

MEETING:	CABINET
DATE:	18 DECEMBER 2009
TITLE OF REPORT:	PROVISIONAL 2010/11 LOCAL GOVERNMENT FINANCE SETTLEMENT
PORTFOLIO AREA:	CORPORATE STRATEGY & FINANCE

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To report on the provisional 2010/11 Local Government Finance Settlement and confirm the process leading to the setting of council tax at full council on 5 March 2009.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT

- (a) the 2010/11 settlement be noted; and**
- (b) the timetable for setting the Council Tax be agreed.**

Key Points Summary

- The provisional Local Government Finance Settlement was announced on 26 November 2009.
- The provisional settlement confirms an increase for Herefordshire of 4% in Formula Grant in the final year of the three year Comprehensive Spending Review announced in 2007.
- The overall provisional amount of Formula Grant is £57.584 million.

Alternative Options

- 1 There are no alternative options as the amount represents an allocation from central government.

Reasons for Recommendations

- 2 The provisional settlement outlines the level of central government funding to be received by the Council. This is one of the significant elements of the overall funding of services.

Introduction and Background

- 3 The provisional 2010/11 Local Government Financial Settlement was presented in a written ministerial statement to the House of Commons on 26 November 2009. The Parliamentary Under Secretary of State for Communities and Local Government, Barbara Follett stated that central government “expects to see it (council tax) fall further next year while authorities protect and improve front line services. We expect the average Band D Council Tax increase in England to fall to a 16 year low in 2010/11”.

Key Considerations

- 4 The Provisional 2010/11 Settlement was originally announced on 6 December 2007 as part of the first three year settlement along with Provisional 2008/09 and 2009/10 allocations.
- 5 Provisional 2010/11 Formula Grant allocations have been republished for consultation as part of central government’s statutory requirement. This marks the beginning of the six week consultation over the Christmas period. The deadline for submissions to the consultation is Wednesday 6 January 2010.
- 6 The period leading up to the announcement has been one of some uncertainty in local government given the recession and worsening state of public finances as a result of central government’s policy of “quantitative easing”. This has significantly increased the level of government borrowing which will have to be repaid in future years. As a result there was a level of uncertainty in local government about whether the settlement would be re-opened and allocations reduced.
- 7 The provisional settlement indicates central government have made no changes to the Formula Grant allocations, which were first announced in January 2008, except to recognise local government reorganisations which took place on 1 April 2009. These changes simply allocate reorganised authorities the sum of the proposed formula grant for their predecessor authorities. They have no effect on Herefordshire’s allocation.
- 8 When making the announcement the Minister warned that the Government was prepared to take capping action against “excessive” increases and require authorities to rebill if necessary. It is already known that Cheshire, Lancashire and Warwickshire Police Authorities are being capped in advance of 2010/11 and will be given proposed maximum budget requirements.
- 9 Contained in the announcement is confirmation that resources for Adult Learning Disability Social Care were transferred from the NHS to local authorities from April 2009. However, the funding adjustment is not included in baseline figures since Primary Care Trusts (PCTs) will continue to receive funding in 2010/11. It will be the responsibility of PCTs to transfer an amount to local authorities in April 2010. From 2011/12 councils will receive funding directly from the Department of Health and not via PCTs.

- 10 The provisional settlement sees an increase in Herefordshire's formula grant on a like for like basis for 2010/11 of £2.232m or 4%. This brings the overall total to £57.584 million.
- 11 Information has been supplied on specific grants and on area based grant (ABG). Initial analysis indicates specific grants have not been reduced but the position is less clear for ABG.

Budget Timetable

- 11 The following outlines the key dates leading up to council tax setting 5 March 2010. The process is different to previous years in that it includes presentation to Council on 5 February of the proposed financial strategy and council tax levels. This will allow further consideration before final agreement of council tax on 5 March.

Meeting	Date	Report
CABINET	18 December	Provisional 2010/11 Local Government Finance Settlement and Budget Timetable
SMC	18 January	Draft Financial Strategy 2010/13 including Capital Programme 2010/11
Cabinet	21 January	Draft Financial Strategy 2010/13 including Capital Programme 2010/11
COUNCIL	5 February	Draft Financial Strategy 2010/13 including Capital Programme 2010/11 and proposed levels of Council Tax 2010/11
Cabinet	18 February	Financial Strategy 2010/13 including Capital Programme 2010/11 and proposed levels of Council Tax 2010/11
COUNCIL	5 March	Council Tax Setting

Financial Implications

- 12 The Formula Grant is a significant element of the Council's overall funding. It is made up of two elements; Revenue Support Grant and redistributed Business Rates. Any reduction in formula grant would remove funding from the Council.

Legal Implications

None.

Risk Management

None

Consultees

None

Appendices

None

Background Papers

None