

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Finance and Staffing Portfolio Holder 16 December 2009
AUTHOR/S: Executive Director (Corporate Services) / Head of Accountancy

PROVISIONAL LOCAL AUTHORITY FINANCE SETTLEMENT 2010/11

Purpose

1. To endorse or amend the draft response to the provisional local authority finance settlement.
2. This is not a key decision but the outcome of the consultation is likely to be significant in terms of its effects on communities living or working in the District and, as such, a decision is required. It was first published in the September 2009 Forward Plan for Cabinet.

Background

3. The provisional settlement was announced on Thursday, 26th November, and Members were verbally advised of the settlement on the same day at the Council meeting.

Considerations

4. The provisional settlement is summarised below:

		Final 2008/09 £m	Final 2009/10 £m	Provisional 2010/11 £m
Relative Needs Amount	To meet relative needs in providing services	2.502	2.522	2.543
Relative Resources Amount	To take account of notional Council Tax that can be raised	(4.932)	(4.873)	(4.803)
Central Allocation	Distributed per head of population	9.926	10.033	10.131
Floor Damping	Transfer from gainers to losers to ensure losers receive minimum increase	0.215	0.068	(0.048)
Formula Grant		7.711	7.750	7.823
% increase over previous year (in cash terms)		+0.4%	+0.5%	+1.0%
		Number	Number	Number
Population		139,224	140,566	141,906
Tax base for grant purposes		57,846	58,739	59,645

5. The provisional settlement covers the third year for 2010/11 of the Government's three year Comprehensive Spending Review 2007. It has been reported previously that once the settlement is agreed, then the figures for the year are fixed, i.e. the population and tax base (number of band D equivalent dwellings) figures for 2010/11 assume a projected rate of increase and will not be amended for the actual figures when they are known. The national financial amounts and their distribution have also not changed. The announcement, therefore, contained no new information and the figures for general government grant known as Formula Grant for the year 2010/11 have already been incorporated in the latest Medium Term Financial Strategy (MTFS).
6. The provisional settlement, therefore, assumes a growth rate in the tax base which is unlikely to materialise. The use of a higher tax base in the settlement reduces the amount of grant which the Council receives but this might be partly offset if the population has also increased at a lower rate. The settlement also takes no account of and provides no compensation for the reduction in income from planning and other fees, increased demand for services such as benefits and homelessness and lower interest received, all of which are a result of the economic downturn.
7. The Local Government Minister stated that local government had received a 4% increase in 2010/11. The 4% is the national increase for all grants from central to local government. The increase in Formula Grant is a national average of 2.6% and the increase in Formula Grant for South Cambridgeshire next year is a 1% in cash terms. This compounds the financial restrictions imposed by the last two years' low increases of 0.4% and 0.5% in cash terms.
8. The provisional grant for the year 2010/11 would have been higher except for the system of grant ceilings and floors to ensure that all shire districts receive minimum cash increases of 0.5%. The grant for 2010/11 has been reduced by £0.048 million and redistributed to other shire districts to ensure all districts receive the minimum 0.5%.
9. In addition, the Local Government Minister has stated that **"I am pleased that the average band D council tax increase this year (2009/10) was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services. ... We expect the average Band D council tax increase in England to fall to a 16 year low in 2010/11. We remain prepared to take capping action against excessive increases set by individual authorities..."**.
10. The figure of 3.0% is the average increase for all local authorities in England. The increase for shire districts was 3.4% but it is anticipated that 3.0% will be used as a benchmark for all authorities. If the Council decides to set a council tax increase of 2.5% for 2010/11 to avoid the risk of being capped, instead of its current proposal of 4.5%, then **the loss of income will be £0.723 million** over the five years of the MTFS. If this is met from balances, then the General Fund working balance would, at £1.527 million, be close to its minimum recommended level of £1.500 million.
11. Government policy is that there is no intention to change the distribution formulae, nor the data used in the calculation of the proposed settlement other than in very exceptional circumstances.
12. Ministers have also decided not to meet with individual local authorities' delegations during consultation and stress that written consultations are equally as effective as face to face meetings. It is essential that a response by e-mail on the provisional

settlement is received by Communities and Local Government by the deadline of 5pm on 6th January 2010.

13. A draft response is attached as **Appendix A**.

Implications

14. Financial	The provisional settlement has already been included in the latest MTFS and the Council's General Fund working balance will be lower than that shown in the MTFS if there is an increase in the council tax lower than the proposed 4.5% in 2010/11
Legal	With the substantial reduction in the proposed budget in the MTFS, the Council might not be able to meet its statutory responsibilities or its obligations under the growth agenda
Staffing	The substantial reduction in the proposed budget in future years has already had staffing implications
Risk Management	There is a risk that, if a 4.5% increase in the council tax is approved, the Council is capped for not being below 3%
Equal Opportunities	None

Effect on Strategic Aims

15.	Commitment to being a listening council, providing first class services accessible to all.
	Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.
	Commitment to making South Cambridgeshire a place in which residents can feel proud to live.
	Commitment to assisting provision for local jobs for all.
	Commitment to providing a voice for rural life.
	The setting and achievement of strategic aims is restricted by the lack of available finance in the form of low Government grant and restricted increases in council tax.

Recommendations

16. That the Portfolio Holder either agree to the draft set out in Appendix A or specify any amendments, additions, etc., which they wish to make.

Background Papers: the following background papers were used in the preparation of this report: <http://www.local.communities.gov.uk/finance/1011/grant.htm>

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