

Agenda Item 8

Extract from the Minutes of the meeting of Cabinet held on 16 December 2010

1. (5) Provisional Local Government Finance Settlement

Cabinet received a presentation from Dave Clarke, Strategic Director of Resources, on the main points in the Government's provisional local government finance settlement. It was noted that further information was still awaited, including the allocation of school funding and some grants, and that it was not possible to give an exact picture of the County's position.

The key features of the proposals include protection to reduce the front loading of cuts and increased protection for the more deprived authorities, but also a significant decrease in resources. The announcement had been widely reported as having the most negative effect on metropolitan authorities, who had previously attracted a higher level of specific grants to address particular deprivation and challenges. Many of these grants had now gone/been subsumed.

The spending power for Warwickshire County Council had been reduced by only -1.3% compared to losses elsewhere of 8% and reductions for the Warwickshire district and boroughs of between -5.0% and 6.8%. Cabinet were cautioned against thinking this meant that the County Council had 'done well' as the picture is distorted by other factors in local government financing. The new banding system results in the County Council making a higher contribution to protect the less affluent authorities. Warwickshire has a grant loss of -12.6% contributing £5.3 million to the fund.

Cabinet was advised that the Council could expect to have a £8.765 million gap in the Revenue Budget in 2011/12, additional to the savings plans already identified. Options for closing the gap include taking the cuts in the areas where the grants had been cut or looking to other areas for additional savings.

It was hoped that information on direct support grant would be available before Christmas, Fire funding announcement was expected on 17 January. It was also unsure how much Warwickshire and sub-region would benefit from the Regional Growth Fund which would be allocated following bids from any part of the country (not necessarily from LEPs).

It was noted that the deadline for response to the consultation on the proposals was 21 January and that the final settlement would be known late January/early February. It was agreed that Group Leaders be provided with a spreadsheet of the grants, to enable them to calculate the effects of changes and assist in their consideration of budget options.

Cabinet

16 December 2010

Provisional Local Government Finance Settlement and the Implications for the County Council

Dave Clarke
Strategic Director, Resources

The Mechanics of the Settlement

- CSR announced total formula grant for authorities through to 2014/15
- Local Government Finance Settlement sets out how grant will be distributed between authorities
- Settlement only for two years
- Second two year settlement will follow, with a new distributional system
- Provisional settlement is the start of a consultation period
- Final settlement due late January/early February

Key Features of the Proposals

- Protection to reduce the front loading of cuts
- Increased protection for more deprived, less affluent authorities
- Specific grants and Area Based Grant now part of the settlement
- One year support for 0% council tax rises confirmed
- A significant decrease in resources available

Protection Against Front Loading

- Transitional funding of £85 million nationally for 37 authorities worst affected by the settlement
- Based on ‘revenue spending power’
 - broadly grants + council tax + NHS funding
- Receive grant if spending power decreases by more than 8.9%
- WCC only reduces by -1.3%
- Districts/boroughs range: -5.0% to -6.8%
- It does **not** mean we have “done well”
 - distorted by ratio of grant to taxbase and therefore need to taxbase

Protection for Deprived/Less Affluent Authorities

- Variation of the 'floors' mechanism
- New banding system which means the most grant dependent authorities have least reductions
- Floors of -11.3% to -14.3%
- All authorities above their 'floor' fund the support for authorities below their floor
- Warwickshire is in the 14.3% band for most affluent authorities
- Our grant loss of -12.6% means we are contributing £5.3 million to the floor

Protecting Council Tax Payers

- Grant of £650 million nationally to implement a council tax freeze in 2011/12
- If the cost is more than £650 million the money will be found from elsewhere in the local government finance settlement
- Funding to support the freeze for four years
- No funding to support continuation of the freeze beyond 2011/12
- If Warwickshire freezes council tax in 2011/12 we receive grant equal to a 2.5% increase

Grants

- Number of grants reduced from over 100 to about 12
- None are ring-fenced except schools grant and a new public health grant
- Other WCC grants:
 - Early Intervention, £17.336 million next year
 - Learning Disability and Health Reform, £11.716 million next year
 - New Homes Bonus – not yet announced
 - Regional Growth Fund – not yet announced
 - NHS funding to support social care and benefit health, £6.027 million to be paid via a Section 276 agreement
- Decisions yet to be taken on Stronger Safer Communities, Music Grant, Fire Grants
- All other grants merged into Formula Grant (mainly reduced) and DSG or stopped

Schools Funding

- Mainstreaming relevant grants into DSG including School Standards Grant, School Development Grant, School Lunch Grant
- Per pupil minimum funding guarantee of -1.5% (before pupil premium)
- Pupil premium of £430 for each 'deprived' pupil based on eligibility for free school meals
- Provisional allocations for authorities have not been announced

WCC Headline Government Grant Figures

	2010/11	2011/12	Change
	£m	Provisional £m	£m
Formula Grant	92.092	100.667 *	8.575
Specific Grant/ABG	97.995	-	(97.995)
DSG	295.248	339.790	44.542
Early Intervention Grant	-	17.336	17.336
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	485.335	457.793	(27.542)
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* Excludes £6.704 million for concessionary fares

Note : grant figures for 2010/11 are as published by the Government
 : headline figures hide big variations for individual services
 : DSG figures assume cash freeze i.e. £44.542 is the specific grants going into DSG

WCC Revenue Budget in 2011/12

£m

Decrease in grant funding	27.542
Spending pressures funded	7.697
Inflation and capital financing	7.397
Base changes	(3.273)
Total 'Gap'	39.363
<i>less draft savings</i>	<i>(23.061)</i>
<i>less 2.5% council tax increase</i>	<i>(7.537)</i>
Residual Gap	8.765

Residual Issues

Negative

- CYPF savings from grant
- E&E savings from grant
- E&E waste savings
- Review of AHCS demography
- Review of inflation
- Extra provision for redundancy costs

Positive

- Concessionary fares pressure
- Capital financing costs
- NHS money
- Taxbase ?

Options for Closing the Gap

- Leave cuts in grant where they lie
- Identify additional savings
- Use potential increases in funding to plug the ‘worst’ gaps
- Use NHS funding of £6.027 million imaginatively to fund adult social care pressures, creating capacity
- Reduce/remove provisions

Medium Term Revenue Position

- Future years broadly unchanged
- Close the gap in 2011/12 and budget continues to balance
- Any relieving of savings targets would result in need to identify alternative savings

2011/12 Capital Allocations

- All capital allocations provided as grant (not supported borrowing)
- LTP and Adult Social Care settlements better than forecast
- Schools settlement is worse especially “devolved formula capital”
- Fire settlement not yet announced
- No resources are ring-fenced
- Replacement for BSF not yet announced

Implications for Warwickshire's Capital Programme

	November Position		Latest Position		Change	
	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m	2011/12 £m	2012/13 £m
Local Transport	10.485	11.385	13.294	13.504	2.809	2.119
Adult Social Care *	0.180	0.180	1.151	1.182	0.971	1.002
Schools *	22.945	27.720	17.494	17.494	(5.451)	(10.226)
Other Services Inc. Property	12.511	13.068	12.511	13.068	-	-
	46.121	52.353	44.450	45.248	(1.671)	(7.105)

Means "spare" borrowing of £8.849 million in 2011/12 and £8.652 million in 2012/13 funded in the revenue budget

* Amount requested, but allocation restricted to the level of grant