

Report to: Cabinet

Date: 11th December 2008

Subject: Revenue Support Grant Settlement for 2009-10 and Provisional Report for 2010-11

Report of: Executive Director of Business Support Services

Contact officer: David Smith 01942 827232

Purpose / summary: To report to Cabinet the Revenue Support Grant Settlement for 2009-10 and the Provisional Settlement for 2010-11.

Alternative options considered and reason for selecting the one recommended: The proposed changes result in a better recognition of the spending needs of Councils including Wigan's.

Recommendation / decision: To welcome the Government's proposed changes to the Formula Grant calculation. To delegate the preparation of a detailed response to the Executive Director of Business Support Services in consultation with the Leader.

The decision will be made as a result of this report and will be published within 48 hours

Risks / Implications:

Financial: The figures form an important part of the funding for the budgets for 2009-10 and 2010-11.

Staffing:

Policy:

Equal Opportunities - Has a Diversity Impact Assessment been conducted? No

Wards affected: All

Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?

No

If yes, have the property implications been agreed with the Corporate Property Officer?

Does this proposal have significant implications for the Council and the local population?

Yes – Formula Grant is one of the main sources of funding for Council Services.

Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **Yes**

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **Yes**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

* delete which applicable

For Cabinet reports only :

Categorisation of the report:	x
Discussion leading to a decision	
Monitoring	
Sharing for corporate understanding	

	x
Discussion	
Decision	
Information	

Tracking/Process:

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
		11 th December 2008	

List of Background Papers in accordance with Section 100D of the Local Government Act 1972:

Title of document	Which meeting did it go to?	Date of meeting	Copy available from?
Department for Communities and Local Government - Formula Grant Settlement papers 2009/10 - 2010/11			http://www.localcommunities.gov.uk/finance/
Pre-Budget Report Facing global challenges: supporting people through difficult times - available from			http://www.hm-treasury.gov.uk/prebud_pbr08_index.htm

Proper Officer David J Smith

Date 28 November 2008

1. Background:

- The Government has announced the Formula Grant Settlement for 2009-10 and the Provisional Settlement for 2010-11. This notification marks the start of the period of consultation on the Formula Grant Settlement. We have until the 7th January 2009 to comment on the proposals in writing.
- The final settlement is expected late January / early February 2009.
- This is the second year of the three-year settlement announced last year. It is the Government's intention that data will only be updated at the beginning of each three-year settlement cycle.
- Apart from population and taxbase projections, the data used in the indicators will be frozen for this period. The population and taxbase projections will relate to 2009 & 2010 for each respective settlement and these are based on projection data currently available.

As a reminder, Formula Grant consists of four main blocks:-

- Relative Needs Amount – for each service block a calculation is made of the authority's needs relative to the national total, this is summed across all service blocks and then used to determine our share of the national grant total.
- Relative Resource Amount – this is a measure of what can be raised locally towards the cost of services from council tax and is therefore a negative amount for all authorities.
- Central Allocation – basically a per capita amount of central government support.
- Floor Damping – an adjustment to limit year on year grant changes by class of authorities.

2. Proposals:

The key features of the settlements are as follows:

- For 2009-10, the total Government Grant is £73.5bn giving a 4.4% increase in cash terms and Formula grant 2.8%
- For 2010-11, the total Government Grant is £76.7bn giving a 4.3% increase in cash terms and Formula grant 2.6%
- Wigan's increases for 2009-10 & 2010-11 are £4.612m and £4.065m respectively (in percentage terms that is 3.7% and 3.1%).

The Government announced that there are to be no changes to the figures published as part of the three-year settlement announced back in January 2008. Formula Grant will total £28.3bn in 2009-10 and £29.0bn in 2010-11, increases of 2.8% and 2.6% respectively. The grant floors will remain the same so that every authority will receive a formula grant increase. In total, Government revenue funding for local authority services will be £73.1bn in 2009-10 and £76.4bn in 2010-11, increases of 4.2% and 4.4% respectively.

The table below look at the headline allocations for Wigan plus a breakdown of the formula grant.

WIGAN MBC		
Headline Allocations	2009-10 £m	2010-11 £m
RSG	24.197	
Redistributed Business Rates	104.834	
Formula Grant	129.031	133.081
Formula Grant Breakdown	2009-10 £m	2010-11 £m
Relative Needs Amount	95.067	97.534
Relative Resource Amount	-18.222	-19.414
Central Allocation	58.777	60.405
Floor Damping	-6.591	-5.444
Formula grant	129.031	133.081

- The tables below look at the headline allocations and Formula grant across the authorities of Greater Manchester:-

