

## SECTION 6

### 6. RESOURCES

#### Introduction

6.1 This section sets out the extent of external support available to finance the council's expenditure, the requirements of the Greater London Authority, items in the Collection Fund and finally the calculation of council tax for 2010/11.

#### External Support

6.2 The Local Government Finance Settlement was published on 20<sup>th</sup> January 2010 and there was a statement in Parliament on the same day. The Parliamentary debate was on 3<sup>rd</sup> February.

#### *The grant system*

6.3 From 2006/07 the government introduced a new system to distribute Formula Grant known as the Four Block Model (see below) with a two year settlement – which applied to 2006/07 and 2007/08. From 2008/09 there was a fundamental change with the removal of both children's and adult's social care damping. The removal of the damping protection in 2008/09 was particularly pronounced in London. The effect continues into 2010/11 where 24 out of 33 London boroughs were on the grant floor. 2010/2011 is the final year of a three year settlement linked to the Comprehensive Spending Review (CSR).

6.4 The Four Block Model consists of the following elements:

- A Relative Needs Block (RNB) calculated using Relative Needs Formulae (RNF) – unlike Formula Spending Shares which were used under the previous system, this does not provide an assessment of total need to spend. It is simply a way of equalising for differences in need;
- A Relative Resource Amount (RRA) - again, unlike the former system in which the resource adjustment was based on an Assumed National Council Tax (ANCT), this adjustment is based on relative resource need and not the amount a council might be expected to raise in council tax if it set its council tax at the ANCT;
- A Central Allocation (CA) – this is an amount that is distributed per head of population and is used to distribute the balance of Revenue Support Grant and National Non-Domestic Rate income left after the calculations of the RNB and RRA allocations;
- A Floor Damping Block (FDB) – this is a self-financing block which is used to provide a minimum level of increase in grant for all authorities (although this varies between types of authority) by scaling back gains by authorities that have grant increases above the floor.

- 6.5 The introduction of the Four Block Model did not by itself lead to authorities gaining or losing from the grant system. But it did mean that it was no longer possible to assess total need to spend by an authority or the increase in council tax that the government had assumed in the grant settlement.
- 6.6 A guide produced by the Department of Communities and Local Government to the Local Government Finance Settlement, which explains the system in more detail, is attached as Appendix G.

#### *The national position*

- 6.7 Total external funding for local government is £76.3bn in 2010/11. Total Formula Grant is just over one third of total local government funding – i.e. £29.0bn (excluding PFI). The remainder is made up of Area Based Grant, Dedicated Schools Grant, and other special grants.
- 6.8 The £29.0bn of Formula Grant in 2010/11 is made up of National Non-Domestic Rates - £21.5bn (£19.5bn for 2009/10) - The Revenue Support Grant (RSG) - £3.1bn (£4.5bn for 2009/10) – and Police Grant - £4.4 bn. RSG used to form a much greater proportion of local council funding before the introduction of Dedicated Schools Grant in 2006/07. Most Formula Grant now comes through redistributed National Non-Domestic Rates.
- 6.9 The overall national increase in funding for local government is 4.2% in 2009/10 and 4.0% in 2010/11. This consists of increases in specific grants (included Dedicated Schools Grant) of 4.6% in 2009/10 and 4.3% in 2010/11. The national increase in Formula Grant is 2.8% in 2009/10 and 2.6% in 2010/11.
- 6.10 The grant ‘floor’ system means all authorities receive a minimum percentage increase. For London authorities, the ‘floor’ increase was set at 1.75% in 2009/10 and 1.5% in 2010/11.

#### *Brent’s external funding*

- 6.11 Brent’s Formula Grant increase for 2010/11 is at the ‘floor’, as it has been over the whole period of this CSR. The main reasons include:
- Introduction of the Dedicated Schools Grant. In 2005/06, Brent spent £8.2m less on schools than its Formula Spending Share (FSS). Although FSS was abolished in 2006/07, the transfer from Formula Grant to DSG in 2006/07 was based on Formula Spending Share. As a result the council’s underlying grant fell by £8.2m (although Members should note that there has been a compensatory increase in the Dedicated Schools Grant. For 2010/11, Brent schools will again have a favourable per pupil increase).
  - Population projections. Population projections form a very significant element of the relative needs block and central allocation block. For the grant calculations in 2006/07 and 2007/08, ONS projections for 2006 and 2007, based on the 2003 population estimates, were used. These

projections purported to show Brent's population to be falling with the 2007/08 grant settlement based on a population of 257,500, 6,000 less than the 2001 Census figure of 263,500. The 2010/11 settlement is based upon revised 2004 based population projections which to some extent have corrected the problems with the previous projections. The population projection for 2010, used in the 2010/11 grant settlement, is 271,639 which suggest a stable as opposed to declining population. However, a study of Brent's population by Professor Les Mayhew calculated that Brent's population was 289,000 in 2007. The Greater London Authority calculation of the population is slightly lower than Professor Mayhew's – 281,800 at mid-2007 – but still significantly higher than the ONS. The ONS are currently consulting on the 2008 based population projections and the revised population estimates 2002 – 2008 which if agreed would see Brent's population fall significantly and would effect the 2011/12 to 2013/14 finance settlements. In practice, Brent's population is growing significantly faster than the ONS's current estimates and if the figures for population used by the government were revised to properly reflect levels of population in Brent, it is likely that the Council's grant would climb above the 'grant floor'. However, the adoption of the ONS's 2008 based population projection would see Brent fall further below the 'grant floor'.

