

THE PRE-BUDGET REPORT AND LOCAL GOVERNMENT FINANCE SETTLEMENT

To: Cabinet

Date: 15th December 2009

From: Corporate Director: Finance, Property and Performance

Electoral division(s): All

Forward Plan ref: Not applicable **Key decision:** No

Purpose: This report updates Cabinet on the recent Pre-Budget Report as well as the financial settlement for Cambridgeshire, and asks them to consider a possible representation to Government.

Recommendation: Cabinet is recommended to:

- i) Comment upon the financial settlement for Cambridgeshire, in order to make representation to Government.**
- ii) Delegate responsibility to the Leader of the Council and the Corporate Director: Finance, Property and Performance to finalise the response to Government.**

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1.0 PRE-BUDGET REPORT

- 1.1 The Chancellor of the Exchequer presented the 2009 Pre-Budget Report to the House of Commons on Wednesday 9th December. This detailed proposed economic policies and Treasury forecasts in advance of the Budget announced in the Spring.
- 1.2 The main headline for local government was that it will be expected to find a total of £550m of extra savings by 2012/13 from;
- 'more efficient waste collection and disposal,
 - reducing the burdens of inspection, assessment and reporting requirements from across government, and
 - measures to reduce duplication and inefficiency between different tiers of local government'.
- 1.3 The Pre-Budget Report also states savings of £120m could be achieved 'from improvements to the administration of concessionary travel including shifting responsibility to county councils, speeding up the rollout of smartcards across the bus network, and subject to consultation, streamlining arrangements for reimbursing bus operators'.
- 1.4 The Government has published the paper 'Putting the Frontline First: smarter government' which contains the following measures that could affect local government finance:
- By Budget 2010 the Government will publish specific proposals to reduce ring-fencing for local authorities and publish guidance on aligning and pooling local-level budgets.
 - The timing and co-ordination of grant payments from departments to local authorities will be aligned from 2011/12.
 - Consideration will be given to single area-based capital funding, 'Total Capital', by Budget 2010.
 - The number of national indicators for local areas will be reduced by April 2010, and further reductions will be made from 2011.
 - By 2010/11 the timings of all assessments, inspections and reporting arrangements which focus on similar outcomes will be coordinated; consideration will also be given to a new cross-government data gateway.
 - The number of inspectorates and their work will be reviewed by Budget 2010, in order to save at least £100m.

1.5 Other Pre-Budget announcements of interest to the County Council include:

Public Services	<ul style="list-style-type: none"> ○ No Departmental Expenditure Limits were set beyond 2010/11. However, current spending growth will fall to an average of 0.8% a year between 2011/12 and 2014/15. ○ From 2011 there will be guaranteed minimum real terms increases in spending on 'front-line NHS and schools' for two years. ○ Free school meal provision will be extended to 500,000 schoolchildren not previously eligible.
Tax	<ul style="list-style-type: none"> ○ Return of Value Added Tax (VAT) rate to 17.5% on 1 January 2010 confirmed. ○ Corporation Tax rise of 1% for small businesses postponed for a further year. ○ 0.5% increase in National Insurance contributions for employers, employees and self-employed from April 2011, and a corresponding increase in personal allowances for those earning under £20k. This is in addition to the 0.5% increase previously announced from April 2010.
Borrowing	<ul style="list-style-type: none"> ○ Net debt expected to rise to a peak of 78% of Gross Domestic Product (GDP) in 2013/14, before decreasing. ○ Public sector net borrowing will be decreased year-on-year and more than halved by 2013/14.
Public Sector Pay and Pensions	<ul style="list-style-type: none"> ○ From 2011 all public sector pay settlement increases will be capped at 1%, except for members of the armed forces. ○ By 2012 public sector employer contributions for teachers, local government workers, National Health Service (NHS) and the civil service employees will be capped. ○ Public sector workers earning over £100,000 will face higher employee pension contributions.
Business and Employment	<ul style="list-style-type: none"> ○ Empty commercial properties with a rateable value below £18,000 will continue to be exempt from business rates.

2.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 2.1 The provisional Local Government Finance Settlement for the final year of a three year settlement was confirmed on Thursday 26th November. The figures are as per the announcement in January 2008. Nationally, revenue funding will increase by 4.0% from 2009 / 10 to 2010 / 11. Some of this increase relates to specific grants, so the increase in Formula Grant is lower than this total at 2.65%. The main winners appear to be Shire County authorities, with London and Shire Districts losing. This picture does mask significant variation within authority groups.
- 2.2 The impact on Cambridgeshire is especially tight. Our increase in Formula Grant of 2.2% is well below that of the Shire average of 4.0%. This ranks us at 27 out of 34 Shire Counties.

