

## APPENDIX B

To be e-mailed as a Word document with read receipt to  
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Ms Nikki Hinde  
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Dear Ms Hinde

### Response to the consultation on the Local Authority Finance Settlement 2007/08

#### Background

For 2006/07, South Cambridgeshire set the ninth lowest shire district council tax in the country. The Council was, prior to being capped, in the lowest spending quartile per head of population for most services and, after being capped in 2005/06 with nearly a 20% budget reduction, is probably now in the lowest percentile. The provisional increase in Formula Grant for 2007/08 just covers inflation and increased pension contributions with no additional money to provide for increasing Government and public expectations and population growth.

My general responses to the provisional settlement are:

- i. As the Minister referred to capping in his statement on the settlement, this again raises the issue of what is the justification for threatening to cap low spending and low taxing local authorities such as South Cambridgeshire.
- ii. The Minister also referred to the stability provided by multi-year settlements but such stability was totally lacking in the one year's figures provided. To give stability to local authorities, will the Government move to three year rolling forward periods instead of the fixed three years which ends in 2010/11 and gives no stability in the final year?
- iii. If I understand the grant system correctly, the relative resources amount divided by the tax base for South Cambridgeshire for 2007/08 is £76.33 per band D dwelling and the resources threshold in the central allocation is £53.07 per head of population, both of which reduce South Cambridgeshire's grant. With population and tax base figures of 140,139 and 56,624 respectively, the sum of £53.07 per head converts to £131.34 per band D dwelling. The total by which formula grant is reduced is, therefore, £207.67 per band D dwelling when the Council is only likely to be setting a Council Tax of £102.26. Any reduction in formula grant to take account of resources that can be raised locally should be based on the local council tax that is likely to be set and not on an inflated notional figure.

## Growth Areas

South Cambridgeshire is in the designated London-Stansted-Cambridge-Peterborough growth area and is projecting a population increase of 30% from around 138,000 in 2006 to around 180,000 in 2021 with most of the increase in the earlier part of the period. The settlement should take account of:

- iv. The projected population figures in the provisional settlement are based on historic growth rates and should take account of projected growth rates for local authorities which have a rapidly increasing rate of population growth.
- v. The floor damping mechanism takes money away from growth areas. Any floor damping should be met from additional Government funds and not taken off other local authorities. At present, there is a four block system whereby the first three blocks (relative needs, relative resources and central allocation) determine an authority's grant entitlement and a fourth block (floor damping) which ensures they don't get it!
- vi. The growth in South Cambridgeshire includes a new town of 8,000 dwellings with associated community and commercial developments. With the cap on planning fees, then, in an extreme case, the fees receivable by the Council could be a maximum of the capped £25,000 outline fee and maximum capped £50,000 fees for reserved matters for a new town development costing the Council millions of pounds over several years. The Minister in his speech stated that "the Department is indeed looking into this matter". Do you have any details as to how and when this issue is going to be addressed?

I would be grateful to receive your comments on each of the above points and for their inclusion to be considered as part of the final settlement.

Yours sincerely

G J Harlock  
Chief Executive and Chief Financial Officer