

Local Government Finance Settlement 2009-10

26th November 2008

Today's Local Government Finance Settlement confirmed that there will be no changes to the formula grant for 2009/10.

LGA Key Messages

- **Three Year Settlement** - Local authorities understand that the economy is experiencing unprecedented challenges and will note that last year's tight settlement has not been cut back any further. However, last year's three year spending settlement was the worst in a decade and councils have since been hit hard by the economic downturn. Councils will continue to work hard for the people they serve but they face very tough choices.
- **Efficiency Savings** - Local government is the most efficient part of the public sector. Councils have already made a significant contribution to the Government's efficiency programme. They achieved well in excess of the sector's £3bn 2004 Spending Review target and more than £1bn this year. Finding further efficiency savings given the tight settlement and difficult economic climate that is placing pressure on income and demand for services will be very challenging, but we are sure, achievable.
- **Icelandic banks** - The decision to allow councils to exclude possible losses from their investments in Icelandic banks from their 2009/10 budgets is very welcome. It will give councils much needed breathing space and help to shield council taxpayers next year. We will continue to work closely with town halls, the Government, the administrators and the Icelandic authorities to ensure that as much money as possible can be retrieved.
- **Efficiency Information on Council Tax Bills** - This is an unnecessary step and additional burden on local authorities. The LGA agrees that people should be able to find out where their council tax money is spent and how their authority is delivering value for money. Councils already provide a lot of basic, straightforward and clear information. Instead of centrally dictated council tax forms, it should be down to councils to decide how they communicate with their own residents.

Headlines

- The formula grant for 2009/10 will be as announced in January 2008.
- The proposed increase in total aggregate external finance (all grants plus redistributed business rates) is 4.2%.
- Councils are called on to find more than £1.5 billion new savings every year.
- The Government will make a regulation which will allow local authorities with funds invested in Icelandic banks to postpone the impact of the impairments required by accounting practice, from 2008-09 to 2010-11.
- Councils will have to put statements on efficiency savings on the face of the Council Tax bill from April.

Further detail available at www.local.communities.gov.uk/0910/grant.htm

Further Information

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briefing

Overall grant increases

- 2009-10 is the second year of the three year settlement announced in November 2007 and confirms that formula grant for 2009/10 will be as announced in January 2008.
- The proposed increase in total aggregate external finance (all grants plus redistributed business rates) is 4.2%. This is a 4% increase on 2008/09 increase (4%) due to increases in specific grants rather than a change to the formula grant.
- The increase in net AEF (redistributed business rates and RSG) is down from the 2008/09 figure, from 3.7% to 2.8%.
- No change in damping arrangements which remain as follows; floors of 1.75% for authorities with education and social services responsibilities, 2.5% for police authorities and 0.5% for shire districts and fire and rescue authorities. These are paid for by scaling down the grant increases to authorities within the same class above the floor.

Summary of government funding 2009/10 (£m)

		2008/09 Settlement	2008/09 Adjusted	2009/10	Change Adjusted
	TOTAL AEF	70,313	70,157	73,120	4.2%
of which	Special Grants	46,227	46,097	48,220	4.6%
	NET AEF (CSR07)	24,081	24,086	24,920	3.5%
plus	Total post-CSR transfers	5	-26	-20	
equals	NET AEF	24,086	24,060	24,900	3.5%
minus	PFI	677	677	853	
		23,409			
equals	NET AEF (excl PFI)	23,383	23,383	24,047	2.8%
minus	NNDR Distributable Amount	20,500	20,500	19,500	-4.9%
minus	RSG for specified bodies	56	45	46	
equals	TOTAL RSG FOR RECEIVING AUTHORITIES	2,909	2,883	4,547	57.7%
plus	Police Grant (incl. Met. Special Payment)	4,136	4,136	4,253	2.8%
equals	FORMULA GRANT	27,490	27,474	28,254	2.8%

Summary of government funding 2010/11 (£m)

