

**CABINET MEETING – 11 JANUARY 2012**  
**EXECUTIVE SUMMARY SHEET- PART 1**

**Title of Report:**

Provisional Revenue Support Grant Settlement for 2012/2013

**Author(s):**

Executive Director of Commercial and Corporate Services

**Purpose of Report:**

This report advises Cabinet of the Provisional Revenue Support Grant Settlement for 2012/2013.

**Description of Decision:**

Members are requested to note the report.

**Is the decision consistent with the Budget/Policy Framework? Yes**

**If not, Council approval is required to change the Budget/Policy Framework**

**Suggested reason(s) for Decision:**

Consideration of the Settlement forms part of the budget preparation process of the Council.

**Alternative options to be considered and recommended to be rejected:**

Not applicable as report is for information only.

**Is this a “Key Decision” as defined  
in the Constitution?**

No

**Relevant Scrutiny Committee:**

Management

**Is it included in the Forward Plan?**

No

## **Cabinet Meeting – 11th January 2012**

### **Provisional Revenue Support Grant Settlement for 2012/2013**

#### **Report of the Executive Director of Commercial and Corporate Services**

##### **1. Purpose of Report**

- 1.1. This report advises Cabinet of the Provisional Revenue Support Grant Settlement for 2012/2013.

##### **2. Description of Decision**

- 2.1. Members are requested to note the report.

##### **3. Background**

- 3.1 On 8<sup>th</sup> December 2011 the Parliamentary Under Secretary of State for Local Government, Bob Neill MP, issued the provisional report for the 2012/2013 Revenue Support Grant Settlement.
- 3.2 This follows on from the Government's two year Local Government Finance Settlement covering the years 2011/2012 (Final Settlement) and the Indicative Settlement for 2012/2013 which was issued 7<sup>th</sup> February 2011. A second two year settlement (2013/14 to 2014/15) will follow, for which the Government is to adopt a new distributional system based on the retention of local business rates.
- 3.3 On 19<sup>th</sup> December the Government released its detailed response to the consultation, it carried out in the Autumn, on their proposed new retention of business rates system. The announcement provides clarity on most areas although the Government is to consult in the Spring on some further specific areas. The Government has also indicated it will liaise with local government for them to help design the detail underpinning the new system which will be implemented on 1<sup>st</sup> April 2013 as expected. As such the implications and detail of the announcement will be reported to Cabinet in February.
- 3.4 The details of the Provisional Settlement 2012/2013 are outlined in paragraph 4 below with the effects on the Council outlined at paragraph 5.
- 3.5 Written responses are required by 16<sup>th</sup> January 2012.

## 4. National Settlement

### 4.1 The main features from the settlement include:

- There were no major changes to the Indicative Settlement for 2012/13.
- National Formula Grant funding for all authorities in England is to fall by 7.3% on average in 2012/13.
- A further transitional grant of £20m, increased from the previously announced figure of £14m, for 2012/2013 was announced to protect the 'revenue spending power' (broadly government grants plus council tax precept income) of authorities where funding would fall by more than 8.8% in order to help minimise reductions for authorities facing exceptional decreases in their overall revenue funding position. This funding helps 12 shire district authorities.
- Damping will continue in 2012/2013 with floors remaining unchanged:

|                                    |                        |
|------------------------------------|------------------------|
| <b>Social services authorities</b> | <b>-7.4% to -10.4%</b> |
| Shire districts                    | -11.2% to -14.2%       |
| Police authorities                 | -6.703%                |
| Fire authorities                   | -3.4%                  |

The different damping figures for social services authorities and shire districts are based on a new banded system which means the most grant dependent authorities have the least reductions.

- The Government has also transferred the separate core revenue ongoing Council Tax Freeze Grant for 2011/12 (£652m nationally) into Formula Grant as Business Rates is expected to increase in 2012/13 to £23.119 billion in total. The main beneficiary of the increase in business rates projected in 2012/13 therefore appears to be Government as the increase in business rates income is being used to fund the ongoing impact of the Council Tax Freeze grant for 2011/2012 which the Government was previously to fund provide separately.
- The Government has also issued its capping criteria for 2012/13 for those councils that do not take advantage of the one-off Council Tax Freeze Grant for 2012/13 as follows:

**3.50% for most principal authorities,**  
3.75% for the City of London and,  
4.00% for the Greater London Authority, Police authorities,  
and single purpose Fire and Rescue authorities.

