

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 11 December 2008
AUTHOR/S: Chief Executive and Chief Financial Officer / Head of Accountancy

PROVISIONAL LOCAL AUTHORITY FINANCE SETTLEMENT 2009/10 TO 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 Cabinet decision is required. It was first published in the July 2008 Forward Plan.

Background

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

Considerations

4. The provisional settlement is summarised below:

		Final 2008/09 £m	Provisional 2009/10 £m	Provisional 2010/11 £m
Relative Needs Amount	To meet relative needs in providing services	2.502	2.521	2.543
Relative Resources Amount	To take account of Council Tax that can be raised	(4.932)	(4.873)	(4.804)
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	(0.047)
Formula Grant		7.711	7.749	7.823
% increase over previous year (in cash terms)		+0.4%	+0.5%	+0.9%
		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 second and third years from 2009/10 to 2010/11 of the Government's three year Comprehensive Spending Review 2007. It was reported last year that once the settlement is agreed, then the figures for future years are fixed, i.e. the population and tax base figures for 2009/10 and 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 years 2009/10 and 2010/11 have already been incorporated in the latest Medium Term Financial Strategy.
6. The Local Government Minister stated that local government had received a fair and affordable 4.2 % increase in 2009/10. The 4.2% is the national increase for all grants from central to local government. The increase in Formula Grant is a national average of 2.8% and the increase in Formula Grant for South Cambridgeshire **next year is a mere 0.5% in cash terms – the lowest possible increase**. This compounds the financial restrictions imposed by this year's (2008/09) low increase of 0.4% in cash terms.
7. The provisional grant for the year 2009/10 would have been even lower except for the system of grant floors to ensure that all shire districts receive minimum cash increases of 0.5%. This is a fall of 0.5% in real terms using the Government's inflation estimates. The increase in 2010/11 is above the floor of 0.5% at 0.9% in cash terms but is still a 1.85% fall in real terms.
8. In addition, the Government has reiterated its expectation that **the average council tax increase should be substantially below 5%**.
9. 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.
10. 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 7th January 2009.
11. A draft response is attached as **Appendix A**.

Implications

12. Financial	The provisional settlement, if confirmed, will require a reduction in the Council's projected budget in the latter years of the latest Medium Term Financial Strategy
Legal	With a possible reduction in the proposed budget, the Council might not be able to meet its statutory responsibilities or its obligations under the growth agenda
Staffing	A possible reduction in the proposed budget in future years might have staffing implications
Risk Management	There is a risk that, if a 4.9% increase in the council tax is approved, the Council is capped for not being substantially below 5%
Equal Opportunities	None

Effect on Corporate Objectives and Service Priorities

13.

Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future
Deliver high quality services that represent best value and are accessible to all our community
Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work
The setting and achievement of corporate objectives and service priorities is restricted by the lack of available finance in the form of low Government grant and restricted increases in council tax.

Recommendations

14. That Cabinet 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/0910/grant.htm>

Contact Officer: Adrian Burns – Head of Accountancy
Telephone: (01954) 713072