		2009/10 Settlement	2009/10 Adjusted	2010/11	Change Adjusted
	TOTAL AEF	73,120	73,143	76,357	4.4%
of which	Special Grants	48,220	48,249	50,627	4.9%
	NET AEF (CSR07)	24,920	24,900	25,763	3.5%
plus	Total post-CSR transfers	-20	-6	-33	
equals	NET AEF	24,900	24,894	25,730	3.4%
minus	PFI	853	853	1,069	
		24,047	24,041	24,661	2.6%
minus	RSG for specified bodies	46	46	39	2.6%
		24,001	23,995	24,622	2.6%
equals	TOTAL RSG and NNDR FOR RECEIVING AUTHORITIES	24,001	23,995	24,622	2.6%
plus	Police Grant (incl. Met. Special Payment)	4,253	4,253	4,374	2.8%
equals	FORMULA GRANT	28,254	28,248	28,996	2.6%

- The NNDR distributable amount for 2009-10 is going down to £19.5bn, a decrease of 4.9%. This reflects the worse economic situation and the increase in relief on empty property relief announced in the Pre-Budget Report. We are still awaiting an announcement on the multiplier for 2009-10.
- Average Band D council tax in 2008-09 was £1373. Actual council taxes in

2009-10 and subsequent years will depend upon decisions by authorities, however the government has made it clear that they expect council tax increases to increase by substantially less than 5% overall.

Efficiency Savings

John Healey has published figures on the new efficiency savings councils expect make during 2008-09. His statement says that, at just over £1 billion it is similar to what councils have achieved in the past. He says that councils need to be finding more than £1.5 billion new savings every year.

The Government have confirmed that councils will have to put statements on efficiency savings on the face of the Council Tax bill.

The LGA thinks that the form in which the government consulted on this was unduly complicated. The overwhelming response to the government's consultation was that centrally dictated council tax forms wouldn't be a good idea. However, the government has chosen to go ahead with the plans, despite the fact that it will be very difficult for councils to make the necessary changes in time.

Iceland

John Healey announced that the Government would make a regulation which would, exceptionally, allow local authorities with funds invested in Icelandic banks to postpone the impact of the impairments required by accounting practice, from 2008-09 to 2010-11.

The decision to allow councils to exclude possible losses from their investments in Icelandic banks from their 2009/10 budgets is welcome. It will give councils much needed breathing space and help to shield council taxpayers next year. We look forward to studying the detail of the regulation when it is published.

This provision does not solve the wider problem. The Government should guarantee any money that is at risk against any eventual loss and treat council tax payers as it has treated individual depositors. The LGA will continue to work closely with town halls, the Government, the administrators and the Icelandic authorities to ensure that as much money as possible can be retrieved.

Capping

The government have announced that three police authorities, Cheshire, Leicestershire and Warwickshire will be designated for 2009-10. This means they will be capped if they increase their budget by over 3%.

The LGA is opposed to capping authorities. Local people should be able to take decisions on council tax increases.

Specific grants (£m)

	2008-09	2008-09 adj	2009-10	2008-09 adjusted to 2009-10 Change	2010-11
Children's and education	34,901	34,595	36,227	4.7%	38,443
Adults PSS	116	131	259	98.6%	328
Fire	20	20	23	11.3%	14
Police	5,470	5,470	5,624	2.8%	5,792
EPCS	786	786	842	7.1%	926
Capital (PFI)	677	677	853	26.0%	1,069

Cross Service Grants	1993	1953	1978	1.3%	280
Area Based Grant	2994	3059	3221	4.2%	4,795
GLA General Grant	48	48	48	0.1%	48
TOTAL	47,007	46,904	49,073	4.9%	51,696

Area Based Grant

The totals for Area Based Grant have been updated.

Children's Services Grants

Provisional Dedicated Schools Grant and other school-based allocations for 2009-10 and 2010-11 have been updated. The totals for Dedicated Schools Grant (DSG), Schools Standards Grant (SSG) and School Development Grant (SDG) have reduced over those announced at the time of the 2008-09 settlement to reflect the latest estimate of pupil numbers and transfers for new academies which have now been agreed. The government say that the difference between the previous totals and those announced now will be invested in supporting schools and other children's services, through initiatives such as the National Challenge which will provide £400m for schools over the CSR07 period.