2.3 From 2007/08 to 2010/11 Cambridgeshire have received the third lowest increase in Formula Grant per head of all Shire Counties - just 12.7% compared to a Shire average of 22.3% and an average in the East of England (Suffolk, Norfolk and Cambridgeshire) of 22.4%. If our grant had increased at the average national rate, we would have had an additional £15.37 per person, or £9.1m to spend since 2007/08.

Increase in Formula Grant per head 2007-08 to 2010-11					
Shire	Increase	Shire	Increase	Shire	Increase
Dorset	52.6%	Cornwall	25.3%	West Sussex	18.7%
Derbyshire	32.4%	Durham	24.1%	Hampshire	18.4%
Somerset	30.4%	Leicestershire	23.7%	Kent	17.5%
Nottinghamshire	28.3%	Shropshire	23.3%	Buckinghamshire	17.3%
Cumbria	27.3%	Suffolk	22.6%	Northamptonshire	15.7%
Norfolk	27.3%	Gloucestershire	21.8%	Essex	15.7%
Staffordshire	26.9%	Warwickshire	21.0%	Hertfordshire	14.7%
Worcestershire	26.5%	East Sussex	19.7%	Wiltshire	13.8%
Lancashire	26.4%	Surrey	19.1%	Cambridgeshire	12.7%
Devon	26.3%	Cheshire	19.0%	Oxfordshire	12.6%
Lincolnshire	26.2%	Northumberland	18.8%	Bedfordshire	10.7%
North Yorkshire	25.4%				

2.4 The Society of County Treasurers (SCT) has published the following summary set out on the table on the next page based on Community and Local Government published figures. It shows that the increase in central government support between 2009/10 and 2010/11 per existing member of population is £2.17.

Grant Floors

Provisional Settlement 2010/11

Table B - Formula Grant per Head

	Adjusted 2009/10	2010/11 Provisional	Change in Formula Grant	
	Formula Grant £/head*	Formula Grant £/head^	£/head	%
SUMMARY				
SCT Members	£ 192.42	£ 198.88	£ 6.46	3.4%
Shire Counties with Fire	£ 200.39	£ 206.66	£ 6.27	3.1%
Shire Counties without Fire	£ 182.21	£ 188.58	£ 6.37	3.5%
Shire Districts	£ 78.52	£ 79.11	£ 0.59	0.7%
Shire Unitaries with Fire	£ 412.86	£ 425.01	£ 12.14	2.9%
Shire Unitaries without Fire	£ 387.14	£ 397.07	£ 9.93	2.6%
Isles of Scilly	£ 983.16	£ 1,007.51	£ 24.35	2.5%
Shire Police Authorities	£ 113.17	£ 115.65	£ 2.48	2.2%
Metropolitan Police Authorities	£ 175.81	£ 180.74	£ 4.94	2.8%
Inner London Boroughs incl. City	£ 781.03	£ 786.38	£ 5.35	0.7%
Outer London Boroughs	£ 396.82	£ 403.71	£ 6.89	1.7%
Combined Fire Authorities	£ 19.79	£ 20.09	£ 0.30	1.5%
Metropolitan Fire Authorities	£ 29.56	£ 29.87	£ 0.31	1.0%
Metropolitan Districts	£ 509.88	£ 521.16	£ 11.28	2.2%
ENGLAND	£ 548.86	£ 560.68	£ 11.81	2.2%
Shire Counties with Fire				
Cumbria	£ 273.84	£ 287.28	£ 13.44	4.9%
Norfolk	£ 264.59	£ 276.44	£ 11.85	4.5%
Cornwall	£ 290.25	£ 302.94	£ 12.68	4.4%
Lincolnshire	£ 254.24	£ 265.30	£ 11.05	4.3%
Suffolk	£ 226.36	£ 234.51	£ 8.15	3.6%
Gloucestershire	£ 192.69	£ 199.45	£ 6.77	3.5%
Northumberland	£ 309.18	£ 319.92	£ 10.74	3.5%
Warwickshire	£ 167.03	£ 171.63	£ 4.60	2.8%
Northamptonshire	£ 217.82	£ 223.71	£ 5.90	2.7%
Surrey	£ 114.74	£ 115.98	£ 1.24	1.1%
West Sussex	£ 124.05	£ 125.30	£ 1.26	1.0%
Hertfordshire	£ 160.87	£ 162.38	£ 1.51	0.9%
Oxfordshire	£ 161.89	£ 163.30	£ 1.42	0.9%
Shire Counties without Fire				
Dorset	£ 114.87	£ 122.31	£ 7.44	6.5%
Derbyshire	£ 228.70	£ 240.53	£ 11.83	5.2%
Somerset	£ 194.74	£ 203.90	£ 9.16	4.7%
Lancashire	£ 242.05	£ 253.20	£ 11.14	4.6%
Nottinghamshire	£ 213.90	£ 223.63	£ 9.73	4.5%
North Yorkshire	£ 164.00	£ 171.34	£ 7.34	4.5%
Devon	£ 201.31	£ 210.29	£ 8.98	4.5%
Staffordshire	£ 180.71	£ 188.66	£ 7.95	4.4%
Shropshire	£ 225.21	£ 234.67	£ 9.45	4.2%
Worcestershire	£ 154.86	£ 161.31	£ 6.45	4.2%
Durham	£ 340.29	£ 354.11	£ 13.83	4.1%
Leicestershire	£ 149.73	£ 155.25	£ 5.52	3.7%
East Sussex	£ 185.68	£ 191.07	£ 5.38	2.9%
Cheshire	£ 149.55	£ 153.71	£ 4.16	2.8%
Essex	£ 171.91	£ 176.43	£ 4.53	2.6%
Kent	£ 188.69	£ 193.42	£ 4.73	2.5%
Bedfordshire	£ 166.95	£ 169.55	£ 2.61	1.6%
Buckinghamshire	£ 120.12	£ 121.62	£ 1.51	1.3%
Cambridgeshire	£ 179.00	£ 181.17	£ 2.17	1.2%
Wiltshire	£ 151.98	£ 153.63	£ 1.65	1.1%
Hampshire	£ 112.86	£ 114.08	£ 1.22	1.1%

