

## NORTH LINCOLNSHIRE COUNCIL

### CABINET

## LOCAL GOVERNMENT FINANCE SETTLEMENT 2010/11

### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To provide cabinet with information on the provisional financial settlement for local government in 2010/11. This is the grant which government pays towards the cost of local services.
- 1.2 The paper confirms that formula grant for the third year is as expected, but identifies changes in area based grant which bring either additional spending commitments or a resource shortfall.
- 1.3 At this stage there is no information about government spending plans for the period 2011/14 although funding reductions are widely predicted. If appropriate a verbal update will be given on the Chancellor's pre-budget report.

### 2. BACKGROUND INFORMATION

#### The Finance Settlement 2008/11

- 2.1 It is an established principle that the costs of running local authority services are met partly from local tax and partly from government grant. The components change over time, as well as the balance between local and central funding. Currently the only local tax is the council tax. Business rates are set nationally, collected locally and paid over to government and redistributed as grant.
- 2.2 The total of government grant support is called Aggregate External Finance (AEF). It comes in three ways:

**Formula grant** This is a general grant shared out by formula. The formula takes into account the social and economic characteristics of each area. It compares the needs of each area and relative resources to decide how much each authority gets.

**Specific grants** These are grants for specific purposes. The largest is Dedicated Schools Grant which can only be spent in schools or on defined support services for schools. There are a range of other smaller grants which must be spent on particular government-backed initiatives.

**Area Based Grant (ABG)** This is a relatively new funding stream, but not new money. A number of specific grants which were previously paid separately will now be pooled. The government argues that this will give local authorities more flexibility to determine their own priorities. In theory therefore it is a general grant like formula grant which can be used for any purpose.

- 2.3 For the first time grant was allocated for three years not one: for 2008/09, 2009/10, and 2010/11. This was to give authorities the ability to plan for the medium term with greater certainty.

### 3. OPTIONS FOR CONSIDERATION

#### Formula grant

- 3.1 The government has kept its commitment to provide stability of funding and the provisional settlement published for consultation on 26 November 2009 confirms the formula grant for the third year of the settlement 2010/11 at the previously announced level. For North Lincolnshire the grant increase is **4.1% or £62.256m** in total.
- 3.2 This increase is above the average and reflects changes to the formula which favour areas outside London, scaled down to ensure minimum or 'floor' increases for councils losing grant. It compares with neighbouring councils as shown in the following table:

	2008/09	2009/10	2010/11
	Increase	Increase	Increase
	%	%	%
Total formula grant	3.6	2.8	2.6
Unitary average	4.8	3.4	3.0
<b>North Lincolnshire</b>	<b>7.2</b>	<b>4.8</b>	<b>4.1</b>
North East Lincolnshire	6.3	4.4	3.8
East Riding of Yorkshire	6.3	4.9	4.7
Kingston upon Hull	5.9	4.0	3.4

- 3.3 The figures announced now are for one year only as there is no indication of funding levels for the next three year settlement period 2011/14, though reductions in funding levels are widely predicted. We therefore need to make assumptions for forward planning purposes. The pre-budget report, which the Chancellor intends to deliver on 9 December, may provide an indication of future prospects. A verbal update will be given at cabinet if appropriate.

#### Specific grants

- 3.4 Total DSG, Schools Standards Grant (SSG) and School Development Grant (SDG) have reduced over those announced at the time of the 2008/09 settlement to reflect the latest estimate of pupil numbers and transfers to new academies.

- 3.5 The largest specific grant is the **Dedicated Schools Grant**. The council receives an amount per pupil and the grant is adjusted as numbers are confirmed. The provisional allocation for 2010/11 is **£98.322m**, an increase of **3.8%** compared to the national average of 4.1%. The increase in grant is below the England average because pupil numbers in North Lincolnshire are falling faster than in the country as a whole.
- 3.6 The council also receives a range of specific grants to fund other government initiatives. Among these is a special grant to fund the additional cost of the national **concessionary fares** scheme. A revised formula is out for consultation which, if adopted, marginally increases the council's grant share from £0.43m to £0.51m.

### **Area based grant**

- 3.7 There are two significant changes to Area Based grant. As planned the Supporting People grant will now form part of ABG. This gives authorities additional flexibility in how the grant is spent, but does not provide an increase in overall resource. Many of the elements of ABG are cash limited and some actually reduce. Before the addition of Supporting People grant the total for North Lincolnshire reduces from £9.309m to £8.878m; after, the figure is **£12.746m**.
- 3.8 There is a further additional element for the new commitment to free personal care at home for people with high personal needs. In a full year the cost at national level is expected to be £670m, and the grant will be £420m. Half this sum, £210m, is provided through ABG for 2010/11 to reflect part-year implementation. This means that councils are expected to fund the balance or 37% of the cost through efficiencies. There are three options for grant distribution which would give North Lincolnshire between £0.623m to £0.740m in 2010/11. That implies a council contribution of around £0.25m in 2010/11, or £0.5m in a full year.

## **4. ANALYSIS OF OPTIONS**

- 4.1 The confirmation of formula grant and dedicated schools grant gives certainty of funding and has been factored into council financial plans. There are, however, additional pressures in 2010/11 from the reduction in Area based grant of £0.4m and the new commitment to free personal care of at least £0.25m.
- 4.2 These and any other changes yet to be announced on specific grants will be factored into financial plans. Savings will be required to contain any funding shortfalls.

5. **RESOURCE IMPLICATIONS(FINANCIAL, STAFFING, PRPERTY, IT)**

5.1 These are outlined in section 3.

6. **OTHER IMPLICATIONS (STATUTORY, ENVIRNMENTAL, DIVERSITY, SECTION 17 – CRIME AND DISORDER, RISK AND OTHER)**

6.1 None at this stage.

7. **OUTCOMES OF CONSULTATION**

7.1 Consultation on the council's budget plans, taking account of the grant settlement, will begin shortly. This will include consultation with residents using the Simalto model first used in 2008, and separate consultation with the business community and other stakeholders.

7.2 Outcomes will be used to inform budget planning and will be reported to the meeting of council which sets the budget and council tax in February 2010.

8. **RECOMMENDATIONS**

8.1 That the report is noted.

SERVICE DIRECTOR FINANCE

Pittwood House  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB

Author: Peter Fijalkowski  
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**Background Papers used in the preparation of this report**

Details of the local government finance settlement on the CLG website at:  
<http://www.local.communities.gov.uk/finance/1011/grant.htm>