

## Appendix 2: Annex 3

### Overview of Area Based Grant (ABG):

To facilitate area based working an Area Based Grant (ABG) has been introduced as part of Local Authority funding from 2008/09.

The total Area Based Grant for 2009/10 is £7.5m, and £10.9m for 2010/11.

### Extract from “Development of the new LAA framework – Operational Guidance” – HM Government publication November 2007:

*“Government has significantly increased local authorities’ flexibility over the use of their mainstream resources by moving at least £5 billion into non-ring fenced general grants over the CSR period. Over £4 billion will be moved into the new Area Based Grant and nearly £1 billion moved into Revenue Support Grant. This will minimise the barriers to local authorities using their mainstream resources to support LAA priorities where they wish to do so. From April 2008, all general grants (RSG and ABG) will be allocated on a three year basis to maximise stability and certainty. Local authorities should pass on the stability of their three-year financial settlements to the Third sector. All non-ring fenced capital grant will fall under the umbrella of the Single Capital Pot”.*

ABG is a “non-ring fenced” revenue grant. This increases local flexibility over use of funding as there are no conditions attached to its use (LAA pooled grant in 2007/08 was ring-fenced for purposes of supporting the achievement of LAA targets).

Although there is more freedom over use of funding at a local level it may take time to facilitate a change in current spending patterns. This may be required to adjust spending to new spending priorities that meet LAA outcomes rather than the previous priorities that were set out by Central Government Departments for reclaiming these grants. Changing the use of these grants could have implications for clients, staff, and contractors and so on. Hence any transition will need to be planned and managed. Transition is likely to be more difficult in a time of relatively low year on year increases in central government funding.

The Audit Commission will assess whether authorities have used resources effectively as part of the use of resources element of the Comprehensive Area Assessment.

The LSP considered the Area Based Grant settlement at its meeting in January and its allocation for 2009/10 continues to be based on the historic pattern as it was for 2008/09. However it has been agreed to give consideration to varying from this from 2010/11. One way of considering this for future years would be, as part of medium term planning, to exemplify 10% savings year on year and then to consider priorities for the resources thereby released.

The One-off funding proposals detailed in Appendix 2 Annex 2 include £50,000 for pump-priming LSP initiatives which will be match-funded by other partners.

## Overview of the LPSA reward grant

The DCLG incentivises Councils to meeting agreed 'stretch targets' through the distribution of Local Public Service Agreement (LPSA) reward grant.

The maximum amounts of LPSA Reward grant are shown in the following table. All the stretch targets must be met in order to receive the maximum reward grant.

Current monitoring of stretch targets related to the 2007/08 LAA forecast achievements in stretch targets that would represent a reward grant payment of around 59% or £2.7m (split 50% revenue and 50% capital split over two years).

|  | 2010/11<br>£m | 2011/12<br>£m | 2012/13<br>£m |
|--|---------------|---------------|---------------|
| <b>LPSA Reward Grant (2007/08 LAA)</b>   |               |               |               |
| Maximum Revenue Reward (50%)             | 1.125         | 1.125         |               |
| Maximum Capital Reward (50%)             | 1.125         | 1.125         |               |
| <b>LPSA Reward Grant (2008/09 LAA) *</b> |               |               |               |
| Maximum Revenue Reward (72%)             |               | 0.720         | 0.720         |
| Maximum Capital Reward (28%)             |               | 0.280         | 0.280         |
| <b>Annual Totals</b>                     | <b>2.250</b>  | <b>3.250</b>  | <b>1.000</b>  |

\* DCLG currently undertaking consultation on Reward Grant for 2008/09 LAA's these figures are based on the consultation document.

Previously the Council took the entire reward grant and it was used to fund the Exceptional Risk Reserve (single status). This approach must be considered a one-off, so the LSP needs to consider how to maximise the amount that will be receivable and how the reward grant will be allocated between the partners and treated as an integral part of future budget setting rather than an 'add-on'.

Nevertheless it could be a significant source of funding in future years, and has not been taken into account at this stage.