

## APPENDIX 1

### Central Government Revenue Support (Formula) Grant (RSG Settlement)

#### 1.0 Introduction

1.1 The Secretary of State for Communities and Local Government announced in Parliament on 13<sup>th</sup> December the draft RSG Settlement for local government. The following summary highlights the main features.

#### 2.0 Summary of Settlement

2.1 Formula Grant for Watford for 2011/2012 has been notified as £6.009m compared to £8.072m in 2010/2011 (26% reduction).

2.2 After deducting the responsibility (and funding) for concessionary fares (which is being transferred to the Herts County Council ), the actual grant loss represents a 16.77% reduction.

2.3 For the following year 2012/2013, a further loss of grant of £791k will occur and the total grant loss for the two years (excluding the concessionary fares adjustment) represents a 27.73% cut.

2.4 The original Government Comprehensive Spending Review indicated further reductions in grant in the two years 2013/ 2015 of 2.5% and 7.2% respectively. No announcement has been made about these two years but it can only be assumed that Watford will suffer further grant reductions in succeeding years. We could therefore be face with a total grant reduction of circa 37% over the four year period.

2.5 This level of grant loss is far more severe than might have been anticipated and increases the current efficiency target from £3.8m to circa £5m. The effect of this and possible options available will be reported to Cabinet on 17<sup>th</sup> January 2011.

2.6 The main cause of the loss of grant relates to the fact that Watford has previously been in receipt of additional grant (called 'floor protection') of £822k but in the latest settlement it is now contributing £80k in 2011/2012, and £144k in 2012/2013 towards the support of other district councils.

2.7 There is a specific grant allocated to Watford in 2011/2012 and 2012/2013 of £281k each year for 'preventing homelessness'. This is not a ring fenced grant and can be used for any purpose. It is however in addition to the Formula Grant figure of £6.009m (in the current year Watford had received £186k for this purpose so there is effectively only £95k of new money).

2.8 The Government has confirmed within the settlement papers that, should councils freeze their council tax in 2011/2012, they will be compensated for this loss of income over the following four year period. For Watford, the compensation equates to £201k of additional grant in each of the four years. The Government has also announced that authorities seeking an excessive council tax increase will be capped and in future years will require local referenda before any excessive increase could be implemented.

2.9 An overview produced by the Local Government Association is attached for members information.