

To: Cabinet 11th January 2010

From: John Simmonds, Cabinet Member for Finance
Lynda McMullan, Director of Finance

Subject: Provisional Local Government Settlement 2010/11

Summary: To inform cabinet of the outcome of the provisional local government settlement and KCC's response to the consultation. The report draws cabinet members' attention to the unfavourable settlement for KCC compared to other councils

1. Introduction

- 1.1 The provisional local government settlement was announced on 26th November 2009. The settlement covers the Formula Grant for 2010/11 and related matters. This report also includes an update on the Dedicated Schools Grant (DSG), Area Based Grant (ABG) and specific grants notified to date. It also includes an update on the recent announcements on free personal social care.
- 1.2 2010/11 is the 3rd and final year of the three year settlement following the 2007 Comprehensive Spending Review. It is to be welcomed that the government has honoured its previous commitments on Formula Grant and the provisional settlement for 2010/11 has not changed from the provisional figure published on 24th January 2008. The government has confirmed that the data used in the calculation will only be changed in very exceptional circumstances.
- 1.3 Written responses to the consultation must be received by 5pm on 6th January 2010.

2. Formula Grant

- 2.1 The total settlement nationally for formula grant is £29bn. This is made up of £21.5bn from redistributed business rates, £3.1bn Revenue Support Grant and £4.4bn Police Grant. Nationally this represents a £747million increase on 2009/10 calculated on a like for like basis (2.6%). Specific grants, including DSG, will add another £47bn bringing the overall grant increase for 2010/11 to 4%. Table 1 shows the calculations for KCC.

	2009/10 Settlement £m	2009/10 Adjusted £m	2010/11 Provisional Settlement £m	Change %
Relative Needs Amount	276.544		284.462	
Relative Resource Amount	-170.588		-176.414	
Central Allocation	171.387		179.459	
Sub Total Formula	277.343		287.507	
Floor Damping	-10.119		-11.792	
Net Formula Grant	267.224	267.059	275.715	3.2%

2.2 Appendix 1 below compares the settlement for Kent County Council Kent Districts, Fire and Police over the current 3 year settlement. This clearly demonstrates that over the three year period of the current settlement the funding formula has again favoured the Midlands and the South West at the expense of London and the South East with the result that Kent has received a below average settlement each year.

2.3 Had KCC received the average settlement for county councils over the three-year period the Formula Grant for 2010/11 would be £9.7m more. This is in addition to below average settlements prior to the latest three-year settlement. We have calculated that since 2002/03 Kent has lost over £70m compared to the average for county councils.

2.4 In announcing the settlement the Government has re-affirmed that in the 10 years up to 2007/08 it has increased the grants to English local authorities by 39% in real terms, with an above average inflation increase for local government in each year. The government also claims there will have been an increase of £8.6bn in the current 3 year settlement. This is somewhat misleading since it includes DSG which local authorities have very little say over how this is spent and has increased by substantially more than grants for other services. As demonstrated above not all councils have benefitted equally from this reported increase.

2.5 The Government also announced that it expects to see council tax increases below the average 3% for 2009/10 with authorities protecting and improving front line services. Ministers expect to see council tax increases at a 16 year low and have re-iterated they will be prepared to use capping powers where authorities propose excessive increases. At this stage we have no indication what specific level the government views increases for 2010/11 as excessive.

3. Dedicated Schools Grant (DSG)

3.1 The announcement has also confirmed the provisional settlement for DSG. For Kent this represents an increase of 4.2% per pupil compared to a national average of 4.3%. The estimated grant for 2010/11 is £832.4m before the adjustment for the transfer of academies. This compares to £801.8m for a similar figure for 2009/10.

The final estimated grant figure after the removal of funding for academies is £806.2m.

- 3.2 The DSG figure can only be an estimate at this stage as it cannot be finalised until after the Annual Schools Census in January which confirms the number of pupils. We should know the final DSG figure in June 2010.

