

# PROVISIONAL FINANCIAL SETTLEMENT 2008/09

## PORTFOLIO RESPONSIBILITY: RESOURCES

CABINET

13 DECEMBER 2007

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### Wards Affected

County wide.

### Purpose

To inform Cabinet of the provisional local government finance settlement for 2008/09, 2009/10 and 2010/11.

### Key Decision

This is not a Key Decision.

### Recommendation(s)

**THAT the report be noted.**

### Reasons

On 6 December 2007 the Minister of State for Local Government announced the provisional three year settlement for local government covering 2008/09 to 2010/11.

The announcement has a direct impact on the level of financial resources Herefordshire will have over the next three years. It will be reflected in an updated Medium Term Financial Management Strategy (MTFMS).

### Considerations

1. The key features of the settlement are:
  - a) In total, government revenue funding for local authority services will be £70.4 billion in 2008/09; £73.5 billion in 2009/10 and £76.7 billion in 2010/11;
  - b) These are increases of 4.0%, 4.4% and 4.3% respectively – an annual average increase of 1.5% above inflation;
  - c) Every authority will receive a Formula Grant increase in every year.
2. The Formula Grant is made up of Revenue Support Grant (RSG) and National Non-Domestic Rates (NNDR). For 2008/09 the amount of NNDR for England has increased by 10.8% to £20.5bn. This is due to the extension of business rates to empty properties.
3. The announcement on 6<sup>th</sup> December provided notification of the level of Formula Grant to be received by Herefordshire over the next three years as follows:

	<b>Formula Grant Amount £m</b>	<b>Adjusted Increase £m</b>	<b>Percentage Increase</b>
2008/09	53.373	2.569	5.1%
2009/10	55.445	2.143	4.0%
2010/11	57.652	2.234	4.0%

4. The above indicates that Herefordshire's 2008/09 increase on a like-for-like basis is 5.1%. Herefordshire, in common with most unitary authorities and county councils, has had a better than expected settlement. This is because there has been a shift of resources away from district councils. Analysis of the overall position indicates that Herefordshire's 5.1% increase is at the average amount of increase for shire unitaries without fire service responsibilities. Shire unitary authorities with fire service responsibilities received 6.3%.
5. Herefordshire's assumptions about a cash standstill and likely efficiency savings for 2008/09 were in line with other authorities given the prognosis was that Comprehensive Spending Review 07 (CSR07) would be "tight". There was also concern that changes made to the distribution formula would adversely affect Herefordshire.
6. We await the detail of the grants within the new Area Based Grant (ABG). The ABG will comprise 38 former specific and special grants some of which currently make a significant contribution to the Council's financial capacity and ability to deliver core services.
7. As part of the CSR07, it was announced that the following grants would be delivered via the overall Formula Grant.
  - a) Children's Services
  - b) Delayed Discharges
  - c) Access and Systems Capacity
  - d) Waste Performance and Efficiency
  - e) Contaminated Land
  - f) Food Hygiene Enforcement on Farms
8. The inclusion of these former specific grants in the general Formula Grant has been allowed for in our financial plans. In 2008/09 we have identified these as part of our spending commitments.
9. It remains the case that councils are expected to agree Council Tax increases well below 5%.

## **Financial Implications**

The provisional settlement has a key impact on the level of resources available for 2008/09 to 2010/11. The initial assessment indicates an additional £2.5m for 2008/09 compared with the assumption in the MTFMS that there would be no additional resources. However, a note of caution needs to be added given this is a provisional settlement until the government's final announcement in January 2008. We also await the detail of the Area Based Grant.

## **Risk Management**

The financial capacity of the council can create risk management issues around deployment of resources. The risks are part of the overall risk management approach reported to Cabinet through the Integrated Performance Report.

## **Alternative Options**

The provisional settlement represents the Government's allocation of resources to the Herefordshire Council. As such there is no alternative funding options on this scale.

## **Consultees**

There are no consultees.

## **Appendices**

None

## **Background Papers**

None