

<b>CABINET MEETING – 13th January 2010</b> <b>EXECUTIVE SUMMARY SHEET- PART 1</b>	
<b>Title of Report:</b> Provisional Revenue Support Grant Settlement for 2010/2011	
<b>Author(s):</b> Director of Financial Resources	
<b>Purpose of Report:</b> This report advises Cabinet of the Provisional Revenue Support Grant Settlement for 2010/2011.	
<b>Description of Decision:</b> Members are requested to note the report.	
<b>Is the decision consistent with the Budget/Policy Framework?</b> Yes	
<b>If not, Council approval is required to change the Budget/Policy Framework</b>	
<b>Suggested reason(s) for Decision:</b> The Settlement forms part of the annual budget preparation process of the Council.	
<b>Alternative options to be considered and recommended to be rejected:</b> Not applicable as report is for information only.	
<b>Is this a “Key Decision” as defined in the Constitution?</b> No	<b>Relevant Scrutiny Committee:</b> Management
<b>Is it included in the Forward Plan?</b> No	



## **Cabinet Meeting – 13th January 2010**

### **Provisional Revenue Support Grant Settlement for 2010/2011**

#### **Report of the Director of Financial Resources**

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

- 1.1. This report advises Cabinet of the Provisional Revenue Support Grant Settlement for 2010/2011.

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

- 2.1. Cabinet is requested to note the report.

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

- 3.1 On 26th November 2009 the Parliamentary Under Secretary of State for Local Government issued the provisional report for the 2010/2011 Revenue Support Grant Settlement.
- 3.2 This follows on from the Minister's first three year Local Government Finance Settlement covering the period 2008/2009 to 2010/2011 which was issued on 6<sup>th</sup> December 2007, and after a period of consultation, the amended three year settlement was released on 24th January 2008 with some further amendments having been made on 21<sup>st</sup> January 2009.
- 3.3 The main points of the Settlement are outlined in paragraph 4 with the effects on the Council outlined at paragraph 5.

##### **4. National Settlement**

The main features of the provisional and indicative settlements are as follows:

###### **Aggregate External Finance**

Aggregate External Finance (AEF) includes Formula Grant (Revenue Support Grant and Non Domestic Rates) and all Government Special and Specific grants. The table overleaf provides an analysis of central government funding for revenue expenditure, in cash terms, for 2010/2011 compared with the 2009/2010 allocation adjusted for changes made since last year's settlement.

	<b>Adjusted 2009/10 £m</b>	<b>Provisional 2010/11 £m</b>	<b>Change %</b>
Non-Domestic Rates	19,500	21,500	10.3
Revenue Support Grant (RSG)	4,541	3,167	(30.5)
<b>Net AEF Total</b>	<b>24,041</b>	<b>24,667</b>	<b>2.6</b>
PFI Grant	853	1,069	25.3
Special / Specific Grants	48,438	50,520	4.3
<b>Total Grants</b>	<b>49,291</b>	<b>51,589</b>	<b>4.7</b>
<b>Total AEF</b>	<b>73,332</b>	<b>76,256</b>	<b>4.0</b>

- Total Aggregate External Finance (AEF) has seen a reduction in the current Settlement (2010/2011) as compared to the previously announced figures released in January 2009. In the main the reduction relates to the reduction in the Dedicated Schools Grant (DSG) announced at the time of the 2009/2010 settlement because of the need to reflect the latest pupil numbers and transfers for new academies that have been agreed. There have also been numerous changes to the specific and special grant funding allocated in both 2009/2010 (an increase of £178.9m) and 2010/2011 (a reduction of £85.7m) to those allocations announced in the previous year's settlement.
- The Government has stated that the difference in Dedicated Schools Grant funding allocations between the financial years 2008/2009 (adjusted) through to 2010/2011 will be used in supporting schools and other children's services initiatives;
- Specific and special grants included within the AEF will increase by 4.7% for 2010/2011 as compared to the 2009/2010 adjusted figures. Grants were expected to increase in overall terms by 5.2% in January 2009 but these have decreased mainly because of changes to grant funding principally in Education and Children's Services in respect of reduced DSG;
- Overall the allocation of Specific and Special grants covering the adjusted 2009/2010 and the amended 2010/2011 years has seen a net increase of £92.3m in the Settlement. Details are still being analysed and further reports on any implications arising will be made as appropriate;
- There have been no changes to the overall formula grant allocation, for 2010/2011, to those already published and released in January 2009;
- Business Rates shows an overall increase of 10.3% due to a surplus on the Business Rate Pool Account. The government has reduced its contribution from Revenue Support Grant to take this factor into account which explains the 30.5% reduction in the grant compared year on year;
- The Business Rate multipliers for 2010/2011 have been announced as 41.4p and for small businesses 40.7p which reflects the fall of 1.4% in the Retail Price Index for September 2009 on which the multipliers are based. The decrease in the multiplier needs to be considered alongside the revaluation which is to take effect from 1st April, 2010.