They have also indicated that any increase in excess of the increases set out above will be subject to a local referendum.

## 4.2 Other Announcements

- Government confirmed a one-off Council Tax Freeze Grant for 2012/2013 already announced earlier in the year which is equivalent to a Council Tax increase of 2.5% for Sunderland.
- A separate consultation has been announced for Academies - there will be no further adjustments to Formula Grant for 2011/2012 and detailed proposals have been released by Government for 2012/2013 which are the subject of a separate consultation which closes on 12th January 2012. The proposals will however have no adverse impact on formula grant in 2012/2013.
- The Treasury also announced that they are to reduce the CLG - Local Government Department's budget by £240m in 2013/14 and a further £257m in 2014/15. Early indications show that this could mean up to a further 2.1% cut to local government funding in each of these years in addition to the funding cuts already set out in the Spending Review 2010.

## Effects on Sunderland

- 5.1 As set out in paragraph 4 above, the Council's formula grant entitlement for 2012/2013 of £145.808 million has remained unchanged from the indicative figures announced in February 2011 however the Council Tax Freeze Grant for 2011/2012 has been added into the total (£2.377m) so the revised figure of £148.185m is still equivalent to the combined funding of both of these grants in 2012/2013.
- 5.2 Government has not made any changes to the formula grant system, consequently the Authority's formula grant reduction in 2012/2013 has not been affected by the settlement and remains unchanged at £12.294m.
- 5.3 The Council's Revenue Spending Power total for 2012/13 of £275.004m also remained unchanged.
- 5.4 Most of the Council's other revenue grant allocations for 2012/2013 have been announced as part of the Settlement – the details of which are set out in the Revenue Budget Report for 2012/2013 featured elsewhere on the agenda and are as expected with the exception that the Council is to receive an additional £0.326m of the Early Intervention Grant which is the Council's allocation of the Chancellor's recently announced £68m funding for 2 Year Olds announced in his Autumn Statement. This would increase the Council's revenue spending power to £275.330m, a reduction of £11.863m compared to 2011/2012.

- 5.5 The Government announced in the Autumn Statement that public sector pay would be capped at 1% for the next 2 years after the current pay freeze but they have not provided any additional funding to pay for this which increases further the pressure on local government funding.
- 5.6 Council Tax Freeze Grant for 2012/13 is optional and is a one-off grant which means this funding is not continued into future years unlike the 2011/12 arrangement. It is also based on a 2.5% Council Tax increase whereas the capping limit is 3.5% for the Council. To make the grant more attractive the Government could have set the rates on an equal footing i.e. 3.5% rather than 2.5%. It would also be preferable if this grant was guaranteed into future years so that any council taking up the grant is not financially disadvantaged in doing so.
- 5.7 The Treasury announced a reduction to the CLG - Local Government Department's budget by £240m in 2013/14 and a further £257m in 2014/15. Based on existing formula grant allocations and using some high level assumptions – this shows that the Council could incur greater grant losses of £3.1m in 2013/14 and a further £2.7m in 2014/15 to those already anticipated reductions in formula grant of £12.5m for the 2 years in total. A revised formula grant loss of £18.2m (£5.8m more) is in prospect for Sunderland because of the latest announcement from the Treasury. The scale of the implications to the Council however can only be indicative at this stage as it is unclear how these reductions will be dealt with in the proposed new grant funding system.

## **6. Reason for Decision**

- 6.1 Consideration of the 2012/2013 Settlement forms part of the budget preparation process of the Council.

## **7. Alternative options to be considered and recommended to be rejected**

- 7.1 There are no alternative options.

## **8. Background Papers**

Local Authority Finance (England) – Revenue Support Grant for 2012/2013 and related matters - (Source: DCLG).

Local Authority Finance (England) – Revenue Support Grant for 2011/2012 and related matters - (Source: DCLG).