

## **Local Government Provisional Finance Settlement for 2010/11**

**Preliminary Briefing 26th November 2009**

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The Department for Communities and Local Government issued the provisional 2010/11 Local Government Finance Settlement for consultation on 26<sup>th</sup> November.

The Provisional Settlement covers 2010/11 and is the last year of a 3 year Settlement. Funding will be given through non ring-fenced grant wherever possible.

Three types of grant will be provided:

- 1) Non-Ring fenced General Grant – The main type of general grant will be formula grant. Its main purpose will be to provide funding for core services and will be distributed using formulae depending on relative need.
- 2) Non-Ring fenced Area Based Grant (ABG) - This grant will be allocated according to specific policy criteria. There will be no conditions attached to the way this funding can be used. Many of the grants previously received through specific grants are now a part of the Area Based Grant.
- 3) Specific Grants – Specific grants will only be given in limited circumstances e.g. uncertainty or where there is a recognised need for resources to be allocated for a specific purpose, where Revenue Support Grant (RSG) and ABG cannot be used.

Funding will be given through non ring-fenced grant wherever possible.

The General Grant announcement is exactly in line with our expectations. We still await the detailed announcement for Area Based Grant and Specific Grants. These remain the key areas of concern and uncertainty for the borough.

### **National Headlines**

The main national headlines from the Provisional Settlement announcement are:

- Total revenue grants for English local authorities including dedicated funding for schools will be £76.2 billion in 2010/11, representing an increase of 4% on 2009/10.
- Formula grant (general support for Council services), excluding schools, will total £29 billion in 2010/11, an increase of 2.6%.
- Dedicated Schools Grant (DSG) is set to increase by 4.5% to £30.96bn in 2010/11. Per pupil funding will increase by 4.3% for England in 2010/11.

- The Provisional Settlement continues to include a minimum (floor) level of increase in grant. The floor for London authorities is 1.5% in 2010/11. The floor level of increase is applied to the previous year's grant total after making certain adjustments for changes in funding methodology. The level of floor increase has consistently reduced over the past 3 years.
- The government expects the 2010/11 average Band D Council Tax increase in England to be the lowest in 16 years.

**What does it mean for Richmond?**

The Provisional Grant Settlement for Richmond in 2010/11 is outlined and compares to 2009/10 as follows:

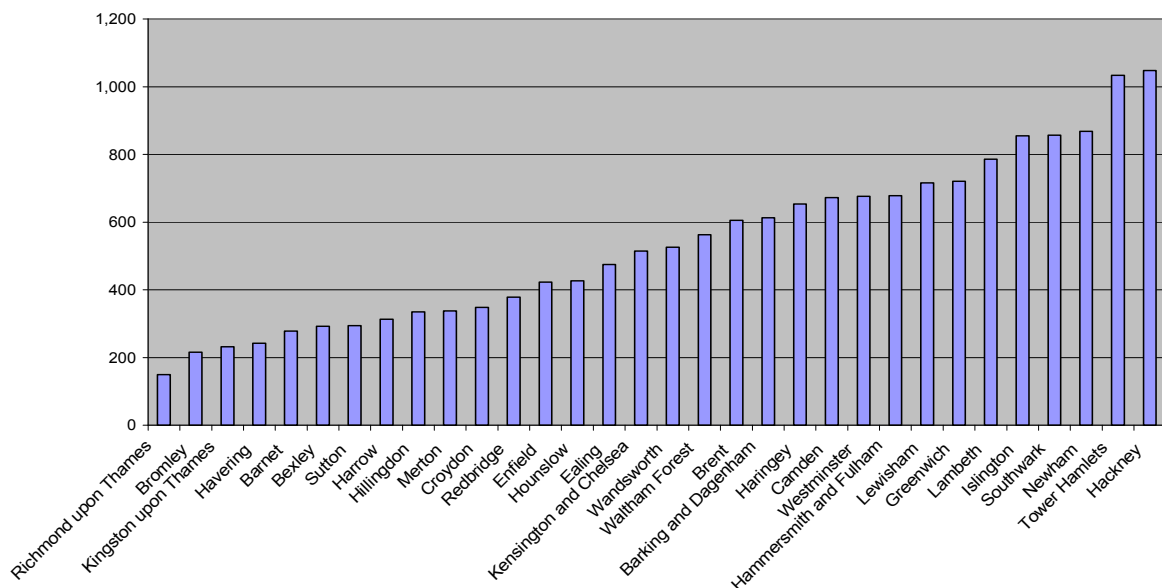
Year	Formula Grant (£m)	% Change	£ per head of population
2009/10	27.615	1.75%	148.81
2010/11	28.015	1.50%	149.68

Richmond has received the minimum 1.5% floor increase in 2010/11 on the adjusted 2010/11 figure. This actually equates to a cash increase of £400k or 1.4% an increase per head of 87p.

Richmond's floor level increase is once again lower than the London average. On average, the formula grant for London boroughs will increase by £75m or 1.8% in 2010/11.

For 2010/11, this level of Central Government support for non-school services within Richmond equates to £149.68 funding per head of population. This compares to the London borough average (excluding City of London) of £535.34 (£385.66 more than Richmond), and the Outer London borough average of £403.71 (£254.03 more than Richmond).

Formula Grant per head of population



Richmond continues to be the worst funded borough in London. The table shows how much extra per head Richmond would receive if it received the same level of funding per head as the next two lowest funded boroughs.

Local Authority	£ per head	Extra £ received per head
Richmond upon Thames	149.68	
Bromley	215.86	66.17
Kingston	231.87	82.19

If Richmond were funded at the same level as Bromley it would receive an additional £12.4m in grant equivalent to a reduction in Council Tax of around 10.9%. If it were funded at the Outer London average it would receive an additional £47.5m in grant funding, equivalent to a reduction in Council Tax of around 41%.

Without the floor mechanism in place the Council would have only received £9.5m for 2010/11, meaning that 66% or £18.5m of Richmond's grant will be attributable to the floor mechanism.

The provisional Dedicated Schools Grant for 2010/11 allocated to Richmond has increased by 5.8% to £100.562m, compared to £95.057m in 2009/10. This reflects a 4.2% increase in per pupil funding alongside an increase in pupil numbers. In calculating this figure, the government has used provisional pupil numbers so the actual allocation to Richmond may be different.

### **Conclusions**

Whilst the Provisional Settlement is in line with our financial planning assumptions, it continues to leave Richmond as the lowest funded authority in London.

Richmond continues to be particularly vulnerable to changes in the floor mechanism due to the large proportion of grant generated from this part of the formula.

We are currently analysing the detail of the settlement and working on various responses to the Government both individually and in conjunction with other London Boroughs. Additional briefings will be circulated and more detailed reports will be made to both Cabinet and Finance and Strategy Overview and Scrutiny Committee in due course.

If you would like further information about the settlement and the impact on Richmond, please call Mark Maidment, Director of Finance and Corporate Services on 020 8891 7171 or Graham Russell, Assistant Director of Finance on 020 8891 7226.

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