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**To:** Cabinet 12 January 2009

**Subject:** Local Government Provisional Finance Settlement

**Classification:** Unrestricted

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**Summary:** This report informs Cabinet of the Local Government provisional finance settlement for the years 2009 to 2011, which was announced on 26 November 2008.

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## Introduction

- 1 The provisional settlement for 2009-10 was announced on 26 November 2008. In 2007, Government announced a three-year settlement, with a firm figure for 2008-09 and indicative figures for 2009-10 and 2010-11. The announcement on 26 November 2008 provisionally confirmed the indicative figures for 2009-10 and 2010-11. Given that this is the second year of the first ever three-year settlement, it is no surprise that the provisional figures are unchanged. The final settlement is expected to be announced in late January or early February.

## Provisional Settlement

- 2 After adjusting for the loss of the LABGI Grant, our funding is a cash increase of £5.1m, which equates to 2.0%, over the 2008-09 settlement on a "like for like" basis. This is 0.5% above the Chancellor's latest assumed government GDP deflator for 2009-10 (1.5% at November 2008 Pre-Budget Report but decreased from 2.75% at March 2008 Budget). If we take into account Retail Price Inflation (currently 3.0%) then our figure is effectively a cut of 1%. Table 1 provides a summary of this information.

	<b>Final Settlement 2008-09 £m</b>	<b>Adjusted Base 2008-09 £m</b>	<b>Final Settlement 2009-10 £m</b>	<b>Nominal Increase for KCC £m</b>	<b>Nominal Increase for KCC %</b>
Formula Grant (Revenue Support Grant and NNDR)	259.4	258.9	267.2	8.3	3.2%
LABGI		3.2	0.0	-3.2	
Total	259.4	262.1	267.2	5.1	2.0%

As the 2009-10 provisional Grant figure is the same as the indicative figure for 2009-10 announced in January 2008, there is no change to our financial planning assumptions as a direct result of this announcement.

- 3 The provisional settlement for the Area Based Grant is £96.736m, which is £0.483m higher than indicated in last year's announcement. This is primarily due to two new allocations in respect of Substance Misuse for both adults and young people. No figures have been released for other specific or special grants
- 4 The indicative Formula Grant for 2010-11 is shown in table 2. This shows a nominal increase of 3.2% (£8.6m) compared to the 2009-10 base budget.

	<b>Final Settlement 2009-10 £m</b>	<b>Adjusted Base 2009-10 £m</b>	<b>Final Settlement 2010-11 £m</b>	<b>Nominal Increase for KCC £m</b>	<b>Nominal Increase for KCC %</b>
Formula Grant (Revenue Support Grant and NNDR)	267.2	267.1	275.7	8.6	3.2%

- 5 This indicative Grant figure is also unchanged from the figure announced at the 2008-09 final settlement. The adjusted base includes the funding changes in the previous year and compares the later figure on a "like-for-like" basis. Although this grant increase remains as reported last year, the current economic conditions have increased concern over whether or not this indicative settlement will be maintained.
- 6 Kent County Council's grant increases compare quite markedly with other Authorities. Examples of the wide variations in settlement are shown below in Table 3. This shows the Grant increase for regions prior to the LABGI adjustment.

	<b>Increase in grant on like for like basis</b>	
	<b>2009-10 Provisional</b>	<b>2010-11 Indicative</b>
England	2.8%	2.6%
East Midlands Region	3.9%	3.6%
South West Region	3.4%	3.3%
London	2.1%	2.0%
<b>South East Region</b>	<b>2.2%</b>	<b>2.2%</b>
Shire Counties (average)	4.2%	4.0%
Dorset	7.6%	7.1%
Norfolk	6.0%	5.3%
North Yorkshire	5.2%	5.2%
<b>Kent</b>	<b>3.2%</b>	<b>3.2%</b>
Sample Kent Districts:		
Swale	1.3%	1.1%
Canterbury	2.8%	2.5%
Thanet	1.1%	1.1%
All others	0.5%-1.8%	0.5%-2.5%

- 7 The difference between the increase in funding for KCC and for shire counties on average is 1.0% in 2009-10, equivalent to an additional £2.6 million of grant. In 2010-11 the additional 0.8% increase in 2010-11 would have provided a further £2.0 million.
- 8 Cabinet are reminded that Kent is no longer a floor-funded Authority.

- 9 These provisional settlement figures for 2009-10 and 2010-11 are reflected in the draft budget proposals that were published on 7 January 2009.

### **Likely changes before Final Settlement**

- 10 Given this is 'year two' of a three-year settlement, and the distribution formulae and data used in the calculation of the proposed settlement will not change (other than in very exceptional circumstances), it is unlikely that there will be any significant changes to the indicative Grant figures.

### **Response to Consultation**

- 11 The response to Government had to be returned by 7 January. At the time of writing this report, the response to Government was still being prepared.

### **Conclusion**

- 12 The provisional Grant settlement for 2009-10 and 2010-11 is exactly as announced in the 2008-11 three-year settlement. Therefore, there are no changes to our financial planning assumptions as a result of this announcement.

### **Recommendation**

- 13 Cabinet is asked to **note** the contents of this report

#### **Background Documents:**

Existing KCC Medium Term Plan 2008-11

Autumn Budget Statement, Cabinet 15 September 2008

Provisional Local Government Finance Settlement issued by Communities and Local Government in November 2008

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