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29 APR 2010

Dear Councillor Scott,

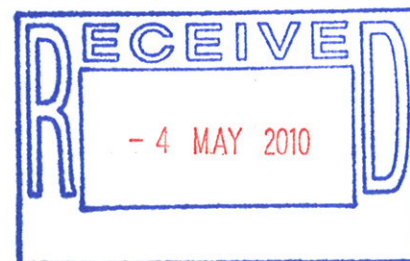
Thank you for your letter of April 8th 2010 addressed to the Rt Hon John Denham, about the level of formula grant funding to Wiltshire Council. Your letter has been passed over to me for reply.

You say that Wiltshire Council received a smaller formula grant increase than any new unitary authority and much less than your nearer neighbours - it might be helpful if I briefly explain how formula grant is distributed.

Formula grant, which comprises Revenue Support Grant, redistributed business rates and principal formula Police Grant, where appropriate, is largely distributed using the socio-economic and demographic characteristics of the authority, together with the number of band-D equivalent properties within the authority's area. We apply the same formula to all authorities that provide the same services and we also use the best data that are available on a consistent basis across all authorities. We then ensure that every authority receives at least a minimum percentage increase year-on-year (the 'floor') on a like-for-like basis i.e. after adjusting for changes in funding and function. In order to pay for the cost of the floor we scale back the increase above the floor for all other authorities.

This means that generally an authority with a high need to spend on services, for example due to deprivation, and a low ability to raise funds locally i.e. council tax will receive more formula grant than an authority with a low need to spend and high ability to raise funds locally.

However, as you will appreciate, special arrangements have had to be made for authorities created through restructuring during a 3-year settlement period in order to ensure that formula grant for authorities not directly affected by restructuring remains unchanged.



We consulted during the summer of 2007 on options for the 2008-09 to 2010-11 Local Government Finance Settlements. Chapter 2 of that document explained how we intended to calculate the amount of formula grant for authorities undergoing restructuring during this 3-year settlement period. We explained that in those cases where a new unitary authority is created on existing county council boundaries we would simply sum the provisional formula grant for the predecessor authorities to work out how much the new unitary authority would receive. From 2011-12 onwards, the amount of formula grant will be calculated on the new authority boundaries.

We also explained that this methodology could result in the new unitary authority receiving a grant increase below the education/PSS floor. This was most likely to occur where all of the predecessor authorities were at or just above the floor, and where the district floor was lower than the education/PSS floor. In 2009-10, the district floor was set at 0.5% whilst the education/PSS floor was set at 1.75%.

The table below shows the calculation of the provisional 2009-10 and 2010-11 formula grant amounts for Wiltshire.

| Local Authority | Adjusted | Provisional | Change | |
|-----------------|--|--|-------------|-------|
| | 2008/09 Formula Grant (£ million) | 2009/10 Formula Grant (£ million) | (£ million) | (%) |
| Wiltshire (Old) | 69.175 | 70.385 | 1.211 | 1.75% |
| Kennet | 5.253 | 5.279 | 0.026 | 0.50% |
| North Wiltshire | 8.141 | 8.182 | 0.041 | 0.50% |
| Salisbury | 7.879 | 7.952 | 0.073 | 0.93% |
| West Wiltshire | 8.662 | 8.980 | 0.317 | 3.66% |
| Wiltshire (New) | 99.110 | 100.778 | 1.668 | 1.68% |

| Local Authority | Adjusted | Provisional | Change | |
|-----------------|--|--|-------------|-------|
| | 2009/10 Formula Grant (£ million) | 2010/11 Formula Grant (£ million) | (£ million) | (%) |
| Wiltshire (Old) | 70.322 | 71.584 | 1.262 | 1.79% |
| Kennet | 5.279 | 5.311 | 0.032 | 0.60% |
| North Wiltshire | 8.182 | 8.223 | 0.041 | 0.50% |
| Salisbury | 7.952 | 8.053 | 0.101 | 1.28% |
| West Wiltshire | 8.980 | 9.272 | 0.292 | 3.25% |
| Wiltshire (New) | 100.715 | 102.442 | 1.728 | 1.72% |

Yours sincerely,

BARBARA FOLLETT

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