- Removal of the Social Care Sub Block Damping. Changes to the way Relative Needs Formulae for children's and adults' social care were calculated for 2006/07 and 2007/08 saw Brent along with most other London boroughs lose out. Protection was provided in the form of RNF damping which mitigated against these losses. However the 2008/09 settlement saw the removal of this damping. In 2007/08 Brent received protection of £7.0m from this damping mechanism which was removed from the 2008/09 and future settlements.

6.12 Details of the make-up of Brent's Formula Grant are in Table 6.1 below.

**Table 6.1 Make-up of Brent's Formula Grant**

	2009/10 £m	2010/11 £m
Relative Needs Amount	131.272	134.396
Relative Resources Amount	(30.273)	(30.749)
Central Allocation	51.915	53.305
Floor Damping	9.181	7.537
<b>Total Formula Grant<sup>1</sup></b>	<b>162.095</b>	<b>164.489</b>

<sup>1</sup> In 2010/11, NNDR accounts for £143.632m (£131.697m for 2009/10) of Formula Grant and RSG accounts for £20.857m (£30.398m for 2009/10).

## The Capping Rules

- 6.13 The Local Government Act 1999 allows the government to limit the budget requirement of authorities if it considers increases in council tax excessive. A number of options are open to it to limit the amount councils increase their budgets by including requiring them to re-set their budgets in the current year – with resulting re-billing costs, disruption to council tax collection, and uncertainty for service delivery – or limiting the budget requirement in the following year. The government has taken capping action against 34 authorities since 2004/05 and Ministers have made it clear that they will use their capping powers again in 2010/11 if they need to. The Minister for Local Government, when introducing the 2010/11 provisional settlement, said:

*“I am pleased that the average band D council tax increase this year (2009/10) was 3.0% - the government expects to see it fall further next year while authorities protect and improve front line services. We expect the average band D council tax in England to fall to a 16 year low in 2010/11. We remain prepared to take capping actions against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary.”*

- 6.14 It is the Director of Finance and Corporate Resources' view that the government will not cap Brent if the council sets a revenue budget at the level of spending set out in this report.
- 6.15 However, the risk of capping would increase if the council tax rise was over 3% and more so the closer to 5% it reached.
- 6.16 Members will need to weigh up carefully the risks associated with capping (such as costs and disruption of re-billing and the likely need for in-year cuts) against the consequences for services of not making adequate provision to meet all of the council's needs if they wish to spend at such levels.

## The Collection Fund

- 6.17 The Collection Fund accounts for all monies relating to the council tax for Brent in 2010/11, the Greater London Authority (GLA) precept in 2010/11, and arrears of both council tax and community charge.
- 6.18 Whatever balance remains on the fund in respect of the under/over recovery of council tax or community charge must be added to, or subtracted from, the following year's council tax bills. Adjustments in respect of community charges are added to the council's part of the bill only, while council tax adjustments are shared with the GLA.
- 6.19 The Executive meeting on 14<sup>th</sup> December 2009 approved an estimated council tax deficit of £1.5m in 2009/10. The council needs to budget to collect £1.162m of this through the council tax in 2010/11, with the balance being met

through the GLA precept. The community charge account is estimated to be in balance, so no adjustments need to be made for this.

### The Council Tax Base

6.20 Council tax is a property based tax with classification of properties into 8 bands depending on the value of the property (see Appendix H(i)). Different rates of tax apply to each band so that properties in Band A will pay one-third of the tax of properties in Band H, the highest level. There are various reductions to the standard charge, for example where there is a single householder in residence in the property. Band D is the middle band and Band D equivalents are used to express the tax base of the authority.

6.21 A tax base of 96,457 equivalent Band D properties in 2010/11 (compared to 95,279 in 2009/10) was agreed by the General Purposes Committee on 26<sup>th</sup> January 2010. This assumes a collection rate of 97.5% will be achieved in respect of charges raised for 2010/11 (unchanged from 2009/10).

### Calculating the Council Tax Level

6.22 The calculation of the council tax for Brent services is set out in Table 6.2 below. The calculation involves deducting Formula Grant from Brent's budget, adding the deficit on the Collection Fund, and dividing by the tax base.

