

Meeting of the Cabinet – 13th December 2006

Report of the Director of Finance

Provisional Revenue Support Grant Settlement 2007/08

Purpose of Report

1. To present details of the provisional Revenue Support Grant (RSG) Settlement for 2007/08, and propose an appropriate response.

Background

2. Details of the provisional RSG Settlement for 2007/08 were announced on 28th November. Following the introduction of multi-year settlements last year, the figures are in line with those previously announced at the time of the 2006/07 settlement, including:
 - An increase of 4.9% in total Government funding of Councils;
 - An increase in formula grant (total Revenue Support Grant, Non Domestic Rates & Police Grant), of 3.7%;
 - An increase in total Specific Grants of 5.4%;
 - An increase in Dedicated Schools Grant of 5.8%;
 - General damping - including floors of 2.7% for Metropolitan authorities - paid for by scaling down the grant increases to authorities above the floor;
 - Specific damping in certain areas of the Relative Needs formulae;
 - No formula or other changes compared with 2006/07.
3. When announcing the provisional settlement, Local Government Minister Phil Woolas stated that:

“As I told the House last January, we were then setting out firm proposals for forward financial allocations on a two year basis, including the use of projected data for population and council tax base. As 2007-08 is the second year of a multi-year settlement, my policy is not to change the settlement, including the data used in the grant calculations, from that previously announced, other than in exceptional circumstances.”

“This year’s announcement therefore contains no surprises for local authorities. I make a virtue of that, because I am convinced of the advantages of multi year financial planning, and most of what I hear from councils and their delivery partners such as those in the third sector supports that view. Today’s announcement launches a period of statutory consultation, and I will fully consider any representations made during the consultation period in the light of my policy in relation to multi-year settlements.”

“With the next Spending Review period we will move to give 3 years of grant allocations to local government; that is, for 2008-09, 2009-10 and 2010-11. The stability provided by multi-year settlements will allow local government to publish three-year council tax figures and we would expect it to take up this opportunity.”

“We have provided a stable and predictable funding basis for local services. We expect local Government to respond positively as far as council tax is concerned. Therefore we expect to see an average council tax increase in England in 2007/08 of less than 5%. We will not allow excessive council tax increases. We have used our reserve capping powers in previous years to deal with excessive increases and won’t hesitate to do so again if that proves necessary.”

4. Compared with the national increase in formula grant of 3.7%, Dudley’s increase amounts to 4.6% - mainly as a result of some unwinding of the damping arrangements. In cash terms this gives a formula grant of £106.3m.
5. The effect of the general damping arrangements is to restrict Dudley’s formula grant to £4.3m less than what it would otherwise be. The specific damping reduces Dudley’s formula grant by an additional £3.8m.
6. Allocations of a number of specific grants to individual authorities have also been announced. For Dudley these are also in line with expectations. Provisional figures suggest Dudley’s Dedicated Schools Grant will increase by 5.9% in line with the national increase of 5.8%, although this will be subject to adjustment when pupil numbers are finalised in January.
7. The provisional revenue budget strategy for 2007/08 taking these allocations into account will be reported to the meeting of the Cabinet on 9th January, prior to consultation with the Select Committees.

Finance

8. The Revenue Support Grant Settlement determines the basic resource levels available from the Government to support the Council's revenue budget.

Law

9. The Council’s budget setting process is governed by the Local Government Finance Acts 1988 and 1992, the Local Government and Housing Act 1989, and the Local Government Finance Act 2003.

Equality Impact

10. These recommendations comply with the Council's policy on Equality and Diversity.
11. With regard to Children and Young People:
 - A substantial proportion of the formula grant received by the Council, together with a number of specific grants, will be spent on maintaining and improving services for children and young people.
 - All members of the public, including children and young people, have had the opportunity to take part in the Internet consultation which will inform the overall allocation of these resources.
 - There has been no direct involvement of children and young people in developing the proposals in this report.

Recommendations

12. That the Cabinet:
 - Notes the details of the Provisional RSG Settlement for 2007/08.
 - Authorises the Director of Finance, in consultation with the Cabinet Member for Finance, to make an appropriate response along the following lines.

Reiterating disappointment that the damping mechanisms applied to the RSG formula are continuing to significantly restrict the level of resources available to the Council.

Expressing concern that despite growing pressures on Councils, particularly in the areas of Care of Children and Adults, and Waste Recycling and Disposal, no additional resources have been allocated by the Government, with the result that the burden will fall wholly on Council Tax payers.



.....
Mike Williams
Director of Finance

Contact Officers: Bill Baker
Telephone: 01384 814802
Email: bill.baker@dudley.gov.uk

John Everson
Telephone: 01384 814806
Email: john.everson@dudley.gov.uk

List of Background Papers

Provisional RSG Settlement papers and electronic communications.