

# **WIRRAL COUNCIL**

## **CABINET**

**13 JANUARY 2011**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT**

##### **1. EXECUTIVE SUMMARY**

1.1 An announcement of the Provisional Local Government Finance Settlement for 2011/13 commenced on 13 December 2010. Following the consultation period, which closes on 17 January 2011, the Final Settlement will be issued in early February 2011. This report sets out the latest information.

##### **2. OVERVIEW**

2.1 The Spending Review on 20 October 2010 announced the total Formula Grant that local authorities would receive over the four years 2011/15. This identified a national reduction in Government funding of around 30% with these reductions being higher in the initial years.

2.2 The Local Government Finance Settlement sets out how the Formula Grant is distributed between local authorities and how much each authority will receive. The Provisional Settlement was issued on 13 December 2010 and is for consultation until 17 January 2011. The Final Settlement is expected in early February 2011. The Provisional Settlement seeks to mitigate the impact of the reduction upon those local authorities that are more reliant upon Government Grant support through a 'damping' mechanism to limit the changes upon authorities from year-to-year.

2.3 Whilst the Formula Grant can be used to support general spending the Government also allocates a number of specific grants to local authorities, which are only useable for the purposes specified.

##### **3. FORMULA GRANT**

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 from year-to-year.

3.2 Wirral will receive the following Formula Grant allocated over components.

Components	2010/11	2011/12	2012/13
	£ million	£ million	£ million
Formula Grant			
Relative Needs	128.5	130.8	120.3
Relative Resources	-25.1	-31.1	-28.7
Central Allocation	61.8	42.5	37.7
Floor Damping	-7.3	3.0	2.0
Grants Rolled In	-	13.6	13.5
Total Formula Grant	157.9	158.8	144.8

3.3 When looking at the 'headline' figures these can be misleading as there are changes to the items contained within the Formula Grant from year-to-year. For example in 2011/12 there are the transfers from Area Based Grant into Formula Grant. This is expanded upon in the following sections.

3.4. In 2011/12 there appears to be an increase of £1 million in Formula Grant but, as Wirral was initially allocated £41 million of Area Based Grant in 2010/11, in overall terms there will be a £40.1 million reduction in Formula Grant in 2011/12. There is then a further £14 million reduction in 2012/13.

3.5. In terms of the Grants Rolled In using the tailored distribution the following analysis has been supplied as part of the Settlement.

	2011/12	2012/13
	£	£
Local Transport Services	282,205	257,199
Supporting People	10,743,552	10,710,495
Housing Strategy for Older People	125,925	109,453
Learning Skills Council Staff	292,504	266,176
HIV/Aids Support	61,000	67,000
Preserved Rights	2,117,156	2,054,662
Animal Health and Welfare	1,462	1,218
Total Grant Rolled-In	13,623,804	13,466,203

- 3.6. In order to see the overall effect on the financial position it is necessary to look at the movement in Formula Grant between years. For 2011/12 a number of activities previously funded from Area Based Grant (ABG), and from Specific Grants (SG), transfer into the Formula Grant.
- 3.7. The method used by the Government is to update the original Formula Grant allocation to produce a revised allocation. This is then subject to a reduction that is damped to reduce the impact of the changes. For Wirral the reduction pre-damping in 2011/12 is £25.3 million (16%) and for 2012/13 is £15.3 million (10%). The effect of the damping reduces the impact to £22.3 million (12.3%) and £13.2 million (8.4%) for 2011/12 and 2012/13 respectively.

