

Meeting of the Cabinet – 12th December 2007

Report of the Director of Finance

Provisional Revenue Support Grant Settlement 2008/09 - 2010/11

Purpose of Report

1. To present details of the provisional Revenue Support Grant (RSG) Settlement for 2008/09 - 2010/11, and propose an appropriate response.

Background

2. Details of the provisional RSG Settlement for 2008/09 -2010/11 were announced by John Healey, Minister for Communities and Local Government, on 6th December - the first time that 3 years' figures have been announced in advance.
3. Nationally, total support to Local Government will increase by 4.0% in 2008/09, 4.4% in 2009/10 and 4.3% in 2010/11.
4. For 2008/09, this support includes an increase of:
 - 3.6% in total formula grant (Revenue Support Grant, Redistributed National Non-Domestic Rates & Police Grant);
 - 4.3% in specific and other general grants (including a 3.9% increase in Dedicated Schools Grant).
5. A number of grants have transferred into formula grant, including: Access and Systems Capacity, Delayed Discharges, Children's Services, Waste Performance & Efficiency, and Dog Control. Many other specific grants have been transferred into the new Area Based Grant - a "general grant" that will not be ring-fenced for specific purposes.
6. Damping will no longer be applied to individual components of the formula, and will operate only at the level of formula grant. For authorities with education and social service responsibilities the floor for 2008/09 will be 2%; for the following two years, the floors will be 1.75% and 1.5% respectively. As previously, grant damping will be paid for by scaling back the grant increase above the floor for other authorities in that class.

7. When announcing the provisional settlement, the Minister stated that:

This continues the sustained real terms increases for local government under this Government. By the end of the CSR period, local government will have received a real terms grant increase of 45% since 1997-98.

...we expect of local government the same 3% annual efficiency improvements as the rest of the public sector. Delivering this would mean councils have an extra £4.9 billion to spend over three years on improving services or cutting council tax pressures.

Keeping council tax under control remains a priority for the Government. We expect the average council tax increase in England to be substantially below 5%. We will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases.

So this is a tight settlement but it is fair and it is affordable. It delivers the certainty, flexibility, equity and stability that local government wanted. We know councils are capable of innovating, managing change and improving efficiency without a disproportionate impact on council tax payers. The challenge and onus is now on councils to demonstrate the leadership to do just this.

8. Dudley's formula grant increase compared with the national average is as follows.

	2008/09	2009/10	2010/11
	%	%	%
National	3.6	2.8	2.6
Dudley	5.2	3.5	3.0

Dudley's formula grant in cash terms will be £118.0m, £122.0m & £125,7m in the three years respectively.

9. The increase in Dudley's grant over and above the national average is largely the result of the unwinding of the damping arrangements which has been made possible by the significant headroom between the average and floor increases. The damping arrangements do however continue to restrict Dudley's formula grant - by £6.3m in 2008/09, £5.5m in 2009/10 and £4.6m in 2010/11. Further representations should be made on this matter.
10. Allocations of a number of specific grants to individual authorities have also been announced. For Dudley these are in line with expectations. However, the Working Neighbourhoods Fund allocation to Dudley (which replaces the Neighbourhood Renewal Fund) is transitional only and reduces from £1.8m in the current year to £1.1m in 2008/09, £0.4m in 2009/10 and zero thereafter. At the time of writing, details of the Area Based Grant were still awaited.

11. As the Minister said, this is a tight settlement for Local Government. Although Dudley will benefit from the above average increases in Formula Grant, the Council continues to be faced with increasing service demands, particularly in the areas of Care for Children and Adults, and the cost of Waste Recycling and Disposal, which have not been fully reflected in the settlement.
12. The provisional revenue budget strategy for 2008/09 and Medium Term Financial Strategy for 2008/09 - 2010/11 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

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

Law

14. 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

15. These recommendations comply with the Council's policy on Equality and Diversity.
16. 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

17. That the Cabinet:

- Notes the details of the Provisional RSG Settlement for 2008/09 - 2010/11.
- 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, sufficient additional resources have not been allocated by the Government, with the result that the burden will fall on Council Tax payers.



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List of Background Papers

Provisional RSG Settlement papers and electronic communications.