

MEETING OF THE CABINET – 15TH DECEMBER 2004

REPORT OF THE DIRECTOR OF FINANCE

PROVISIONAL REVENUE SUPPORT GRANT SETTLEMENT 2005/06

1.0 PURPOSE OF REPORT

- 1.1 To present details of the provisional Revenue Support Grant (RSG) Settlement for 2005/06, and propose an appropriate response.
- 1.2 To agree the need for a Special Meeting of the Cabinet in January to consider the provisional revenue budget strategy for 2005/06.

2.0 BACKGROUND

2.1 Details of the provisional RSG Settlement for 2005/06 were announced on 2nd December. Key features of the provisional settlement are:

- a £3.5 billion increase in councils' total Government grant (including specific grants) – a 6.2% increase in cash terms;
- an extra £408m in formula grant above published plans;
- all councils to receive an increase in grant in real terms; at least 4% for education/social services authorities on a like for like basis;
- no proposals to change distribution formulae;
- damping arrangements for grant will continue.

2.2 When announcing the provisional settlement, Local Government Minister Nick Raynsford stated that:

" This is a very good settlement for local government. We have now delivered above inflation grant increases to local authorities for the eighth successive year. This is enough money for local authorities to continue to provide improved services to communities.

"Additionally, every Government department that works with local government is taking steps to keep pressures to a minimum and ensure that all new burdens on local government are funded. For their part, councils are expected to budget prudently and generate efficiency gains.

"Given this substantial investment, we expect to see lower council tax increases next year. Average council tax increases in England in 2005/06 should be less than 5%.

"We used our reserve capping powers for the first time last year to deal with excessive increases. We are prepared to take even tougher action next year than we did in 2004/5 if that proves necessary. High council tax increases are a thing

of the past. We will not tolerate excessive council tax increases either next year or in years to come."

- 2.3 The provisional settlement also includes the transfer of the Training Support Grant and a substantial part of Preserved Rights & Residential Allowance grants (Social Services) into RSG, together with the specific grant for Civil Contingencies.

However, Magistrates Courts costs which were previously funded in part by RSG will be funded entirely by direct Central Government grant.

- 2.4 The national picture for Total Formula Spending, RSG and NNDR support, and Assumed National Council Tax is shown in the following table. Figures for 2004/05 have been adjusted where necessary to give a like-for-like comparison.

	2004/05 £bn	2005/06 £bn	Variation %
Total Formula Spending (TFS)	60.9	64.2	+5.4%
RSG	27.3	26.7	-2.2%
NNDR	15.0	18.0	+20.0%
Total RSG & NNDR Support	42.3	44.7	+5.7%
Required from Tax Payers for spending at TFS	18.6	19.5	+4.8%
Tax Base (Band D)	17.5m	17.8m	+1.2%
Assumed National Council Tax (for Spend at TFS)	£1,061	£1,100	+3.6%

- 2.5 The table below compares the provisional figures for Dudley for 2005/06 with the comparable figures (as adjusted) for 2004/05, and provides a comparison with national figures.

	2004/05 £m	2005/06 £m	Dudley Variation %	National Variation %
Education	162.6	174.8	+7.5	+ 5.6
Social Services	76.8	82.0	+6.7	+6.0
Highways	11.2	11.3	+1.8	+2.5
Other Services	64.2	65.6	+2.2	+2.5
Capital Financing	16.8	19.6	+16.3	+19.1
Total FSS	331.6	353.3	+ 6.6	+ 5.4
RSG & NNDR	241.0	258.5	+ 7.3	+ 5.7
Required from Tax Payers for spending at FSS	90.6	94.8	+ 4.6	+ 4.8
Tax Base (Band D)	97054	97425	+ 0.4	+ 1.2
Council Tax for Spend at FSS	£934	£973	+ 4.2	+ 3.6

- 2.6 As can be seen from the above figures, Dudley's increase in the largest components of FSS (Education & Social Services), as well as overall FSS is well above the national average.

Dudley's increase in Government funding (RSG + NNDR) is also well above the national average, although this is net of the scaling back of £0.8m to fund damping arrangements.

The Education FSS figures are net of a specific floors and ceilings adjustment of £2.0m, which also restricts RSG pound for pound, so that the overall effect of damping arrangements is to reduce Dudley's RSG by around £2.8m.

- 2.7 As far as specific grants are concerned, the provisional settlement contains an increase of 7.9% from £14.3bn to £15.4bn - well above the increase in general grant - including (national figures):

Education – mainly Standards Fund, +£307m (9.7%);

Social Services – in particular Access & Systems Capacity, +£390m (22.4%).

Supporting People grant has however been reduced by £91m (-5%).

Allocations of specific grants to individual authorities will be clarified in due course.

- 2.8 As a result of the provisional settlement being considerably delayed compared with the original timetable, it has not been possible to finalise the provisional revenue budget strategy for 2005/06 for consideration at this meeting. It will, therefore, be necessary to hold a special meeting of the Cabinet on 5th January to consider such a report prior to consultation with the Select Committees.

3.0 PROPOSALS

- 3.1 That the Cabinet:

- 3.1.1 Notes the details of the Provisional RSG Settlement for 2005/06.

- 3.1.2 Authorises the Director of Finance, in consultation with the Lead Member for Finance, to make an appropriate response along the following lines.

Welcoming the Government's decision to increase funding from what was originally being proposed through the Comprehensive Spending Review;

Reiterating concern that the damping mechanisms applied to both the Education FSS and overall RSG are continuing to restrict the level of resources available to the Council.

- 3.1.3 Agree that, as a result of the delays in announcing the provisional settlement, a special meeting of the Cabinet be held on 5th January to consider the provisional revenue budget strategy for 2005/06/

4.0 FINANCE

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

5.0 LAW

5.1 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.

6.0 EQUAL OPPORTUNITIES

6.1 The proposals in this report take into account the Council's policy on Equal Opportunities.

7.0 RECOMMENDATION

7.1 That the proposals in Section 3 be agreed.

8.0 BACKGROUND PAPERS

8.1 Provisional RSG Settlement papers and electronic communications.

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