Formula Grant		2011/12	2012/13
		£	£
Allocation from previous year	-	157,860,450	158,820,529
Concessionary Fares	1*	+1,617,541	-
Child Death Review	Ex ABG	+56,116	-
Care Matters	Ex ABG	+495,692	-
Mobile Homes Act	-	+971	-
Economic Assessment Duty	Ex ABG	+65,000	-
Adult Social Services		+5,882,223	-
Mental Health £1,261,192	Ex ABG		
CAHMS £748,005	Ex ABG		
Learning & Dis £357,891	Ex ABG		
Mental capacity £229,862	Ex ABG		
Carers £1,982,000	Ex ABG		
Workforce Plan £1,104,401	Ex ABG		
Local Inv Networks £198,872	Ex ABG		
Older / Younger Adults	2*	+2,304,307	-
Private Sewers	-	-137,370	-128,162
Planning Inspectorate	-	-5,721	-
Academies	3*	-852,561	-672,073
Local Transport Services	Ex ABG	+400,088	
Supporting People	Ex ABG	+10,341,400	-
Housing Strategy	Ex SG	+238,850	-
Learning Skills Council staff	Ex G	+321,842	-
HIV / AIDS	Ex SG	+56,000	-
Preserved Rights	Ex ABG	+2,448,285	-
Animal Health and Welfare	Ex SG	+2,008	-
Adjusted allocation	-	=181,095,121	=158,020,294
Reduction in grant	-	-25,312,342	-15,290,874
Pre-damping allocation	-	=155,782,779	=142,729,420
Damping of reduction	-	+3,037,750	+2,017,262
Post-damping allocation	-	=158,820,529	=144,746,682

1\* Concessionary fares was previously paid to Merseytravel and so this should either be transferred to Merseytravel or should result in an increase in the levy.

2\* Older / Younger Adults is an increased allocation based upon a formula.

3\* Academies is a reduction in allocation to provide funding for academies.

- 3.8. From comparing 2010/11 with 2011/12 there are a number of grants which do not feature in 2011/12.

Grants not now featuring / ceased	£
Housing Market Renewal Initiative	2,589,000
Social Care Reform	1,870,000
Youth Offending Team	1,007,000
Waste Infrastructure	202,000
Single Programme	200,000
Family Intervention	197,000
Stroke Strategy	105,000
Workstep	50,000

- 3.9. At this stage there are still Specific Grants for which further announcements are due to be made. These include grants from the Department for Education and the Home Office, and the New Homes Bonus.

- 3.10 As some areas are more reliant upon Government Grant support than others in order to mitigate the year-on-year changes a damping mechanism has been applied. Local Authorities have been grouped into four bands which are based upon the percentage of the budget that the Authority receives from the Government in Formula Grant. Locally Liverpool and Knowsley have been placed in Band 1 and the reduction 'damped' at 11.3% for 2011/12 with St. Helens, Sefton and Wirral placed in Band 2 and the reduction 'damped' at 12.3% for 2011/12.

#### 4. OTHER GRANTS

- 4.1 The Provisional Settlement also included Special Grants of which not all are ring-fenced for the activities stated:-

Special Grants	2011/12	2012/13
	£	£
Early Intervention	15,066,218	15,342,373
Learning Disability	6,708,877	6,867,608
Homelessness	221,000	221,000
HB/CT Administration	3,263,731	To be announced
Local Flood Authority	123,000	168,000

- 4.2. Early Intervention Grant is a combination of previous Area Based Grant and Specific Grants that in 2010/11 were allocated to Schools (£10.8 million) and to Children and Young People (£9.1 million). The total for 2011/12 is a reduction of £4,875,000 in overall support. Work to try and analyse where this reduction falls is further complicated as there are indications that some Area Based Grant paid to the Council in 2010/11 has been included within the Dedicated Schools Grant in 2011/12. This is an unringfenced grant and so the entire £15.1 million could be used to support Council services.

- 4.3. Learning Disability Grant replaces money that was previously received from the Wirral Primary Care Trust (NHS Wirral) following the transfer of responsibilities to the Council and so is not new money.
- 4.4. Homelessness and Housing Benefit Council Tax Administration are continuing grants. The Homelessness Grant has increased by £171,000 and the HB / CT Administration Grant has reduced by £153,000.
- 4.5. Local Flood Authority Grant is a new grant reflecting new responsibilities. However there has also been a reduction in the Formula Grant of £137,000 in respect of private sewers.
- 4.6. There is a Council Tax Freeze Grant that will be payable by the Government if the Council agrees to a 0% Council Tax increase. The Government will 'reward' the Council with a grant equivalent to a 2.5% Council Tax increase. Clarity is being sought over whether the 0% is for Council services only or whether it is for the overall Council Tax rise that would then include the Fire and Rescue, and Police Authority precepts.

