



Report of the Director of Resources

Executive Board

Date: 8th February 2008

Subject: FINAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2008/09 AND REVISED PROVISIONAL SETTLEMENTS FOR 2009/10 AND 2010/11

Electoral Wards Affected: All

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Yes

Not Eligible for Call In

(Details contained in the report)

EXECUTIVE SUMMARY

1. This report gives details of the final Local Government Revenue Support Grant Settlement for 2008/09 and the revised provisional settlements for 2009/10 and 2010/11 which were announced on 24th January 2008.
2. The final settlement follows a period of statutory consultation on the provisional figures which were announced on 6th December 2007 and which were the subject of a report to the 19th December Executive Board.
3. Despite extensive lobbying by Leeds and other local authorities, the only significant change between the provisional and final settlements is an adjustment to the baseline for public law family fees (see paragraph 3.3) which has reduced the national increase in funding from 3.7% to 3.6% for 2008/09, but has left the increases for 2009/10 and 2010/11 unchanged.
4. The cash increase for Leeds has reduced by £321,000 compared to the provisional settlement (a reduction from £7.915 to £7.594m). There are also smaller reductions for 2009/10 and 2010/11: £50,000 and £36,000 respectively.

1.0 Purpose Of This Report

- 1.1 To inform members of Executive Board of the differences between the provisional and final Local Government Finance Settlements for 2008/09, 2009/10 and 2010/11.

2.0 Background Information

- 2.1 As detailed in the report presented on 6th December, this is the first three-year settlement for local government and is part of a move towards providing more stability and predictability for local authorities.
- 2.2 When announcing the provisional settlement on 6th December, John Healey, the Minister of Local Government, acknowledged that it was “*a tight settlement*” but one that in his view was “*fair and affordable*”.
- 2.3 Whilst welcoming the certainty and predictability provided by three-year settlements many local authorities, including Leeds, expressed concerns about the level of funding provided in the provisional settlement. These concerns were well summarised by the Local Government Association in a briefing on 6th December: “*In summary, the settlement does not take account of the pressures facing local government including adult social care and the rising costs of landfill and authorities will be faced with hard choices between service reductions and council tax increases*”.
- 2.4 In Leeds the overall effect of the provisional settlement coupled with withdrawal of the Local Authority Business Growth Incentive (LABGI) and the loss of Neighbourhood Renewal Funding (NRF) was to reduce the funding available to the Council by over £8m for 2008/09. The Council responded robustly with a letter to ministers signed by the party Group Leaders setting out our concerns in detail. This was followed by a senior all-party delegation to London to express our concerns to ministers in person. Further lobbying was undertaken through the Core Cities Group and SIGOMA.

3.0 Main Issues

- 3.1 In all the Government received a total of 323 representations on the provisional settlement but, having considered them, the Minister, John Healey, decided to “*broadly confirm*” the proposals that he had announced in December. The table below shows the minor changes in Aggregate External Finance (AEF) between the provisional and final settlements at national level:

	2008/09 Provisional £M	2008/09 Final £M	Variance £M	2009/10 Provisional £M	2009/10 Updated £M	Variance £M	2010/11 Provisional £M	2010/11 Updated £M	Variance £M
AGGREGATE EXTERNAL FINANCE									
Revenue Support Grant (RSG)	2,854	2,854	-						
Business Rates	20,500	20,500	-						
Sub-total *	23,354	23,354	-	24,001	24,001	-	24,622	24,622	-
Police Grant	4,136	4,136	-	4,253	4,253	-	4,374	4,374	-
Total Formula Grant	27,490	27,490	-	28,254	28,254	-	28,996	28,996	-
RSG to specified bodies	56	56	-	50	52	2	50	51	1
Dedicated Schools Grant (DSG)	29,138	29,138	-	30,111	30,111	-	31,356	31,356	-
Other Special & Specific Grants and adjustments	13,724	13,732	8	15,069	15,073	4	16,269	16,268	-1
TOTAL AEF	70,408	70,416	8	73,484	73,490	6	76,671	76,671	-

* Split between RSG and NNDR not available for 2009/10 and 2010/11

Table 1: Local Government Finance Settlement – National Position

- 3.2 Although the changes at the national level are small some of the variations for individual authorities are more significant, particularly for 2008/09. For Leeds the cash increase for 2008/09 has been reduced by £321,000 from £7.915m at consultation to £7.594m in the final settlement as detailed in the table below:

	2007/08 Actual £M	2008/09 Provisional £M	2008/09 Final £M	Variance £M	2009/10 Provisional £M	2010/11 Provisional £M
Relative Needs Amount (RNF)	189.081	198.798	198.800	0.002	202.035	204.910
Relative Resources Amount	-40.184	-41.759	-41.759	-	-44.418	-47.051
Central Allocation	123.665	138.980	138.980	-	143.489	147.828
Floor Damping	-1.171	-4.002	-3.867	0.135	-2.944	-2.244
Actual/Provisional Formula Grant Total	271.391	292.017	292.154	0.137	298.162	303.443
Adjusted Grant for Previous Year	N/A	284.102	284.560	0.458	291.959	298.087
Cash Increase (compared to Adjusted Grant)	N/A	7.915	7.594	-0.321	6.203	5.356
Percentage Increase (compared to Adjusted Grant)	N/A	2.8%	2.7%		2.1%	1.8%

Table 2: Local Government Finance Settlement – Increases for Leeds

There are also reductions for the second and third years of the settlement but these are much less significant: £50,000 for 2009/10 and £36,000 for 2010/11.

- 3.3 The main reason for the changes is that at the time the provisional figures were announced the Government had failed to adjust the 2007/08 base figures to take account of the transfer of responsibility for the Public Family Law function from H. M. Court Service to local authorities. The Government had apparently allowed for the transfer in the 2008/09 grant totals, so they have not changed significantly, but the

£458,000 adjustment to the 2007/08 figure means that the year-on-year increase is less than previously stated.

- 3.4 Percentage increases for the Core Cities and West Yorkshire districts are shown below. The table compares the increases for 2008/09 between the provisional and final settlements. The differences are caused by the adjustment for the Public Family Law function as described in section 3.3, but they vary between authorities partly because some authorities like Newcastle and Liverpool were already receiving the minimum increase (the 2% “floor”), and partly because the adjustment as a proportion of 2007/08 formula grant differs between authorities.

	Increase at Consultation (%)	Increase at Final Settlement (%)	Change * (%)
CORE CITIES			
Liverpool	2.0%	2.0%	0.0%
Newcastle upon Tyne	2.0%	2.0%	0.0%
Sheffield	2.6%	2.5%	-0.1%
Leeds	2.8%	2.7%	-0.1%
Manchester	3.8%	3.6%	-0.2%
Bristol	4.6%	4.3%	-0.3%
Birmingham	4.9%	4.6%	-0.3%
Nottingham	6.6%	6.1%	-0.4%
WEST YORKSHIRE			
Leeds	2.8%	2.7%	-0.1%
Calderdale	4.5%	4.2%	-0.3%
Wakefield	5.3%	4.9%	-0.3%
Bradford	5.6%	5.2%	-0.4%
Kirklees	6.1%	5.7%	-0.4%
AVERAGES			
England	3.6%	3.5%	-0.1%
Inner London boroughs incl. City	2.0%	2.0%	0.0%
Outer London boroughs	2.9%	2.8%	-0.1%
London boroughs	2.4%	2.4%	0.0%
Metropolitan districts	4.1%	3.9%	-0.2%
Shire unitaries with fire	6.3%	5.9%	-0.4%
Shire unitaries without fire	5.1%	4.8%	-0.3%
Shire counties with fire	5.7%	5.4%	-0.4%
Shire counties without fire	5.6%	5.2%	-0.4%
Education Authorities	4.3%	4.1%	-0.2%
Police Authorities	2.8%	2.8%	0.0%
Fire Authorities	2.4%	2.4%	0.0%
Shire Districts	1.7%	1.7%	0.0%

* Percentages may not sum due to rounding

Table 3: Percentage Increases in Formula Grant 2008/09

Leeds’ percentage increase remains substantially below the national average and the averages of the Core Cities, the West Yorkshire districts and the Metropolitan districts.

4.0 Implications for Council Policy and Governance

- 4.1 The settlement has implications for the 2008/09 budget and the level of council tax for that year which are the subject of separate reports to Executive Board on this agenda. The move to multi-year settlements will have longer-term implications for financial planning.

5.0 Legal and Resource Implications

- 5.1 The settlement will have a direct impact upon the Council's financial resources for the three years 2008/09 to 2010/11, and will be a key factor in decisions on the Council's budget and levels of council tax as described in 4.1, above.

6. Recommendations

- 6.1 Members of Executive Board are requested to note the contents of this report.

Background Papers:

The Draft Local Government Finance Report 2008/09 and supporting papers, published by the Department for Communities and Local Government, 6th December 2007.

The Local Government Finance Report 2008/09 and supporting papers, published by the Department for Communities and Local Government, 24th January 2008.

Local Government Finance Settlement 2008-09 to 2010-11, Local Government Association Briefing Paper, 6th December 2007.