GREATER MANCHESTER				
FORMULA GRANT	<i>adj. Form Grant</i>	Form Grant	Increase	Increase
	<i>2008-09</i>	2009-10	2009-10	2009-10
	<i>£m</i>	£m	£m	%
Bolton	119.572	123.830	4.258	3.6
Bury	63.053	64.688	1.635	2.6
Manchester	327.937	336.051	8.114	2.5
Oldham	112.878	117.534	4.656	4.1
Rochdale	102.138	106.089	3.951	3.9
Salford	125.028	127.964	2.936	2.4
Stockport	75.509	81.551	2.042	2.6
Tameside	98.847	102.412	3.565	3.6
Trafford	67.629	68.813	1.184	1.8
Wigan	124.406	129.031	4.625	3.7
GM Police	445.613	458.937	13.324	3.0
GM Fire	73.514	74.416	0.901	1.2
England	27,473.954	28,254.048	780.094	2.8

GREATER MANCHESTER

FORMULA GRANT	<i>adj. Form</i>	Prov Form		
	<i>Grant</i>	Grant	Increase	Increase
	2009-10	2010-11	2010-11	2010-11
	£m	£m	£m	%
Bolton	123.799	127.590	3.792	3.1
Bury	64.670	66.139	1.469	2.3
Manchester	335.994	342.438	6.445	1.9
Oldham	117.504	121.597	4.093	3.5
Rochdale	106.063	109.686	3.623	3.4
Salford	127.940	130.231	2.292	1.8
Stockport	81.525	83.247	1.902	2.3
Tameside	102.388	105.499	3.112	3.0
Trafford	68.790	69.822	1.032	1.5
Wigan	128.999	133.081	4.082	3.2
GM Police	458.937	472.518	13.581	3.0
GM Fire	74.416	75.335	0.919	1.2
England	28,248.014	28,995.502	747.488	2.6

- Council Tax – John Healey Minister of State for Local Government said that last years increase of 3.9% was the lowest increase in the last 14 years. He also said “We (the Government) expect the average council tax increases in England for 2009-10 and 2010-11 to be substantially below 5.0% next year”. Three Police Authorities who substantially exceed 5% increase in 2008/9 have been restricted to a 3% rise in 2009/10.
- Grant Damping continues to operate so that every authority will get at least the grant floor for its class of authority. This will be paid for by scaling back the grant increase above the floor for authorities in that class.
- The floor for 2009-10 is set at 1.75%. Authorities above the floor will be scaled back by approximately 72.5%.
- The floor for 2010-11 is 1.5%. Authorities above the floor will be scaled back by 71.0%.

3. Outlook for public expenditure and the Pre-Budget report

The Chancellor of the Exchequer’s Pre-Budget report published on 24th November 2008 sets out the Government’s plans to steer the country through difficult times. Key features are:-

- An additional £5 billion public sector value for money target for 2010-11. A 17% increase in the final year target. Sir Michael Bichard will lead the local incentive and empowerment work strand of an Operation Efficiency Programme to identify future savings. Further work is also planned on asset management and procurement. The Government has also determined to press ahead with plans to include efficiency information on council tax bills – final details of this are awaited. Our current forecast for 2008/9 gains is £5.747 million (inclusive of a carry forward from the previous period).

- The bringing forward of £3 billion of capital spending from 2010-11 to 2008/09 and 2009/10 for housing, transport and other construction projects including:
 - £775 million of housing and regeneration investment;
 - £800 million in the priority schools capital programmes;
 - £535 million on energy efficiency, rail transport, and adaptation measures;
 - £50 million of investment brought forward, and £100 million of additional funding, for the Warm Front programme; and
 - £20 million of investment on flood defences.
- An increase in the employee, employer and self-employed rates of national insurance contributions by 0.5 per cent from April 2011.
- A set of devolutionary proposals, to be agreed with local authorities in city-regions on a voluntary basis, to increase their ability to drive sustainable economic growth.
- From April 2009 the maximum amount of Local Housing Allowance that will be received will be the five bedroom rate.
- A new taskforce of experts from local authorities and the third sector will report in spring 2009 on how best to assist local authorities in further improving take-up of tax credits and benefits.
- The Government is to agree, on a voluntary and tailored basis, a set of devolutionary proposals with local authorities in city-regions, to increase further their ability to drive economic growth and contribute to sustainable development. The Government intends to announce new agreements with at least two forerunner city-regions at Budget 2009.
- The proposals will be underpinned by new statutory arrangements for sub-regional cooperation between local authorities, supporting strong local capacity, governance and accountability at the city-region level.

4. Conclusions:

- Decisions will need to be made over the coming weeks on the balance between reductions, growth, use of reserves and the level of council tax.

5. Recommendations:

- **To again welcome the Government's proposed Formula Grant Settlement and the decision to stick to the three year settlement figures.**
- **To delegate the preparation of a detailed response to the Executive Director Business Support Services in consultation with the Leader.**

