



Centre for Local  
Economic Strategies

# briefing

## Update: the Area Based Grant

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### ***What is the Area Based Grant?***

In February 2008, the Department for Communities and Local Government released general guidance on the Area Based Grant<sup>1</sup>. This short briefing paper explores what is set out in this document. The Area Based Grant is part of the Government's commitment to maximise freedoms and flexibilities for local authorities. According to CLG, "The Government has significantly increased local authorities' flexibility over the use of their mainstream resources by moving at least £5 billion into non-ringfenced general grants over the CSR period". Of this money, £4 billion will be moved into the new Area Based Grant, whilst £1 billion will be moved into Revenue Support Grant.

The difference between Area Based Grant and Revenue Support Grant is that the Area Based Grant "is allocated according to specific policy criteria rather than general formulae". As such, the ABG can be seen as a general grant that provides additional revenue funding to areas according to specific policy criteria. The Area Based Grant is non-ringfenced, and as such local authorities are free to use all of the funding as they see fit to support the delivery of local, regional and national priorities in their areas, including meeting LAA targets. Furthermore, as the Area Based Grant is non-ringfenced, local authorities will be able to carry it forward.

From April 2008, all general grants to local authorities, including the Area Based Grant, will be allocated on a three-year basis to maximise stability and certainty. The Area Based Grant can be allocated to district councils as well as upper tier authorities, with district councils receiving their payments directly from Communities and Local Government. The Grant will be paid monthly to local authorities via Community and Local Government's LOGASnet system<sup>2</sup>.

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<sup>1</sup> See 'Area Based Grant: General Guidance 2008'

<http://www.communities.gov.uk/documents/localgovernment/pdf/706552>

<sup>2</sup> LOGASnet is the Government's web-based data collection and payments processing system designed to assist with the processing of claims for, and the calculation of, housing subsidies and other grants for local authorities and other bodies in England

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/logasnet/>

The Area Based Grant has its roots in the *Local Government White Paper*, which set out a renewed approach to allocating funding:

1. The non-ringfenced general grant would provide funding, where possible, for core services. The main item of general grant is formula grant, which is made up of Revenue Support Grant and national non-domestic rates. This is distributed amongst all authorities, according to relative need as determined by formulae.
2. The non-ringfenced Area Based Grant is a general grant providing additional revenue funding to areas according to specific policy criteria. Allocations of Area Based Grant may be increased to address new policy issues arising during the settlement period.
3. Finally, through ringfenced or non-ringfenced specific grants where this can be justified.

### ***From the Local Area Agreement Grant to the Area Based Grant***

The Area Based Grant is being described as the replacement for the Local Area Agreement pooled funding. The Local Area Agreement grant was introduced in 2005/06, into which a number of specific grant funding streams were pooled and allocated as a single grant to upper tier authorities in order to support the achievements of their LAA targets. According to CLG, the LAA grant “rationalised the administration and monitoring that surrounded those funding streams and increased local flexibility over the use of funding”.

In contrast to the LAA grant, the Area Based Grant will not be ringfenced and it is hoped that it will build on the success of the LAA grant by further increasing local flexibility over the use of resources. In turn, this flexibility is intended to allow local authorities to deliver local priorities effectively and efficiently.

### ***Accountability***

The greater freedom and flexibility that the Area Based Grant offers will, however, be coupled with the responsibility for local authorities to work towards delivering against the National Indicator Set and their LAA targets. The new local performance framework will provide a robust assessment regime to monitor local authorities’ progress against priorities.

Furthermore, the Audit Commission will assess whether authorities have used their resources effectively with a particular emphasis on value for money and efficiency as part of the use of resources element of the Comprehensive Area Assessment (CAA). The CAA will take over from the Comprehensive Performance Assessment, and will focus not only on the performance of individual institutions and local authorities, but will also focus on outcomes for the area as a whole.