

REVENUE SUPPORT GRANT FOR 2009/10: 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 financial 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.
5. A list of accompanying documents is attached to the back of this consultation paper. These include a paper showing summary statistics and ring-fenced grants. A draft Local Government Finance Report for 2009/10 ('the draft Finance Report') giving effect to these proposals is enclosed with this paper.

Total of RSG

6. The Secretary of State proposes to determine as the amount of RSG for 2009/10 the amount of £4,546,930,634. Of the total amount of RSG, the Secretary of State proposes to pay to receiving authorities £4,500,851,634.

RSG for Specified Bodies

7. The Secretary of State proposes to pay to each specified body listed in Annex A of the draft Finance Report, 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.
8. Section 180 of the Local Government and Public Involvement in Health Act 2007 amends Schedule 4 of the Local Government Act 1974 so as to change the mechanism for funding the Commission for Local Administration in England. Instead of being funded through RSG, the Commission will be paid each year such amount as the Secretary of State determines is required for the discharge during that year of the Commission's functions, subject to the approval of the Treasury. The new arrangements will come into force on 1 April 2009. So, for the financial year 2009/10 and subsequent financial years the Commission will not be a specified body for the purposes of RSG and the funding previously provided within RSG will be transferred to a budget line for the Commission held by the Department for Communities and Local Government.

Distributable amount of Non Domestic Rates

9. 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 £19,500,000,000.

DISTRIBUTION OF GRANT FOR 2009/10

Three year settlements

10. As the second year of a three-year settlement, Government policy is not to change the settlement for 2009/10, including the data used in the grant calculations, from that previously announced, other than in entirely exceptional circumstances.
11. There are therefore no changes in the methodology of calculating Formula Grant allocations.

12. In line with the Government's policy on multi-year settlements, the data used in calculating the provisional 2009/10 settlement have not been changed from that published in January 2008.
13. The data indicators used in the provisional 2009/10 settlement only differ from the final 2008/09 settlement in the use of sub-national population projections for 2009 and projected taxbase for 2009/10. All the indicators, including the population and taxbase projections, use data that were available at the time of calculation of the three year settlement. Population projections will continue to be the 2004-based sub-national population projections for 2009 published on the 27 September 2007 and the taxbase projection for 2009/10 will be as calculated prior to the 2008/09 settlement.
14. The provisional settlement for local authorities for 2009/10 on which the Secretary of State is now consulting does not differ from that previously published other than in respect of local government restructuring to take place on 1 April 2009 (see paragraphs 17 to 23, below): and the calculation of the total of the Distributable Amount of Non Domestic rates for 2009/10.
15. An element of the calculation of the Distributable Amount of Non Domestic rates for 2009/10 must be the September 2008 RPI, therefore, the Secretary of State was not able to consult on the full settlement previously.

Floors

16. The Secretary of State proposes to apply grant floors to all receiving authorities. Floors damping should continue under the same general principles as for 2008/09. Grant floors would be 1.75% for authorities with education and social services responsibilities, 0.5% for fire & rescue authorities and for shire district councils, and 2.5% for police authorities.

Local Government Restructuring

17. From the 1 April 2009 seven areas in England will be restructured. These are: Bedfordshire, Cheshire, Cornwall, Durham, Northumberland, Shropshire and Wiltshire.
18. In Bedfordshire, two unitary authorities will be created – Bedford Borough Council and Central Bedfordshire District Council. In Cheshire, again two unitary authorities will be created – Cheshire East District Council and Cheshire West and Chester District Council. In both these cases, the two new unitary district authorities will replace all the existing principal local authorities in the area.
19. In each of the other five areas, a single unitary authority will be created covering the area of the County Council and all the existing district councils will be abolished.

20. The Bedfordshire and Cheshire restructurings require splitting the county authority formula grant allocation. This needs to be done, in part at least, by negotiation between the shadow authorities, and with the help of the predecessor county council. Since the shadow authority will normally only exist for a year prior to restructuring, the Secretary of State did not therefore have all the data necessary to calculate the grant settlements for 2009/10 and 2010/11 on a restructured basis at the time of the 2008/09 Settlement. The provisional 2009/10 and provisional 2010/11 Settlements were therefore issued in January 2008 on the basis of those authorities that were in existence as at 1 April 2008.
21. The Secretary of State intends to ensure that those local authorities that are not directly involved in the restructuring do not have their provisional allocations altered as a result of restructuring. For this reason, it is proposed to constrain the amount of formula grant that goes to any restructured area to the sum of the proposed formula grant for its predecessor authorities.
22. For Cornwall, Durham, Northumberland, Shropshire and Wiltshire the proposed formula grant equals the sum of the provisional formula grant published in January 2008 for the predecessor authorities (ie for the existing county council and all the district councils in each area).
23. Following discussion with the Bedfordshire and Cheshire authorities, the provisional formula grant published in January 2008 for the predecessor county authorities would be split among the new authorities as described in the detailed paper published on the Department's website at <http://www.local.communities.gov.uk/finance/0910/grant.htm>.

Exemplifications of the Proposals

24. Tables listed at the end of this paper exemplify the effects of the proposals for 2009/10 set out in this paper. The grant allocation shown for each receiving authority is generally based on information available to the Secretary of State in January 2008, as published at the time of the 2008/09 settlement, and the methodology set out in the draft Finance Report.
- 25. 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.**

Consultation responses concerning the draft Finance Report

26. The Secretary of State will fully consider any representations made during the consultation period before making and laying the final Local Government Finance Report 2009/10 before the House of Commons. All such representations will be considered in the light of the Secretary of State's policy in relation to three-year settlements (as explained above). In practice, for the financial year 2009/10 that policy means that changes will only be made to the provisional settlement which was published in January 2008 alongside the final settlement for 2008/09 in entirely exceptional circumstances.

2010/11

27. Statutory constraints mean that the settlement for 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 that year's settlement in due course.
28. The Secretary of State proposes that grant distribution including damping should continue under the same general principles as for 2009/10. Grant floors in 2010/11 would be:

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

29. Also attached to this paper are exemplifications (listed at the end of this paper) which show the effects in 2010-11 of the Secretary of State's proposals. These are subject to the same caveats given in paragraphs 24 to 25, above.

Alternative Notional Amounts

30. The Secretary of State is also consulting on alternative notional amounts used for comparisons for capping purposes. The draft Limitation of Council Tax and Precepts (Alternative Notional Amounts) Report (England) 2009/10 ('the draft ANA Report') reflects the creation of the nine new unitary authorities that will be established on 1 April 2009. The draft ANA report only applies to those nine authorities.
31. The Secretary of State will fully consider any representations made during the consultation period before making and laying the final ANA Report before the House of Commons under section 52C of the 1992 Act. If approved by resolution of the House of Commons, in relation to the financial year beginning on 1 April 2009 the alternative notional amounts specified for the relevant authorities will be used for the purposes of any comparison which may be carried out under section 52B(4) of the 1992 Act.

LIST OF PAPERS ACCOMPANYING THE CONSULTATION PAPER

2009/10

Guide to the Local Government Finance Settlement

Key Statistics 2009/10

Draft Local Government Finance Report 2009/10

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

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

Alternative Notional Amounts Report

2010/11

Key Statistics 2010/11

Headline Allocations Table of Formula Grant per Authority
2010/11

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