

APPENDIX A

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settlement.consult@communities.gsi.gov.uk

Mr Andrew Lock
Communities and Local Government
Formula Grant Distribution Division
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Dear Mr Lock

Response to the consultation on the Formula Grant Distribution 2009-10 to 2010-11

I am grateful for the opportunity to explain the unique 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 has now been notified of the second year of the disappointing provisional settlement.

For 2008/09 South Cambridgeshire set the thirteenth lowest shire district council tax in the country and was the seventh lowest spending per head of population. The provisional increase in Formula Grant for the years from 2009/10 to 2010/11 does not even cover inflation and makes no allowance for 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 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 stated last year that local government wanted certainty, flexibility, equity and stability and referred to the certainty provided by a three year settlement. On the basis of the figures for South Cambridgeshire, would it not be more accurate to say that South Cambridgeshire has been locked in to the certainty of an inflexible and inequitable settlement for three years?
- 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 and part of the central allocation take money away from local authorities and the basis on which they are distributed include, inter alia, a local authority's tax base and population respectively.

I do not have the technical resources that you have but, on a simple basis, the relative resources amount divided by the tax base for South Cambridgeshire for 2009/10 is £82.95 per band D dwelling and the resources threshold in the central allocation is £62.65 per head of population, both of which reduce South Cambridgeshire's grant. With population and tax base figures of 140,566 and 58,739 respectively, the sum of £62.65 per head converts to £149.93 per band D dwelling. The total by which formula grant is

reduced is, therefore, £232.88 per band D dwelling (£82.95 + £149.93) when the maximum Council Tax that the Council is likely to be allowed to set is £112.53. 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.

- iv. The Minister's statement refers to the Government's commitment to local government in the face of an expected recession. In the Council's latest financial strategy, I have had to reduce the estimated tax base for 2009/10 to 58,027 compared to the figure of 58,739 in the provisional settlement. The settlement therefore assumes the Council has a higher level of 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.
- v. South Cambridgeshire is in the designated London-Stansted-Cambridge-Peterborough growth area and is projecting a rapid population increase from a population of 139,224 in 2008 to 162,000 by 2016. The low three year settlement does not give this Council any confidence that adequate funding will be provided in future years to authorities like South Cambridgeshire which are expected to have a rapidly increasing rate of growth in population and tax base.

The high growth rate in South Cambridgeshire will require the Council to incur additional expenditure, in advance of any council tax or formula grant income, to cover services such as:

- planning which also involves urban and landscape design, extensive legal costs and environmental services with regard to noise, flood prevention and air pollution;
- community development and leisure services
- affordable housing; and
- refuse collection and recycling facilities.

- vi. Significant investment has had to be made to increase capacity across the Council and to implement the recommendations of last year's Corporate Governance Inspection. This settlement takes no account of this investment requirement.

In summary, the settlement does not recognise the unique position that South Cambridgeshire finds itself in. I note that Ministers have decided not to meet with individual local authorities' delegations but the Leader of the Council and I would be grateful for the opportunity to put forward in person the Council's case for more funding and to receive your comments on each of the above points.

Yours sincerely

G J Harlock
Chief Executive