**Table 6.2 Calculation of Brent's Council Tax for 2010/11**

	<b>£'000</b>
Proposed Brent budget	265,469
Less: Formula Grant	(164,489)
Plus: Net Deficit on Collection Fund	1,162
<b>Total to be met from Council Tax for Brent Budget</b>	<b>102,142</b>
<b>Taxbase (Band D equivalents)</b>	<b>96,457</b>
<b>Band D Council Tax (£)</b>	<b>£1,058.94</b>

### Greater London Authority (GLA)

6.23 The GLA came into existence on 3<sup>rd</sup> July 2000. Before 2000/01 the London Fire and Civil Defence Authority (LFCDA), now the London Fire and Emergency Planning Authority (LFEPA), and Metropolitan Police had set budgets which acted as precepts on the Collection Fund and were reflected in the overall council tax payable by residents. These two bodies, and several other London wide bodies, such as Transport for London and the London Research Centre (to which Brent historically paid subscriptions), are now absorbed into the GLA which issues one overall precept.

6.24 Each financial year, the Mayor and Assembly must prepare and approve a budget for each of the constituent bodies and a consolidated budget for the authority as a whole.

6.25 The GLA's budget setting process is as follows:

- (a) The Mayor must prepare for each financial year a budget for each of the constituent bodies and a consolidated budget for the Authority as a whole.
- (b) The Mayor will then prepare a preliminary draft of his proposed consolidated budget for consultation with the Assembly.
- (c) After such and any other consultation, the Mayor determines the draft consolidated budget and presents it to the Assembly. The Assembly must approve this budget with or without amendment.
- (d) After the draft consolidated budget has been approved, with or without amendment, the Mayor shall prepare a final draft of his proposed consolidated budget for the next financial year. If at the time he presents the final draft budget to the Assembly, that final draft is different to the original draft, with or without amendments, the Mayor must present a written statement to the Assembly of his reasons for the changes. This final draft must be presented and agreed before the end of February.
- (e) After considering the final draft, the Assembly must approve it with or without amendments. Any amendment must at this stage be agreed by two thirds of the members voting. The resulting budget will be the approved consolidated budget for the financial year.

6.26 The Mayor published his initial proposed budget for 2010/11 on 10<sup>th</sup> December 2009. A revised budget was presented to the Assembly on 28<sup>th</sup> January 2010. His final proposals were agreed by the Assembly on 10<sup>th</sup> February 2010.

6.27 Table 6.3 below shows the budget for the GLA itself and each of its functional bodies in 2010/11. The budget includes a £20 per Band D council tax payer Olympic levy in line with the agreement on funding of the Olympics between the Mayor and the Secretary of State for Culture, Media, and Sport.

**Table 6.3 Breakdown of Proposed 2009/10 Budget for GLA**

	2009/10 £m	2009/10 £m	Proportion of GLA Budget Requirement %
Mayor of London	126.6	126.1	-0.4
London Assembly	8.7	8.6	-1.2
Transport for London	12.0	12.0	0
Met. Police	2,640.3	2,673.3	1.3
LFEP A	416.2	437.3	5.1
<b>TOTAL</b>	<b>3,203.8</b>	<b>3,257.3</b>	<b>1.7</b>

LFEP A = London Fire and Emergency Planning Authority



6.28 The precept at Band D is £309.82 for 2010/11. This represents a 0% increase (the Olympic levy also remains at £20 at Band D). This precept was agreed at the Assembly meeting on 10<sup>th</sup> February 2010.

### **Setting the Tax**

6.29 The council is required to make certain calculations under sections 30, 33, 34 and 36 of the Local Government Finance Act 1992. These calculations are:

- The basic amount of council tax for both Brent Council and the GLA;
- The basic amount of council tax for each valuation band for both Brent and the GLA;
- The aggregate amount of council tax for each valuation band, which includes the basic amount for Brent and the GLA.

6.30 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations. The effect of a 0% increase in Brent Council's Band D council tax, which leaves council tax at 2009/10 level of £1058.94, combined with the GLA precept remaining at £309.82, would be an overall increase of 0%. The full calculation for each Band is included within the recommendations.

6.31 Any amendments agreed to the budget will require a recalculation to be undertaken.

### **Council Tax and NNDR Instalment Dates and Recovery Policy for Council Tax**

6.32 Appendix H (ii) sets out the council tax and NNDR instalment dates and the recovery policy for council tax which Members are asked to endorse.

6.33 The council has continued to promote payment by direct debit to improve overall collection. The instalment date for non-direct debit payers will be : at the 1<sup>st</sup> of the each month starting in April (in 2009/10 started 7<sup>th</sup> of April) until the 1<sup>st</sup> January 2011, whilst direct debit payers can pay on the 1<sup>st</sup>, 12<sup>th</sup>, 17<sup>th</sup>, or 28<sup>th</sup> of the month. Both direct debit payers and non-direct debit payers will have to make payments over a maximum of 10 instalments.

6.35 Council tax collection rates have been improving and are now favourably comparable to other similar London Boroughs. At the end of December 2009, 83.6% of council tax due in 2009/10 was collected, up slightly from 83.3% in December 2008 despite the current economic recession. The council is set to achieve its target in-year collection of 95% of council tax due for 2009/10 by 31<sup>st</sup> March 2010, although it will have to collect arrears in future years to achieve the overall target set of 97.5%.