

WIRRAL COUNCIL

CABINET

9 DECEMBER 2009

REPORT OF THE DIRECTOR OF FINANCE

PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT

1. EXECUTIVE SUMMARY

- 1.1 The Provisional Local Government Finance Settlement for 2008/11 was announced on 6 December 2007. In her statement on 26 November 2009 the Local Government Minister confirmed that the third and final year of the Settlement would not change from the indicative figures already published.

2. KEY HEADLINES

- 2.1 The provisional settlement for 2010/11 was announced on 26 November 2009 confirming the key proposals as set out in the original settlement. Total Government support for local government (Aggregate External Finance) increases by 4.0% in 2010/11 on an adjusted like for like basis.
- 2.2 The Minister stated that the Government had delivered on its promise to provide financial stability to local government by having provided a stable three year settlement. The Minister recognised the importance of local government in helping communities in the current economic climate, the importance of financial stability for local authorities to build relationships with partners and the pressures on local authority services such as social care and waste management.
- 2.3 The 'floor' mechanism exists to provide a minimum increase to local authorities and, as in the original settlement, for those authorities with education and social service responsibilities, the overall damping arrangements keep the floor at 1.75% for 2009-10, compared with 2.0% in 2008/09. For 2010-11 the floor increase will be set at 1.5%.
- 2.4 The Minister reiterated that she expected the average Council Tax increase in England in 2010/11 to be below the 2009/10 average of 3%. Councils will also be expected to protect and improve front line services. The Minister also stated that capping powers would be used where Council Tax increases were deemed to be excessive.

3. THE FOUR BLOCK MODEL

- 3.1 The Formula Grant is determined using a 'four block model' as follows:-

- Relative Needs – This block is based upon formulae that cover seven different blocks and is designed to reflect the relative needs of individual local authorities in providing services.
- Relative Resources – This is a negative figure, which takes account of the fact that areas that can raise more income locally require less support from Government to provide services. It seeks to recognise the differences in the local income that individual Councils have the potential to raise.
- Central Allocation – Once the Relative Needs and Relative Resources have been taken into account, the Government distributes the balance of the overall grant available to local authorities on a per capita basis.
- Floor Damping – The mechanism for damping grant changes seeks to provide authorities with a minimum year on year grant increase. This however will result in a deduction of £7.3 million from total formula grant for Wirral in 2010-11.

3.2 Wirral will receive the following Formula Grant allocated over components:-

Components	2009/10	2010/11
	£ million	£ million
Relative Needs	125.4	128.5
Relative Resources	-25.3	-25.1
Central Allocation	60.2	61.8
Floor Damping	-7.6	-7.3
Total Formula Grant	152.7	157.9

4. FORMULA GRANT COMPARISON

4.1 The following table compares the formula grant for each year with the preceding year. The minimum increase, represented by the floor mechanism, has been set at 1.75% for 2009-10 and 1.5% for 2010-11.

Authority	2009/10	2010/11
	% change	% change
England	2.8	2.6
Met Districts	2.9	2.6
Knowsley	1.8	1.5
Liverpool	1.8	1.5
Sefton	2.7	2.4
St. Helens	3.5	2.8
Wirral	3.7	3.4

4.2. The increase of 3.4% for Wirral compares favourably with the national increase of 2.6%, the Metropolitan average increase of 2.6%, and other Merseyside authorities.

5. OTHER GRANTS

- 5.1 Members will be aware that a number of specific grants transferred into the Area Based Grant (ABG) with effect from 1 April 2008. Information regarding the level of specific grants and ABG is still awaited from various Government departments.
- 5.2. The Supporting People Grant estimated at £10.3 million will be transferred into the ABG in 2010/11 after previously being a specific grant.
- 5.3. The Reform Grant will be maintained at the increased level previously indicated which for Wirral is an increase from £1.52m to £1.87m. 2010-11 will be the final year of the Reform Grant as the Department of Health expects local authorities to be delivering the savings from implementation of the personalisation agenda from 2011.
- 5.4. The transfer of funding from the Learning and Skills Council was not identified in the Provisional Settlement.
- 5.5. The Department of Health (DH) is providing £210m in 2010-11 and an additional £210m in 2011-12 to part fund the cost of free personal care to be implemented from 1 October 2010. The total annual cost is estimated by DH to be £670m, the balance of £250m (£125m in 2010-11) will be met by local authorities.