4. Area Based Grant (ABG) and other specific grants

- 4.1 The ABG is also very much as previously announced other than some very minor changes to some individual components amounting to just over £200k. ABG includes the transfer of £32m for Supporting People. Total ABG for 2010/11 is £94.3m with a further £1.4m for partnership activities.

- 4.2 In addition to DSG and ABG we have also received notification of the specific grants outlined in appendix 2. These grants also demonstrate no significant changes. There remain a few grants which have still not been notified including the Diploma Grant, LSC grants and a number of small grants. The other significant uncertainty is the transfer of responsibility for FE colleges and work based learning from the Learning and Skills Council. We have still received very little information and as and when this is received we will produce a separate report.

- 4.3 The grants announced to date do not include the £14m to cover the cost of supporting asylum seekers. We are currently forecasting a £3.8m shortfall in this grant in the current year if negotiations with the Home Office are not successful. Shortfalls on the grant for Asylum seekers remain one of the biggest risks the authority faces.

5. Personal Care at Home

- 5.1 The Department of Health launched a consultation on the provision of free Personal Care at Home on 24th November 2009. This will be the subject of a separate report but the financial implications need consideration as part of the provisional local government grant settlement.
- 5.2 Within the consultation it is suggested that the total cost of the scheme could amount to £670m in a full year (£335m in 2010/11) to provide free care for the most vulnerable. It is suggested that this could be funded by £420m grant from the health budget (£210m in 2010/11) and £250m from efficiencies savings within local government (£125m in 2010/11).
- 5.3 The Budget Report in April 2009 announced that the efficiency targets for local government were being increased from 3% to 4% for 2010/11 with no change in grant. At the time the Chancellor expected the additional saving to be re-invested into front line services or used to reduce council tax. Under this latest announcement the government

seems to be suggesting it will decide which services should benefit from re-investment, whereas councils have been planning to use such efficiency savings to balance their books.

- 5.4 We are working on assessing the impact in Kent as we have concerns that the impact will be greater than other authorities as a result of local decisions on discretionary charges. Depending upon legislation this could impact from October 2010. This not only causes a potential problem for next year's budget but also sets a dangerous precedent in Government expecting local councils to absorb new burdens from efficiency savings which are already being planned to be used elsewhere.

6. Consultation Response

- 6.1 Bearing in mind that Government has already indicated that they will only make any changes to the provisional figures in very exceptional circumstances there seems little merit in a detailed analysis or response. Furthermore, the Government has made it clear that they will not meet with individual councils to discuss the figures. We have previously responded with our concerns with the formula and that it penalises London and the South East in general and does not take adequate account of Kent's particular circumstances.
- 6.2 KCC's response has made the following general points:
- The three year settlement has introduced additional certainty into local government finance and business planning and that it is encouraging to note that government has honoured the final year of the settlement and not reduced grant in response to the difficult economic climate;
 - We are disappointed that, in light of the exceptional financial circumstances, and the spill over into the real economy, that none of the announced additional government spending to try and boost the economy is to be used to increase local authority grants particularly as the economic downturn bites and we are starting to see implications for some of our services
 - The grant settlement falls woefully short of the spending pressures we face, even after the reduced effects of inflation. Demographic pressures in Adult Social Services alone account for nearly all of the cash increase in Formula Grant;
 - We are disappointed that, at this late stage, we still have no indicative figures relating to the transfer of responsibility for funding FE colleges and work-based learning providers from the LSC;
 - We are deeply concerned that government is starting to assume where money saved from council efficiencies should be redirected to specific policy objectives e.g. the recent announcement by government that some of the funding for free Personal Social Care at Home should come from local government efficiency savings;
 - We are also deeply concerned that medium term planning has been severely compromised by the lack of any information regarding

2011/12 and 2012/13 as a result in the delay to the next spending review until after the forthcoming general election and a lack of detail in the Pre Budget Report. In particular we are concerned that a late announcement in 2010 will not leave sufficient lead in time if substantial changes are needed to the plans for 2011/12;

- The Formula Grant for KCC remains below the average for all 27 county councils

7. Conclusions

- 7.1 Cabinet members are asked to note the provisional local government settlement and KCC's response to consultation.

