

**LONDON BOROUGH OF HARROW
BRIEFING NOTE
PROVISIONAL SETTLEMENT 2004-2005**

General

- This information circular provides an initial assessment of the provisional finance settlement.

The key points at this stage are:

- the settlement appears to be marginally better to the underlying increase used in budget planning.
- Harrow has received a larger increase in Formula (6.0%) Grant than many other London Boroughs, the average for the London area is 5.2%.

National Position

- an increase of 4.7% in Formula Grant (Revenue Support and Business Rates);
- an increase of 4.9% in total Formula Spending Shares
- a 11.7% increase in specific and special grants with a reduction in those ring fenced;
- a 5.5% increase in Education FSS;
- a 6.3% increase in Personal Social Services FSS;
- a 2.8% increase in Environmental, Protective and Cultural Services FSS, (Note all these are after adjustments for transfers functions with central government)

Table 1 shows the national picture.

Table 1: Total Assumed Spend increase 2003/04 to 2004/05

	2003/04 TAS £m	2003/04 TAS adjusted £m	2004/05 TAS £m	Change over adjusted %
Education	28,527	28,544	30,515	6.9%
Personal	12,971	13,023	14,117	8.4%
Social Services				
Fire	1,778	1,778	1,848	3.9%
Police	8,818	8,857	9,124	3.0%
Highway Maintenance	1,954	1,954	2,004	2.5%
EPCS	12,472	11,644	12,026	3.3%
Capital	2,609	2,609	2,800	7.3%
Financing				
Unallocated	456	457	587	28.7%
Total	69,586	68,866	73,021	6.0%

Table 2 shows the local picture. The Total Assumed Spend is the amount of spend the Government will support by Grant. The FSS is the amount of spend being supported by general grant excluding the specific grants

Table 2 Harrow's Formula Spending Share 2003-04 to 2004-05.

	2003/04 FSSs £m	Adjusted FSS 2003-04 £m	FSS 2004- 05 £m	£m	%
Education	108.298	108.298	115.053	6.755	6.2
Personal Social Services	49.721	51.724	55.711	3.987	7.7
Highway Maintenance	6.618	6.607	6.741	0.134	2.0
EPCS	50.124	46.139	48.270	2.131	3.2
Capital Financing	8.624	8.622	8.412	-0.210	-2.4
Total	223.385	221.390	234.187	12.797	5.8

Further information about the national settlement may be found on the following websites;

LGA – www.lga.gov.uk
 ALA
 ODPM/DTLR

Floors and Ceilings

The settlement provides for floors and ceilings to limit individual authority's gains and losses from the settlement.

For local authorities with Education and Social Services responsibilities like Harrow no authority can gain more than 5.8% increase in grant (plus capital adjustment) and no authority can have less than 3.5% increase in grant. No Education/Personal Social Services authority will receive an increase in grant less than the increase in their schools FSS.

Harrow's increase in grant is 6.0% and in excess of its schools FSS. As a result of the application of the ceiling its grant is £ 800,000 less than it could have been.

The table below shows the calculation of the ceiling.

	£m
Total grant 2003-2004 Adjusted for transfer in functions	145.26
Increase in Schools FSS	6.31
Increase in Other FSS	6.48
Less assumed to be met from Council Tax	-3.35
Less adjustment for ceiling at 5.8% plus capital adjustment	-.80
Total Grant 2004-2005 at ceiling	153.90

Education Floors and Ceilings

There is added protection in the Education Formula Spending Share. The settlement is designed to deliver no less than 5.0% per pupil more than 2003-2004 and no more than 6.8% per pupil more than 2003-2004. Harrow is subject to a ceiling adjustment of £0.2m.

Education Passporting

The Government has announced its intention that the increase in Education FSS be passed onto schools.

The FSS for schools budgets for Harrow has been increased by £6.3m.

Special Grants

The aggregate level of specific grants has increased by 11.7%. The proportion of grants that are ring fenced has been reduced from 13.1% to 11.1%. This provides increased flexibility especially in Social Services.

Formula and Data Changes

The revised mid-year 2002 population estimates based on the 2001 census are incorporated into formula spending shares. Other than population estimates, all census data is from the 1991, rather than the 2001 census. Exemplification indicated that Harrow would have been a significant gainer if the latest census data had been included.