

WIRRAL COUNCIL

COUNCIL EXCELLENCE OVERVIEW AND SCRUTINY COMMITTEE

31 JANUARY 2012

SUBJECT	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2012/13
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	YES

1.0 EXECUTIVE SUMMARY

1.1 The Provisional Local Government Finance Settlement for 2012/13 was announced on 8 December 2011. Following the consultation period, which closed on 16 January 2012, the Final Settlement will be issued in early February 2012. This report sets out the latest information in respect of Wirral's Government Grant support.

2.0 RECOMMENDATIONS

- 2.1 That the implications of the Provisional Local Government Finance Settlement be noted.
- 2.2 That the Authority continues to use every opportunity to state the case for further improvement to the Provisional Settlement.

3.0 REASON FOR RECOMMENDATIONS

3.1 The Local Government Finance Settlement provides key funding for the Council Budget.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 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.
- 4.2 The Local Government Finance Settlement sets out how the Formula Grant is distributed between local authorities and how much each local authority will receive.
- 4.3 Whilst the Formula Grant can be used to support general spending the Government also allocates a number of specific grants to local authorities. These can only be used for the purposes specified.

FORMULA GRANT

4.4 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 the 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.

4.5 The Local Government Finance Settlement for 2011/13 was issued by the Government on 7 February 2011 which indicated that Wirral would receive £144.7 million in 2012/13 allocated over components. These figures were confirmed in the announcement on 8 December 2011 to which has been added the Council Tax Freeze Grant from 2011/12.

Components	2012/13
	£ million
Formula Grant	
Relative Needs	120.2
Relative Resources	-28.7
Central Allocation	37.7
Floor Damping	2.0
Grants Rolled In	13.5
Total Formula Grant	144.7
Plus: Council Tax Freeze Grant	3.3
Total Formula Grant	148.0

4.6 In terms of the Grants Rolled In using the tailored distribution this analysis has been supplied as part of the Settlement which contains minor changes compared with the February 2011 information:-

Area of spend	2012/13
	£
Local Transport Services	249,621
Supporting People	10,710,495
Housing Strategy for Older People	111,293
Learning Skills Council Staff	266,176
HIV/Aids Support	67,000
Preserved Rights	2,067,853
Animal Health and Welfare	1,218
Total Grants Rolled-In	13,473,656

- 4.7 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 for 2012/13 is £15.3 million (10%) with damping reducing the impact to £13.2 million (8.4%) for 2012/13. These are unchanged from the announcement in February 2011.

Formula Grant	2012/13
	£
Allocation from previous year	158,810,291
Private Sewers	-128,162
Academies	-672,073
Adjusted allocation	=158,010,056
Reduction in grant	-15,272,772
Pre-damping allocation	=142,737,284
Damping of reduction	+1,999,927
Post-damping allocation	=144,737,211

- 4.8. The deduction for Academies is presently as indicated in the February 2011 announcement. However, there is a separate Government consultation 'Calculation and recovery arrangements for the Academies funding transfer' which closed on 12 January 2012. The aim is to reduce Formula Grant to reflect those services which are not provided to the Academies by local authorities such as education welfare and asset management. The value of these services, known as the Local Authority Spend Equivalent Grant (LACSEG), will be calculated during 2012/13. Any local authority where the LACSEG is below the 2012/13 Formula Grant adjustment figure will receive a refund but there will be no adjustment for those local authorities where LACSEG is higher (which is likely to include Wirral). A permanent solution will be explored as part of the Local Government Resource Review to be effective from 2013/14.
- 4.9 As some areas are more reliant upon Government Grant support than others then in order to mitigate the year-on-year changes a damping mechanism has been applied. Local authorities are grouped into four bands which are based upon the percentage of the Budget the Authority receives from the Government in Formula Grant. Locally Liverpool and Knowsley are placed in Band 1 with St. Helens, Sefton and Wirral placed in Band 2.

OTHER GRANTS

- 4.10 The Provisional Settlement also includes reference to grants with not all of these being ring-fenced for the activities stated. The table compares the 2011/12 grants with the 2012/13 announcement.

Special Grants	2011/12	2012/13
	£	£
Early Intervention	15,135,218	15,704,591
Learning Disability	6,708,877	6,877,766
HB/CTB Administration	3,263,731	3,061,390
New Homes Bonus	260,019	1,000,471
Homelessness	221,000	221,000
Extended Right to Free Transport	200,000	248,208
Local Flood Authority	123,000	167,894
Inshore Fisheries Conservation Authorities	17,259	17,259
Community Safety	311,287	-
Neighbourhood Management	350,000	-

- 4.11 The increase in Early Intervention Grant reflects the Government commitment to provide additional funding for the education of disadvantaged 2 year olds to be in place from 2013.
- 4.12 In 2011/12 the New Homes Bonus was introduced and the increase in 2012/13 reflects the increased number of homes but this is subject to final confirmation of the figures.
- 4.13 For 2011/12 the final five grants became part of the Local Services Support Grant, as reported to Cabinet on 2 June 2011, making them general rather than specific grants. Cabinet agreed to build these grants into the relevant departmental budgets but for 2011/12 only. No information has been received relating to Community Safety for 2012-13. The Neighbourhood Management grant was for 2011/12 only.

