

WIRRAL COUNCIL

CABINET - 10 DECEMBER 2008

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 his statement on 26 November 2008 the Minister for Communities and Local Government confirmed that the second year of the Settlement would not change from the indicative figures already published. He also stated that it was not intended for the 2010/11 proposals to be changed.

2. KEY HEADLINES

2.1 Full details of the provisional settlement for 2009/10 were announced, confirming the key proposals as set out in the original settlement. Total Government support for local government (Aggregate External Finance) increases by 4.2% in 2009/10 and 4.4% in 2010/11, compared with 4.0% in 2008/09.

2.2 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 set the floor at 1.75%, compared with 2.0% in 2008/09.

2.3 The Minister reiterated that he expects to see an average Council Tax increase in England in 2009/10 of "substantially below 5%". The average increase in England for the current year was 3.9%, the lowest rise in 14 years.

2.4 It was emphasised that local government will be expected to continue to make annual efficiency improvements. Expected savings for 2008/09 are just over £1 billion however future targets are set at more than £1.5 billion per year.

2.5 Following a period of consultation the Minister confirmed that Councils would be required to set out standard efficiency figures on the 2009/10 Council Tax bills.

2.6 In respect of investments with Icelandic banks regulations will be introduced which will mean that authorities will not need to make provision in their 2009/10 estimates for any losses that may arise. This will allow a period of time to adjust medium term financial plans and provide clarity about the exact position regarding recovery of money.

3. THE FOUR BLOCK MODEL

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

- Relative Needs Block – This block is based upon formulae that cover seven different blocks and is designed to reflect the relative needs of individual authorities in providing services.
- Relative Resources Block – 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 Block – The mechanism for damping grant changes seeks to provide authorities with a minimum year on year grant increase.

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 each year with the preceding year's adjusted formula grant allocation. The minimum increase, represented by the floor mechanism, has been set at 1.75% and 1.5% for the two years.

Authority	2009/10	2010/11
	% change	% change
England (all)	2.8	2.6
Met Districts (all)	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 for Wirral compares favourably with the national position, Metropolitan average 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. Comprehensive information regarding the level of specific grants and ABG is still awaited from various Government departments. However, one significant change that has been notified is that the Supporting People Grant of £10.3 million is not being transferred into the ABG in 2009/10 being classed as a non-ringfenced specific grant for that year, and is to be transferred into ABG in 2010/11.

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 two years has been announced as:

2009/10	£188.275m
2010/11	£194.548m

This represents an increase from those figures reported to Cabinet on 21 February 2008 of £0.5 million and £0.6 million respectively. The DSG is however subject to change to reflect a later pupil count and authorities with falling school roles will therefore receive a reduced allocation from that announced. Consequently these figures should be treated with an element of caution.

7. CAPPING

- 7.1 The Government has indicated that it expects Council Tax increases to be substantially below 5%. Capping powers will be used to protect Council Taxpayers from excessive increases.

8 CONSULTATION

- 8.1 The Provisional Formula Grant Settlement is subject to consultation closing on 7 January 2009. No formal date has been given for the release of the Final Settlement although this is likely to be late January 2009.
- 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:-
- 8.4 Wirral welcomes the opportunity to comment on the Formula Grant Distribution consultation paper.

Equalisation is considered to be a necessary and 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. Authorities with funding above the floor only receive 27% of the funding above the 1.75% threshold. As a result improvements that have been made to the funding formula are, to an extent negated, by this level of scaling.

We express disappointment that the Government has confirmed that standard efficiency figures will have to be included on the 2009/10 Council Tax bills.

- 8.5 A response to the consultation on the inclusion of efficiency information on Council Tax bills was agreed by Cabinet on 16 October 2008.

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 2009.

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 2009/10 and Related Matters issued by the DCLG on 26 November 2008.

18. RECOMMENDATIONS

That

- (1) the implications of the Provisional Local Government Financial Settlement be noted;
- (2) the proposed response to the consultation be endorsed.
- (3) the Authority continues to use every opportunity to state the case for further improvement to the Provisional Settlement.
- (4) Chief Officers continue to identify areas for efficiency that will realise financial and service benefits to the Council and the people of Wirral.

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DIRECTOR OF FINANCE

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