

REVENUE SUPPORT GRANT FOR 2008-09, 2009-10 AND 2010-11: AND RELATED MATTERS

CONSULTATION PAPER ISSUED BY THE SECRETARY OF STATE FOR COMMUNITIES AND LOCAL GOVERNMENT

PURPOSES OF THIS CONSULTATION: REQUIREMENTS OF THE LOCAL GOVERNMENT FINANCE ACT 1988

1. Section 78 of the Local Government Finance Act 1988 ('the 1988 Act') requires the Secretary of State to **consult** such representatives of local government as appear to her to be appropriate before making a determination, under that section, of:
 - the amount of Revenue Support Grant ('RSG') for the year;
 - the amount of RSG she proposes to pay to receiving authorities; and
 - the amount of RSG she proposes to pay to each specified body.
2. Under section 78A of the 1988 Act (as inserted by paragraph 10 of Schedule 10 to the Local Government Finance Act 1992 ('the 1992 Act')) such a determination is to be specified in a report (to be called a local government finance report) to be laid before the House of Commons.
3. The Secretary of State, before making the report, is required to **notify** to such representatives of local government as appear to her to be appropriate the general nature of the basis of distribution of RSG (Section 78A(3) of the 1988 Act) and of the distributable amount for the year of non-domestic rates (paragraph 10(2) of Schedule 8 to the 1988 Act as substituted by paragraph 7 of Schedule 10 to the 1992 Act).
4. This paper is issued in accordance with the consultation requirements referred to above and provides further explanatory information which may be helpful in considering the effects of the Secretary of State's proposals. A list of accompanying documents is attached to the back of this consultation paper.

2008-09

Total of RSG

5. The Secretary of State proposes to determine as the amount of RSG for 2008-09 the amount of £2,909,445,634. Of the total amount of RSG, the Secretary of State proposes to pay to receiving authorities £2,853,766,634.

RSG for Specified Bodies

6. The Secretary of State proposes to pay to each specified body listed in Annex A of the draft report referred to at paragraph 9 below, including the Commission for Local Administration in England (which for this purpose is to be treated as a specified body), the amount shown against its name in that Annex. Specified bodies are bodies which provide services for local authorities and are specified in regulations made under section 76(4) of the 1988 Act or which, by virtue of section 76(6), have effect as if made under section 76(4) of that Act.

Distributable amount of Non Domestic Rates

7. Under paragraph 9 of Schedule 8 to the 1988 Act (as substituted by paragraph 7 of Schedule 10 to the 1992 Act), the Secretary of State has calculated the distributable amount of non domestic rates to be £20,500,000,000.

DISTRIBUTION OF GRANT: CHANGES PROPOSED FOR 2008-09

8. The Secretary of State proposes a number of changes to the distribution of grant from 2008-09; these are listed below. For convenience, where relevant, these refer to an option from the July 2007 consultation paper "Local Government Finance: Formula Grant Distribution" published by the Department for Communities and Local Government.
9. A draft Local Government Finance Report for 2008-09 giving effect to these proposals is enclosed with this paper.

Social Services for Older People

10. The low income adjustment would be revised (SSE2).

Police

11. The resource base used to derive the formula would be updated (POL1).

Fire and Rescue

12. The regression expenditure base for this formula would not be updated.

Highway Maintenance

13. The regression expenditure base for this formula would be updated (HM1).

Environmental, Protective and Cultural Services

14. No formula changes would be proposed in this block.

Capital Financing

15. The shares of supported capital expenditure (revenue) (SCE(R)) for years prior to 2007-08 would be frozen to the level used in the 2007-08 settlement: and, in future, the shares of SCE(R) would not be recalculated to the current year shares in every settlement.

Area Cost Adjustment

16. The weight given to the rates cost adjustment would be updated to 2% for EPCS and 1% for all other services except social services, where it would be zero (ACA1). The weight given to the labour cost adjustment would be:

	Education	Highway	Social Services - elderly	Social Services - other	Police	Fire	EPCS
Proposed Weighting	80%	60%	80%	75%	85%	85%	65%

Taking Account of Relative Needs and Resources

17. There would be an increase of 2% in the size of the Relative Needs and Relative Resource blocks, and shares would be rounded to the nearest 0.1%. That is, the shares would be: Relative Needs Amount, 73.0%; Relative Resource Amount, -26.6%; Central Allocation, 53.6%.

