

## APPENDIX A

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Mr Andrew Lock  
Communities and Local Government  
Formula Grant Distribution Division  
Zone 5/J2  
Eland House  
Bressenden Place  
London  
SW1E 5DU

Dear Mr Lock

### Response to the consultation on the Formula Grant Distribution 2010-11

I am grateful for the opportunity to explain the financial position of South Cambridgeshire. This position relates to being one of the lowest spending and taxing authorities in the country and, having already been capped and finding 25% budget cuts, the Council is now due to receive the third year of the disappointing provisional settlement.

For 2009/10 South Cambridgeshire set the twelfth lowest shire district council tax in the country and was the tenth lowest spending per head of population. The provisional increase in Formula Grant for the year 2010/11 makes no allowance for reduced income and increased demand for services due to the economic downturn, increased pension contributions or increased Government and public expectations.

My general responses to the provisional settlement are:

- i. As the Minister referred to capping in her 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 three year settlement is meant to give certainty and stability but, for this to be of any benefit in the medium term of five years, then the settlement needs to be a three year rolling period or, at the very least, the last year of the three year settlement should set out the ceilings and floors for the first year of the next three year period.
- iii. I know that your Department disputes that formula grant is based, inter alia, on council tax levels. However, it is clear that the relative resources amount takes money away from local authorities on the basis of Government estimates of the tax base and a notional council tax which is substantially higher than that set by local authorities.

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 liable for capping, and not on an inflated notional figure.

In the Council's latest financial strategy, the tax base for 2009/10 is estimated to be 59,030 compared to the figure of 59,645 in the provisional settlement. The settlement, therefore, assumes the Council has a higher tax base from

which to raise income than it actually has ... so the provisional settlement penalises this Council not only on the level of council tax but also on the tax base.

- iv. The Minister's statement refers to the final year of the three year settlement which "recognises the important role of councils in providing real help now to communities in the current economic climate". However, the provisional settlement takes no account of reduced 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.

In summary, the settlement does not recognise the position that South Cambridgeshire and similar shire districts find themselves in. I would be grateful to receive your comments on each of the above points.

Yours sincerely

G J Harlock  
Chief Executive