## **4.2 Other Announcements**

- The government has re-emphasised that it will use capping powers if necessary and that it expects to see Council Tax increases to be below this years (2009/2010) average Council Tax increase of 3%;
- The government announced a consultation paper in respect of a new initiative to provide free personal care at home to people with high personal needs. The scheme is expected to come into force on 1<sup>st</sup> October 2010 and will cost an estimated £670m in a full year. The government is proposing that they will route funding for this through the Area Based Grant (amounting to £210m in the first year 2010/2011 and £420m for a full year). The remainder is to be funded by local government efficiencies (amounting to £125m in 2010/2011 and £250m in each full year thereafter). The consultation formally ends on 23<sup>rd</sup> February 2010 and comments are required preferably by 26<sup>th</sup> January 2010 to the Department of Health. The detailed implications are still being analysed as referred to in the Revenue Budget 2010/2011 Report elsewhere on today's agenda.

## **5. Effects on Sunderland**

- 5.1 As set out in paragraph 4 above, the Council's grant entitlement for 2010/2011 of £157.462 million has remained unchanged from the indicative figures announced in late January 2009 and is welcomed. It is hoped (and expected) that the settlement will remain unchanged once it is approved by Parliament and it would help the Council to financially plan with more confidence if all political parties could give this assurance ahead of the next General Election.
- 5.2 The government has not made any changes to the formula grant system, consequently the Authority's formula grant increase for 2010/2011 has not been affected and the increase set out in the consultation paper, remains unchanged at 1.84%. The Council's grant increases, although below the national average increase of 2.65%, is still above the minimum (floor) increases for Education and Social Services Authorities, of 1.5%. Appendix 1 shows the detailed comparisons for information.
- 5.3 The Council's grant allocation for 2010/2011 has been reduced in order to help fund the 'floor' i.e. to contribute some of its grant to enable all authorities which provide Education and Social Services to receive at least the minimum grant increase for 2010/2011 of 1.5%. The table overleaf shows the impact on the Council's allocation of grant in 2010/2011 for information:

<b>Settlement</b>	<b>Adjusted Grant 2009/10</b>	<b>Provisional Grant 2010/11</b>	<b>£ Change</b>	<b>% Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Allocation before 'floor' adjustment	156.318	158.806	4.193	2.71
<b>Actual Allocations</b>	<b>154.643</b>	<b>157.462</b>	<b>2.849</b>	<b>1.84</b>
Cost of Floor – grant reduction			1.344	

- 5.4 Whilst the use of the 'floor' mechanism is supported, and the Council has benefited from this measure in the past, the Council would prefer to see the government fund the 'floor' element of the grant outside of future settlements so that authorities receive the full benefit from the grant formula allocations to which they are entitled.
- 5.5 The Council's specific and special grant allocations for 2009/2010 and 2010/2011 have both seen changes, however, not all grant allocations and supporting information are available at the time of writing this report. The changes in grant will however be reported to Cabinet, when available, and will also be taken into account during the budget process.
- 5.6 The Council welcomes the initiative to help fund free personal care for those with high personal needs and will respond fully to the consultation paper issued in due course, however, the Council would have preferred it if the government was to fully meet the full costs of this initiative, rather than rely on funding of just over a third of the costs through further Council efficiencies.

## **6. Reason for Decision**

- 6.1 Consideration of the 2010/2011 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 recommended for approval.

## **Background Papers**

Local Authority Finance (England) – Revenue Support Grant for 2009/2010 and related matters - (Source: DCLG).

Local Authority Finance (England) – Revenue Support Grant for 2010/2011 and related matters - (Source: DCLG).

LGA Briefing – Local Government Finance Settlement 2010-11

## Comparison of Grant Allocations 2009/2010 (adjusted) to 2010/2011

<b>Totals</b>	<b>Adjusted Grant 2009/10 £m</b>	<b>Provisional Grant 2010/11 £m</b>	<b>% Change</b>
England	28,248.0	28,995.5	2.65
Shire Areas	13,904.6	14,321.3	3.00
Metropolitan Areas	7,991.8	8,196.6	2.56
London Authorities	6,349.4	6,475.4	1.98
East Midlands	2,106.4	2,181.2	3.55
Yorkshire / Humberside	3,011.7	3,100.4	2.95
North East Region	1,772.3	1,813.3	2.32
All Education Authorities	17,919.0	18,417.6	2.78
Metropolitan Districts	5,658.0	5,797.3	2.46
Tyne and Wear	598.9	608.4	1.59
Gateshead	104.3	105.8	1.50
Newcastle	164.5	167.0	1.50
North Tyneside	86.6	87.9	1.50
South Tyneside	89.0	90.3	1.50
<b>Sunderland</b>	<b>154.6</b>	<b>157.5</b>	<b>1.84</b>