* 2004 Mid year estimate (MYE) based Population Projection for 2009

^ 2004 MYE based Population Projection for 2010

- 2.5 Cambridgeshire is once again just above the floor in 2010-11, having been under or at the floor for the last 3 years. This reduces our grant by £1.856m next year.
- 2.6 Grant floors are set nationally by class of authority. As the fourth fastest growing authority between 2008/09 and 2010/11, this disadvantages us at the expense of shrinking authorities.

Relative Resource Adjustment

- 2.7 Although the floor takes no account of the underlying population growth, the negative adjustment which seeks to adjust the Formula Grant for the amount an authority can raise locally due to its ratio of Band D properties to population, is directly related to population growth with no cap / adjustment on changes between years.
- 2.8 The 2009/10 adjustment was £56.409m, the 2010/11 adjustment is £59.405m: that is a 5.3% increase in deduction. If this was limited to the same floor increase as the overall Formula Grant our total grant would be £0.595m higher than that announced.

Council Tax

- 2.9 Cambridgeshire currently has one of the lowest levels of Council Tax in the country (in 2009/10 it is the fourth lowest among Shire Counties on a comparable basis). However, it is also worth noting that the Parliamentary Under Secretary of State, Communities and Local Government included the following comments in her statement and press release:

“I am pleased that the average Band D council tax increase this year 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 and requiring them to rebill for a lower council tax if necessary.”

3.0 SETTLEMENT REPRESENTATION TO GOVERNMENT

- 3.1 In light of the issues contained in this report, Cabinet may wish to make representation to Government in order to highlight both the perversity of the current settlement during this time of economic downturn, as well as how this settlement will hinder the authorities plans to drive economic growth in the region.

4.0 RESOURCES AND PERFORMANCE

- 4.1 The totality of this report considers the financial settlement for the Council. The implications of this will be developed further through the Council’s Integrated Planning Process.

5.0 STATUTORY DUTIES & PARTNERSHIP WORKING

5.1 There is no direct legislation or legal requirements that need to be adhered to for this report. There are also no significant issues that arise in relation to partnerships.

6.0 CLIMATE CHANGE

6.1 There are no direct climate change implications arising from this report.

7.0 ACCESS & INCLUSION

7.1 There are no significant issues arising from this report in relation to access & inclusion.

8.0 ENGAGEMENT & CONSULTATION

8.1 No public engagement or consultation is required for the purpose of this report. The Council is undertaking consultation as part of its Integrated Planning Process.

Source Documents	Link
Government paper – Putting the Frontline First: smarter government	http://www.hmg.gov.uk/frontlinefirst.aspx
Pre-Budget Report	http://www.hm-treasury.gov.uk/prebud_pbr09_repindex.htm
SCT briefing on Pre-Budget Report	Room 301, Shire Hall, Cambridge
Local Government Financial Settlement (CLG website)	http://www.local.communities.gov.uk/finance/1011/grant.htm
Integrated Plan 2009/10, Section 4 Finance	http://www.cambridgeshire.gov.uk/NR/rdonlyres/A0970DA7-FF5D-4A83-AC56-91F11E427BD1/0/Section4appendix1.pdf