SPENDING POWER

- 4.14 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. There is an overall reduction in the Wirral assumed spending power of £13 million in 2012/13 to £306.4 million which reflects the reduction in the level of grant funding.

PUBLIC HEALTH FUNDING

- 4.15 On 14 December 2011 the Department for Health announced the revenue allocations for the Primary Care Trusts for 2012/13. The Health and Social Care Bill provides for the NHS Commissioning Board to allocate resources for clinical commissioning and for the Department for Health to make grants to local authorities for public health. Shadow grants for 2012/13 are to be announced in early 2012 with the actual grants for 2013/14 being made in late 2012. The Spending Review 2010 indicated that administration costs, which include policy, business support, HR and finance as well as scientific and technical work, will be reduced by one-third between 2010/11 and 2014/15.

SUMMARY

- 4.16 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.
- 4.17 The Provisional Local Government Finance Settlement for 2012/13 announced on 8 December 2011 will result in Wirral receiving the level of Formula Grant that was announced by the Government on 7 February 2011.
- 4.18 In terms of Other Grants there have been increases in Early Intervention Grant, Learning Disability Grant, New Homes Bonus and Extended Rights to Free Travel with further announcements anticipated in the coming weeks.
- 4.19 The Government has announced a further Council Tax Freeze Grant to 'reward' Councils which set 0% Council Tax rise in 2012/13 with a grant, for 2012/13 only, equivalent to a 2.5% Council Tax increase.

5.0 RELEVANT RISKS

- 5.1 There are none arising directly from this report.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 There are none to be considered in respect of this report.

7.0 CONSULTATION

- 7.1 The Provisional Local Government Finance Settlement issued by the Government is the subject of consultation which closed on 16 January 2012. No formal date has been given for the release of the Final Settlement although this is likely to be early February 2012.
- 7.2 The Government welcomed written responses from individual local authorities and I submitted a response on the technical items contained within the Provisional Settlement.

7.3 The Government also consulted separately on the funding of services to Academies and this closed on 12 January 2012.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are none arising directly from this report.

9.0. RESOURCE IMPLICATIONS

9.1 For 2012/13 in the Provisional Grant Settlement Wirral will receive £144.7 million of Formula Grant plus a further £3.3 million in respect of the 2011/12 Council Tax Freeze Grant. The reduction of £14 million from the 2011/12 levels is as announced by the Government in February 2011 and reflected in the Budget Projections reported to Cabinet throughout this year.

9.2. The grant details released show increases for Early Intervention Grant of £0.6 million (to reflect the commitment to providing education to disadvantaged 2 year olds from 2013) and New Homes Bonus of £0.7 million. However, there is a reduction of £0.2 million of Housing / Council Tax Benefit Administration Grant. Cabinet have not made any decisions relating to the use of these and the other grants detailed in section 4.10 for 2012/13. Nothing has been released relating to Community Safety Grant and as expected, the Neighbourhood Management Grant ended in 2011/12.

9.3 A Council Tax Freeze Grant equivalent to the revenue generated by a 2.5% Council Tax increase will be available to local authorities who do not increase their basic level of Council Tax for 2012/13. Unlike the Freeze Grant for 2011/12 which is for the period of the Spending Review this latest grant is for 2012/13 only and is worth £3.3 million to Wirral.

9.4 Local authorities will be required to seek the approval of their local electorate in a referendum if, compared with 2011/12, they set Council Tax increases that exceeds 3.5% for most principal authorities which would include Wirral. Different provisions apply to the City of London, the Greater London Authority and fire and police authorities.

9.5. In terms of grants to support Schools these are indicative at this stage and the 2012/13 figures will be revised. Dedicated Schools Grant (DSG) and the Pupil Premium (increased from £488 to £600 per pupil) are both based upon pupil numbers which are subject to review each January and will also vary during any year with the transfer of Schools to Academies. The Pupil Premium is also affected by the numbers of pupils claiming entitlement to free school meals. The Schools Music Grant is subject to a yearly reduction.

Schools Grant	2011/12	2012/13
	£ million	£ million
Dedicated Schools Grant	229.4	228.4
Pupil Premium	6.0	7.5
Music Service Grant	0.635	0.571

9.6. There are no staffing, IT or asset implications arising directly from this report.

10.0 LEGAL IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 There are none arising directly from this report.

11.2 Equality Impact Assessment (EIA) is not required for this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

FNCE/285/11

REPORT AUTHOR: Tom Sault
Head of Financial Services
telephone: (0151 666 3407)
email: tomsault@wirral.gov.uk

REFERENCE MATERIAL

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.

Local Authority Finance (England) Revenue Support Grant for 2012/13 issued by the Department for Communities & Local Government on 8 December 2011.

SUBJECT HISTORY

Council Meeting	Date
Cabinet - Provisional Local Government Finance Settlement 2011/13	13 January 2011
Cabinet - Provisional Local Government Finance Settlement 2012-13	12 January 2012