



AGENDA ITEM: 12

OVERVIEW & SCRUTINY BOARD

DATE: 15 JANUARY 2008

PROVISIONAL REVENUE SUPPORT GRANT SETTLEMENT 2008/2009

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PURPOSE OF THE REPORT

1. To provide Overview & Scrutiny Board with an outline of the proposals set out in the 2008/2009 Revenue Support Grant Consultation paper.

BACKGROUND AND EXTERNAL CONSULTATION

2. Central Government released details of the proposed Revenue Support Grant settlements for 2008/2009 to 2010/2011 on the 6th December 2007.
3. The main features of the paper are set out below: -

National Position

4. To assist Local Government in medium term financial planning, the proposed level of Central Government Revenue Funding (Formula Grant) proposed to be made available to individual authorities over the next three years has been set out. Local Authority specific grant allocations are also being issued over the three year period.
5. The system of Formula Grant consists of four blocks: -
 - a. A **relative needs block**. This is based on a complex Relative Needs Formulae (RNF). The RNF's are the equivalent to Formula Spending Shares in the old system and are split into blocks covering Children's Services, Adult Services, Police; Fire and Rescue, Highways, Environmental Protective and Cultural Services (EPCS) and Capital Financing. The formula for each service is based on a per client amount with top-ups to reflect local circumstances, including deprivation and area costs. This element distributed £15.3 Billion (71%) of the total national Formula Grant in 2007/2008

- b. A **relative resource amount**, to take account of different capacity to raise income from council tax. This is a negative amount and distributes -£5.3 Billion (-25%) of the total national Formula Grant in 2007/2008
 - c. A **central allocation** amount, which is allocated on an amount per head of population basis. This element distributes £11.6 Billion (54%) of the total national Formula Grant in 2006/2007
 - d. A **floor damping block**; to ensure that all authorities receive a minimum grant increase. This is self-financing and is similar to the previous “floors and ceilings” approach and acts as a safety net to ensure no authority receives less than a set minimum increase in Central Government support.
6. The following table summarises the national allocation of Formula Grant for 2008/2009 to 2010/11 :-

Formula Grant	2008/2009 Amount £`Billion	2009/2010 Amount £`Billion	2010/2011 Amount £`Billion
Relative Needs	17.047	17.519	17.972
Relative resources	-6.211	-6.384	-6.549
Central allocation	12.517	12.863	13.196
Floor Damping	0.000	0.000	0.000
Total	23.354	24.000	24.622

7. Headline national figures for 2008/2009 to 2010/2011 include
- a. 3.8%, 2.8% and 2.6% increase in Formula Grant in 2008/2009, 2009/2010 & 2010/2011 respectively
 - b. 4.0%, 4.4% and 4.3% increase in Aggregate External finance (Revenue Support Grant and specific Grants) in 2008/2009, 2009/2010 & 2010/2011 respectively
8. There are a number of adjustments in respect of transfers between Formula Grant and specific grants, particularly in respect of Social Care and capital funding.
9. Damping arrangements have been put in place. Authorities providing Social Services and Education Services will receive a minimum increase (“the floor”) in Formula Grant of 2.0%, 1.75% and 1.5% for the three years. The arrangements are to be self-financing by reducing the entitlements to those authorities receiving an increase above the “floor”.

Middlesbrough Position

10. Middlesbrough's Formula Grant entitlement for 2008/2009 and 2010/2011 is summarised in the following table: -

Formula Grant	2008/2009 Amount £`Million	2009/2010 Amount £`Million	2010/2011 Amount £`Million
Relative Needs	63.099	64.527	65.817
Relative resources	-5.309	-6.015	-6.694
Central allocation	25.081	25.626	26.134
Floor Damping	-3.416	-2.424	-1.666
Total	79.455	81.714	83.591

11. The increase in Formula Grant on a directly comparable basis represents 4.5% in 2008/2009, 2.9% in 2009/2010 and 2.3% in 2010/2011.
12. Under the revised Formula grant Middlesbrough Council is a net contributor to the damping arrangements of £7.5 million over the three year period.
13. Population assumptions have been included in the future settlements and an average annual loss of in between 700 and 750 has been assumed. This compares to previous assumptions of 1,300 average net annual loss in population.
14. There are a number of changes within the Settlement which impact on the assumptions within the existing Medium Term Financial Plan, as summarised in the following table. These relate mainly to the transfer from specific grants to Formula Funding: -

Service	Amount	Amount	Amount
	2008/2009	2009/2010	2010/2011
	£` Million	£` Million	£` Million
Children Families and learning			
- Childrens Services Specific Grant	0.804	0.829	0.853
- School Transport (New legislation)	0.150	0.201	0.207
Social Care			
- Access & Systems Capacity Grant	1.617	1.666	1.716
- Delayed Discharge Grant.	0.290	0.299	0.308
Environment & Neighborhood services			
- Waste Performance & efficiency Grant	0.151	0.156	0.161

Overview and comment

15. The national settlement represents a tough settlement for Local Government
16. Significant resources have not been made available within the Formula Grant for Social Services (Social Care and Children Families and Learning) to meet demand led pressures and independent sector price increases..
17. Further work and analysis is needed, particularly in respect of specific grant allocations. This work is ongoing.

Representation to Central government

18. Local Authorities, wishing to make a response to the consultation paper were required to do so by the 8th January 2008. Representations were made on the following factors:-

- a. The extent to which resources are being withheld from Middlesbrough under the damping arrangements.
- b. requesting additional funding for Social Services (Children and Adults) demand led pressures.

OPTION APPRAISAL/RISK ASSESSMENT

19. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

20. The settlement for Middlesbrough is below that predicted in our Medium Term over the three year period by Financial Plan, however it is not felt necessary to significantly change our Budget Strategy. The variance is approximately £254,000 over the three year period.

21. Overall the impact on the current projected figures is as follows: -

	2008/2009	2009/2010	2010/2011
	£` Million	£` Million	£` Million
Annual Gap	3.527	1.286	0.240
Cumulative Gap as per MTFP	3.527	4.813	5.053
Revised Gap	2.889	4.437	5.307
Net change	-0.638	-0.376	0.254

RECOMMENDATIONS

22. Overview and Scrutiny Board are asked to

note and consider the contents of the report; and implications on the resources available to the authority; and

REASONS

23. To ensure that Middlesbrough Council maximises the resources available under the 2008/2009 and 2010/2011 Revenue Support Grant settlement.

BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- Medium Term financial plan 2007/2008 to 2010/2011
- Revenue Support Grant Report 2006/2007
- Revenue support grant consultation papers 2008/2009 - 2010/2011

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