Dave Shipton
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Appendix 1

Local Authority Settlements	Like-for-Like Increases £m				Like-for-Like Increases %			
	2008-09	2009-10	Prov. 2010-11	Total	2008-09	2009-10	Prov. 2010-11	CUM Total
	£m	£m	£m	£m	%	%	%	%
<u>County Council average</u>	221.264	154.894	152.894	529.053	5.3%	4.2%	4.0%	14.1%
<u>Kent & Medway Area</u>								
KCC	8.624	8.290	8.656	25.569	3.4%	3.2%	3.2%	10.2%
Kent districts	1.570	1.229	1.282	4.082	1.4%	1.1%	1.2%	3.8%
Kent Police	4.709	4.970	5.248	14.928	2.6%	2.7%	2.7%	8.2%
Kent Fire	0.497	0.425	0.563	1.485	1.8%	1.5%	1.9%	5.3%
Medway	4.206	3.187	2.937	10.330	5.6%	4.0%	3.6%	13.8%
TOTAL Kent & Medway Area	<u>19.606</u>	<u>18.101</u>	<u>18.686</u>	<u>56.394</u>	3.0%	2.7%	2.7%	8.8%
South East Region	72.380	66.555	66.507	205.441	2.5%	2.2%	2.2%	7.0%
<u>Other Regions</u>								
South West	81.114	69.178	69.255	219.547	4.1%	3.4%	3.3%	11.1%
London	142.476	130.950	125.947	399.372	2.3%	2.1%	2.0%	6.6%
Eastern	76.618	67.555	68.333	212.505	3.5%	3.0%	2.9%	9.8%
East Midlands	100.436	79.437	74.799	254.671	5.2%	3.9%	3.6%	13.2%
West Midlands	123.249	100.496	94.443	318.187	4.2%	3.3%	3.0%	10.9%
Yorkshire and Humber	116.767	94.552	88.735	300.055	4.2%	3.2%	2.9%	10.7%
North East	54.245	44.465	41.073	139.783	3.2%	2.6%	2.3%	8.3%
North West	156.089	126.908	118.397	401.394	3.8%	3.0%	2.7%	9.8%
England Total	<u>923.374</u>	<u>780.095</u>	<u>747.488</u>	<u>2,450.956</u>	3.5%	2.8%	2.6%	9.2%
<u>District Council average</u>	30.855	22.143	22.266	75.264	1.7%	1.4%	1.4%	4.5%
Kent districts (as above)	1.570	1.229	1.282	4.082	1.4%	1.1%	1.2%	3.8%

Appendix 2

2010-11 Kent specific grants by directorate	Provisional Settlement £000
Children, Families & Education	
Making Good Progress / 1-2-1 tuition	6,987
aiming high for disabled children	5,361
ethnic minority achievement	1,251
extended schools subsidy	4,267
extended schools sustainability	5,111
flexibility of free entitlement	7,888
music grant	1,759
playing for success	320
school development grant	51,193
school lunch grant	2,156
schools standards	42,504
sure start	35,953
targeted mental health in sc	150
targeted support	7,223
think family grant	387
two year old offer	1,327
 <i>Additions per DCSF:</i>	
14-19 Prospectus / CAP	11
Fair Play Playbuilder	18
Social Work Practice Pilot	2,400
 CF&E sub-total	 <hr style="border-top: 1px solid black;"/> 176,265 -----
 Kent Adult Social Services	
learning disability campus closure	2,554
social care reform	5,770
stroke strategy	166
 KASS sub-total	 <hr style="border-top: 1px solid black;"/> 8,490 -----
 Communities	
youth opportunity fund	734
 Communities sub-total	 <hr style="border-top: 1px solid black;"/> 734 -----
 Total	 <hr style="border-top: 1px solid black;"/> 185,490 -----