Data

18. The Disability Living Allowance indicator would be based on a three year average using quarterly data (DATA1). Quarterly data would be used on income support claimants and claimants of pension credit (DATA2). The Attendance Allowance indicator would be based on a three year average using quarterly data (note it was only possible to publish information on this option on 8 October, once data had been received and the exemplifications prepared).

19. The existing day visitors data would be used, not the proposed new indicator of visitor attractiveness. The day visitors indicator would remain in the Highways Maintenance formula

20. The average of student exemption numbers from 31 May and mid-September 2007 would be used to adjust the starting position of the taxbase projections (DATA6)

Floors

Floors applied to Social Care Relative Needs Formulae in 2006-07 and 2007-08

21. The Secretary of State proposes that there will be no floors applied to any Relative Needs Formula.

Floors for Grant

22. The floors will operate in the following general way:

- Floors will apply to the annual increase over the actual grant received in 2007-08, adjusted as necessary for transfers of responsibility and funding so as to give a like for like comparison;
- Floors will operate for four separate groups of authorities: authorities with education and social services responsibilities; police authorities; fire & rescue authorities; and shire districts;. There will be no cross-subsidisation of the floors between the groups of authorities; and
- The cost of the floor will be met by scaling back the increase above the floor of each authority that is above the floor.

23. For authorities with education and social services responsibilities, the proposed floor is a 2.0% increase. For police authorities the floor is 2.5%. For fire & rescue authorities and for shire district councils the floor is 1.0%.

Isles of Scilly

24. Finally, it is proposed to pay the Council for the Isles of Scilly an amount of formula grant specified in the Report referred to at paragraph 9, above, rather than calculated by formula.

Exemplifications of the Proposals

25. Tables listed at the end of this paper exemplify the effects of the proposals for 2008-09 set out in this paper. The grant allocation shown for each receiving authority is generally based on information available to the Secretary of State on 1 October (with a few exceptions) and the methodology set out in the draft report. Some of the information used for the purposes of this paper is necessarily provisional.

26. The RNF element for debt charges is based on provisional information. The underlying figures will be updated for the Settlement and the debt

charges RNF will change for all authorities; the Debt Charges scaling factor is also expected to change, which will affect all authorities.

27. Data changes between the issue of this consultation paper and calculation of the final settlement may lead to small changes in the grant floors or in the factor by which grant increases above the floors are scaled back.

28. The Secretary of State therefore puts forward these figures in order to provide an illustration of the effects of his proposals as best they can be estimated at present, not to demonstrate their final outcome.

2009-10 and 2010-11

29. For the first time, the Secretary of State is publishing proposals for three years in order to provide greater stability and predictability in local government funding. Statutory constraints mean that the settlements for 2009-10 or 2010-11 cannot be formally made until the total of the Distributable Amount of Non Domestic Rates can be calculated for the year; that, in turn depends on the previous September's Retail Prices Index. There will be a period of formal consultation and separate Parliamentary debate to approve each year's settlement in due course.

30. The Secretary of State proposes that grant distribution including damping should continue under the same general principles as for 2008-09. Grant floors in these two years would be:

<i>Authority type</i>	2009-10	2010-11
Education/Personal Social Services authorities	1.75%	1.5%
Police Authorities	2.5%	2.5%
Fire & Rescue Authorities	0.5%	0.5%
Shire Districts	0.5%	0.5%

31. Also attached to this paper are exemplifications (listed at the end of this paper) which show the effects in 2009-10 and 2010-11 of the Secretary of State's proposals. These are subject to the same caveats given in paragraphs 24 to 27, above.

LIST OF PAPERS ACCOMPANYING THE CONSULTATION PAPER

2008-09

Guide to the formula grant distribution system

Summary analysis of responses to the summer consultation

Key Statistics 2008-09

Draft Local Government Finance Report 2008-09

Headline Allocations Table of NNDR, RSG and Principal Formula
Police Grant per Authority 2008-09

Changes in Grant compared to Adjusted 2007-08 grant by local
authority

2009-10

Key Statistics 2009-10

Headline Allocations Table of NNDR, RSG and Principal Formula
Police Grant per Authority 2009-10

Changes in Grant compared to Adjusted 2008-09 grant by local
authority

2010-11

Key Statistics 2010-11

Headline Allocations Table of NNDR, RSG and Principal Formula
Police Grant per Authority 2010-11

Changes in Grant compared to Adjusted 2009-10 grant by local
authority