 September 2006

RE: How Formula Grant is Affected by Deprivation Indicators

Purpose

To outline how formula grant is affected by deprivation indicators.

Formula Grant and Deprivation Indicators

For the purposes of formula grant the number of housing benefit claimants e.g. rent allowances have no impact on what we might receive in grant.

Formula grant takes into account a borough's deprivation through the calculation of the *relative needs amount* which is one of the four cash blocks which make up formula grant. This is different to the previous grant regime, formula spending share, which relied solely on demographic indicators to generate an estimate of notional 'standard spending' based on the data. The government no longer wishes to indicate what councils should spend.

The following are classed as social deprivation indicators impacting on our overall grant. It is the maximisation of these, which is actively pursued by the council's welfare assessment service.

- Older people receiving attendance allowance (51,748)
- Older people receiving income support /income based JSA/guarantee element of pension credit (38,800)
- People aged 18 to 64 receiving disability living allowance (53,136)
- Incapacity benefit and severe disablement allowance (10,263)
- Children of income support /income based jobseekers allowance (31,067)
- Income support /income based jobseeker's allowance claimants (10,121)

The figures in brackets are increases in formula grant after damping per 100 additional claimants.

Estimated change to formula grant if each of the above deprivation factors gains a further 100 claimants

Walsall's relative needs amount would increase by £626,166 for each additional 100 claimants but this figure would then be 'floor damped' under current regulations so that the council would only receive £195,135. Damping is based on a 2% overall cash increase in grant plus the facility to keep 31.1634% of amounts above this minimum.

Time lags in updating data for grant use means that any drive to increase the number of claimants may not have a funding effect until two or more years.

In addition, the formula grant is a cash limited pot of money, as such, whilst Walsall may notionally gain through increasing claimants, it is possible that this may not be reflected in the final cash grant for Walsall, as it does not take account of other council's activity or any changes to the damping mechanism.

Vicky Crowshaw, Head of Corporate & Strategic Finance, ☎ 652349 crowshawv@walsall.gov.uk
Richard Baker, Senior Accountant, ☎ 652802, bakerr@walsall.gov.uk