



Office of the
Deputy Prime Minister

Creating sustainable communities

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The Rt Hon Nick Raynsford MP
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Daphne Spink

Thank you for your letter to the Deputy Prime Minister dated 7 January sent jointly with your Chief Executive, Jon Ballantyne, regarding the provisional 2005/06 local authority finance settlement.

Can I first of all assure you that we will carefully consider the points you make, alongside those made by other authorities, as we take final decisions on the Local Government Finance Settlement 2005-06.

You specifically mention population issues. When calculating formula grant allocations, we need to use the best and most up-to-date data that are available on a consistent basis across all authorities. In the case of population, these are the mid-year estimates produced by the Office for National Statistics (ONS). The most recent estimates available are the mid-2003 population estimates released by ONS in September 2004.

We are aware that although these are the most recent estimates available there is a time lag between these estimates and the financial year settlement in which they are being used. An alternative would be to use the ONS population projections. You may be aware that a consultation paper was issued by ODPM in December on 'Three-year Revenue and Capital Settlements'.¹ This paper introduces the possibility of using population projections to calculate Formula Grant settlements. The paragraphs of particular interest are 2.13 to 2.16 and views are requested by 11 March 2005. However as you will appreciate no such change could be implemented before 2006/07.

I note from your letter that South Cambridgeshire was considering setting a £70 increase in its band D council tax. This would represent a 100% increase in council tax. Although the Deputy Prime Minister does not intend to determine his principles until after authorities

¹ This can be accessed on the ODPM website www.odpm.gov.uk

have set their budget requirements for 05/06, he made it clear in a recent speech to the Local Government Association General Assembly that he will be prepared to use his capping powers if necessary to protect council taxpayers from excessive increases. He also said that it would be very unwise for authorities to presume that the capping principles he set for this year are any kind of benchmark for what might happen in 2005/06.

The Government expects to see an average council tax increase of less than 5% in 05/06. It is up to authorities to set their own level of council tax, but a 100% increase in your band D council tax could leave your authority very exposed to the risk of capping action. This is not to pre-judge our principles for capping, on which no decisions have been taken. Nevertheless, we have made it clear that we are prepared to take even tougher capping action in 2005/06 than we did in 2004/05, if that proves necessary.

Yours Sincerely

A handwritten signature in black ink that reads "Nick Raynsford". The signature is written in a cursive, slightly slanted style.

NICK RAYNSFORD