## 5. **SPENDING POWER**

- 5.1 The Government has made reference to local authorities 'Spending Power'. This is made up from Formula Grant, Other Grants, Council Tax Freeze Grant, Council Tax receipts and National Health Service (NHS) support.
- 5.2 The NHS support (£4.9 million in 2011/12) is stated as being for health related care services and appears in both the local authority and the NHS allocations. It is understood that there will be a further announcement on this support as it is not clear at this stage whether this is directly related to any additional responsibilities, but it will almost definitely require negotiations with the NHS over the use of the funding.

## 6. **SUMMARY**

- 6.1 The Spending Review on 20 October 2010 identified a national reduction in Government funding to local authorities of around 30% with these reductions being higher in the initial years. The Provisional Settlement identifies the funding for individual local authorities with Area Based Grant and many Specific Grants being transferred into Formula Grant. Of these the Concessionary Fares Grant of £1.6 million was previously paid to Merseytravel and is likely to be offset by an increase in the Merseytravel levy.
- 6.2 Information regarding some grants is awaited and further announcements are to be made by the Department for Education and the Home Office.

- 6.3 The Provisional Settlement also included Special Grants of which not all are ring-fenced for the activities stated. Whilst these include continuing grants and replacement funding the Early Intervention Grant shows an overall reduction in local resources in 2011/12 of £4,875,000. An unringfenced grant the entire £15.1 million could be used to support Council services whereas in 2010/11 the previous funding was split between Schools (£10.8 million) and Children and Young People (£9.1 million).
- 6.4 The Council Tax Freeze Grant will see the Government 'reward' Councils which set as 0% Council Tax rise with a grant equivalent to a 2.5% Council Tax increase. Clarity is being sought over whether this is for Council services only or whether it includes the Fire and Rescue, and Police Authority precepts.
- 6.5 The 'Spending Power' includes £4.9 million in 2011/12 for health related care services and appears in both the local authority and the NHS allocations. At this stage further information is awaited as to whether this is for additional responsibilities or replaces Council funding already being spent in this area.

## **7 CONSULTATION**

- 7.1 The Provisional Formula Grant Settlement is subject to consultation closing on 17 January 2011. No formal date has been given for the release of the Final Settlement although this is likely to be early February 2011.
- 7.2. Ministers have indicated they will meet with delegations from the various Local Authority Associations and Special Interest Groups e.g. SIGOMA who can also make representations on behalf of their members.
- 7.3 The Government would welcome written responses from individual local authorities and I intend to submit a response on the technical items contained within the Provisional Settlement.

## **8. FINANCIAL IMPLICATIONS**

- 8.1. The financial implications are as stated throughout the report. The Final Local Government Finance Settlement is expected in early February 2011.
- 8.2. There are a number of issues yet to be clarified:-
- a) Further announcements have still to be made by the Department for Education and the Home Office.
  - b) Whilst the Early Intervention Grant is an overall reduction the entire £15.1 million could be used to support Council services. In 2010/11 the funding was split between Schools (£10.8 million) and Children and Young People (£9.1 million).
  - c) The £4.9 million for health related care services will almost definitely require negotiations with the NHS over the use of the funding and may replace existing Council funding in this area.

8.3. If the Council agree a 0% Council Tax rise then the Government would 'reward' the Council with a Council Tax Freeze Grant equivalent to a 2.5% Council Tax increase.

8.4 For 2012/13 Formula Grant will be reduced by an additional £14m.

**9. STAFFING IMPLICATIONS**

9.1. There are none arising from this report.

**10. EQUAL OPPORTUNITIES IMPLICATIONS**

10.1. There are none arising from this report.

**11. LOCAL AGENDA 21 IMPLICATIONS**

11.1. There are none arising from this report.

**12. PLANNING IMPLICATIONS**

12.1. There are none arising from this report.

**13. COMMUNITY SAFETY IMPLICATIONS**

13.1. There are none arising from this report.

**14. HUMAN RIGHTS IMPLICATIONS**

14.1. There are none arising from this report.

**15. LOCAL MEMBER SUPPORT IMPLICATIONS**

15.1. There are none arising from this report.

**16. BACKGROUND PAPERS**

16.1. Local Authority Finance (England) Revenue Support Grant for 2011/12 and 2012/13 issued by the Department for Communities & Local Government on 13 December 2010.

**17. RECOMMENDATIONS**

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

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

IAN COLEMAN  
DIRECTOR OF FINANCE