Adult Social Care

As previously announced, the ring-fenced grant for social care reform will rise to £192m from a 2008-09 total of £82m. It is due to rise to £237m in 2010-11.

Supporting People

The Supporting People allocation for 2009-10 has been confirmed at £1.666bn. Supporting People will be paid as a non- ring-fenced but separately identified grant in 2009-10 and become part of area based grant in 2010-11.

Concessionary Fares

As previously announced the Special Grant for implementing the England-wide concession scheme will rise to £217m in 2009-10.

Police

An APA press release will be available at <http://www.apa.police.uk>

Damping Arrangements

Damping arrangements will continue to operate so that every authority will get at least the grant floor for that class of authority. This will be paid for by scaling back the grant increase above the floor for other authorities in that class.

The table below summarises the position compared with 2008-09. Authorities are at 1 April 2008.

Floors and scaling

	Education/ Social Services	Shire Districts	Police	Fire
2008/09				
Floor	2.00%	1.00%	2.50%	1.00%
Number	60	94	16	10
Scaling down	-67.02%	-72.63%	-87.97%	-63.88%
Number	89	144	22	21
2009-10				
Floor	1.75%	0.50%	2.50%	0.50%
Number	51	93	16	9
Scaling down	-72.92%	-62.44%	-87.35%	-66.76%
Number	98	145	22	22

2010-11				
Floor	1.50%	0.50%	2.50%	0.50%
Number	49	76	16	8
Scaling down	-71.72%	-57.88%	-86.24%	-59.14%
Number	100	162	22	23

The base used for 2008-09 has been adjusted so that these increases are on a like for like basis.

Changes in formula grant by class of authority and by region

The table overleaf shows changes in formula grant (revenue support grant plus non-domestic rates) by type of authority and by region.

Local Authority type	2008/09 (%)	2009/10 (%)	2010/11 (%)
London area	2.3%	2.1%	2.0%
Metropolitan areas	3.7%	2.9%	2.6%
Shire areas	3.9%	3.2%	3.0%
Isles of Scilly	12.5%	3.1%	2.8%
Inner London boroughs incl. City	2.0%	1.8%	1.6%
Outer London boroughs	2.8%	2.3%	2.1%
London boroughs	2.4%	2.0%	1.8%
GLA - all functions	2.3%	2.3%	2.3%
Metropolitan districts	3.9%	2.9%	2.5%
Metropolitan fire authorities	2.3%	1.3%	1.3%
Metropolitan police authorities	3.2%	3.1%	3.1%
Shire unitaries with fire	5.9%	4.2%	3.9%
Shire unitaries without fire	4.8%	3.3%	3.0%
Shire counties with fire	5.4%	4.0%	3.6%
Shire counties without fire	5.2%	4.4%	4.2%
Shire districts	1.7%	1.4%	1.4%
Combined fire authorities	3.2%	2.0%	2.0%
Shire police authorities	2.7%	2.7%	2.8%
GO REGIONAL SUMMARY			
South West GOR	4.1%	3.4%	3.3%
South East GOR	2.5%	2.2%	2.2%
London GOR	2.3%	2.1%	2.0%
Eastern GOR	3.5%	3.0%	2.9%
East Midlands GOR	5.2%	3.9%	3.6%
West Midlands GOR	4.2%	3.3%	3.0%
Yorkshire and Humber GOR	4.2%	3.2%	2.9%
North East GOR	3.2%	2.6%	2.3%
North West GOR	3.8%	3.0%	2.7%
FLOOR DAMPING GROUPS			
Education Authorities	4.1%	3.1%	2.8%
Police Authorities	2.8%	2.8%	2.8%
Fire Authorities	2.4%	1.4%	1.4%
Shire Districts	1.7%	1.4%	1.4%