6. DEDICATED SCHOOLS GRANT

- 6.1 Since 2006/07 most school funding has been in the form of a ringfenced grant, the Dedicated Schools Grant (DSG). The provisional Dedicated Schools Grant for the next year has been announced as:

2009/10	£188.116m
2010/11	£194.988m

- 6.2. This represents an increase from the 2010/11 figure reported to Cabinet on 23 February 2009 of £0.5 million. The DSG is however subject to change to reflect a later pupil count and local authorities with falling school roles including Wirral will therefore receive a reduced allocation from that announced. Consequently the 2010/11 figure should be treated with an element of caution.

7. CAPPING

71. The Government has indicated that it expects average Council Tax increases to be below the 2009-10 level which was 3%. Capping powers will be used to protect Council Taxpayers from excessive increases and in 2009-10 were used where increases exceeded 5%.

8 CONSULTATION

- 8.1 The Provisional Formula Grant Settlement is subject to consultation closing on 6 January 2010. No formal date has been given for the release of the Final Settlement although this is likely to be late January 2010.
- 8.2. As in previous years where there have been no changes to the formulae, Ministers will not meet with individual local authorities' delegations during consultation. However, delegations from the various Local Authority Associations and Special Interest Groups e.g. SIGOMA may make representations on behalf of their members.
- 8.3 The Government would however welcome written responses from individual authorities. Given that the settlement was unchanged it is recommended that Wirral should respond to the effect that:-

Wirral welcomes the opportunity to comment on the Formula Grant Distribution consultation paper.

We welcome the fact that the Government has kept its promise of providing a stable three year local government finance settlement and has recognised the important work local authorities are undertaking in providing vital services particularly in the current economic climate.

Equalisation is considered to be an essential part of any local government finance distribution system and the increase in the Relative Needs and Relative Resources blocks is welcomed. We would wish to see the Government continuing to increase the proportion of overall funding that is given to relative needs to ensure that resources are directed according to those assessed needs.

We support the concept of a balance between stability through the damping mechanism, and the funding of agreed needs, but believe this must be kept under review in future funding periods. Local Authorities with funding above the floor only receive 27% of the funding above the threshold. As a result improvements that have been made to the funding formula are, to an extent negated, by this level of scaling.

The damping arrangements results in a reduction of £7.3 million of funding to Wirral which could otherwise be used to help meet the priorities of Wirral's communities.

9. FINANCIAL IMPLICATIONS

- 9.1. The financial implications are as stated throughout the report. The Final Local Government Finance Settlement is expected in late January 2010.

10. STAFFING IMPLICATIONS

10.1. There are none arising from this report.

11. EQUAL OPPORTUNITIES IMPLICATIONS

11.1. There are none arising from this report.

12. LOCAL AGENDA 21 IMPLICATIONS

12.1. There are none arising from this report.

13. PLANNING IMPLICATIONS

13.1. There are none arising from this report.

14. COMMUNITY SAFETY IMPLICATIONS

14.1. There are none arising from this report.

15. HUMAN RIGHTS IMPLICATIONS

15.1. There are none arising from this report.

16. LOCAL MEMBER SUPPORT IMPLICATIONS

16.1. There are none arising from this report.

17. BACKGROUND PAPERS

17.1. Local Authority Finance (England) Revenue Support Grant for 2010/11 and Related Matters issued by the DCLG on 26 November 2009.

18. RECOMMENDATIONS

18.1 That the implications of the Provisional Local Government Finance Settlement be noted.

18.2 That the proposed response to the consultation be endorsed.

18.3 That the Authority continues to use every opportunity to state the case for further improvement to the Provisional Settlement.

IAN COLEMAN
DIRECTOR OF FINANCE