



Report of the Director of Corporate Services

Executive Board

Date: 13th December 2006

Subject: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2007/08

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 provisional Local Government Revenue Support Grant Settlement for 2007/08 which was announced on 28th November 2006.
2. As part of the move towards three year settlements, the Government first announced their 2007/08 settlement proposals in December 2005 at the same time as the 2006/07 provisional settlement.
3. This November's announcement made minor changes to overall national funding but confirmed that Leeds will receive the same amount of Formula Grant funding for 2007/08 as proposed in December 2005, that is £271.391m, an increase of 2.9% over the 2006/07 adjusted figure.

1.0 Purpose Of This Report

1.1 To inform members of Executive Board of the implications of the provisional Local Government Finance Settlement for 2007/08.

2.0 Background Information

2.1 In December 2005, the Government announced the provisional Local Government Finance Settlement for 2006/07 and 2007/08. This was the first time that Government had announced settlements for more than one year and was part of a move towards providing more stability and predictability for local government.

2.2 The December 2005 announcement also included major changes to funding arrangements for 2006/07 onwards including:

- the new dedicated schools grant which replaced the schools formula spending share;
- the introduction of a four-block mechanism for distributing "Formula Grant" (RSG & NNDR) based upon relative needs, relative resources, a central allocation (basic amount) and floor damping which makes comparisons of need between years and between authorities no longer meaningful;
- doing away with the notional Assumed National Council Tax (ANCT) which was often used as a benchmark for actual council taxes.

2.3 The two-year settlement was designed as a first step towards three-year settlements which the Government is planning for 2008/09 onwards.

3.0 Main Issues

3.1 In making his announcement on 28th November, Phil Woolas, the Minister for Local Government, confirmed that there would be no "surprises" and that it was his policy "not to change the settlement...from that previously announced". However, some individual specific grant allocations have been amended. The table below compares Aggregate External Finance (AEF) for 2006/07 and 2007/08 at national level:

	2006/07 Adjusted	2007/08 (2005 Figures)	2007/08 New Announce- ment	Variance (Compared to 2006/07)
	£M	£M	£M	%
AGGREGATE EXTERNAL FINANCE				
Revenue Support Grant (RSG)	3,271	4,105	3,105	-5.1
Business Rates	17,500	17,500	18,500	5.7
Sub-total	20,771	21,605	21,605	4.0
Police Grant	3,936	4,028	4,028	2.3
Total Formula Grant	24,707	25,663	25,633	3.7
RSG to specified bodies	65	58	58	-10.8
Dedicated Schools Grant (DSG)	26,576	28,171	28,119	5.8
Other Special & Specific Grants	11,329	11,234	11,954	5.5
TOTAL AEF	62,677	65,096	65,764	4.9

3.2 The amounts of Formula Grant have not changed since the original announcement in December 2005. For Leeds the figures are shown in the following table:

	2006/07 FINAL (ADJUSTED) £m	2007/08 PROVIS- IONAL £m	VARIANCE 2006/07 - 2007/08 %
Relative Needs Amount		189.1	
Relative Resource Amount		-40.2	
Central Allocation		123.7	
Floor Damping		-1.2	
TOTAL	263.7	271.4	2.9

3.3 As mentioned in 3.1, above, the only area where there is a significant variation between the indicative 2007/08 figures announced in December 2005 and the figures announced on 28th November is in relation to specific and special grants. The national total in the original announcement was £43,433m which had apparently risen by £668m to £44,101m over the year. However, further analysis suggests that this is not new money, but merely reflects the fact that Government departments were not able to finalise grant allocations at the time of the original announcement.

3.4 In his speech, Mr Woolas also addressed the issue of council budgets and council tax levels. He confirmed that the Government expects an average council tax increase of less than 5% for 2007/08 and that reserve capping powers would be used to deal with any excessive increases.

3.5 As mentioned in 2.3, above, next year, following the Comprehensive Spending Review, the Government intends to announce local government grant allocations for three years – for 2008/09, 2009/10 and 2010/11.

3.6 As in previous years, the 28th November announcement will be followed by a consultation period with final settlement details being confirmed in January 2007. No significant changes are expected between the provisional and final figures.

4.0 Implications for Council Policy and Governance

4.1 The settlement in of itself has implications for the 2007/08 budget and the level of council tax for that year which will be the subject of separate reports to Executive Board in the New Year. The move to multi-year settlements will have longer-term implications for financial planning.

5.0 Legal and Resource Implications

5.1 As the formula grant allocations have not been changed since the original announcement in December 2005, the impact of the settlement itself will be limited. As indicated in 4.1 above, budget planning is already well advanced for 2007/08.

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 2007/08 and supporting papers, published by the Department for Communities and Local Government, 28th November, 2006.