



## Financial Services

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Date 3 January 2007

Dear Ms Sussex

### Proposed Local Government Finance Settlement for 2007/08

I write following the Minister of State for Local Government's announcement of the proposed local government finance settlement for 2007/08 and your e-mails of 28 November. I understand that the consultation on the proposals ends on **5 January 2007**. If I have addressed this letter to the wrong person, please may I ask that you forward it to the correct recipient on my behalf?

This Council has received in the settlement the 'headline' increase for shire districts of 2.7%. The increase in Formula Grant compared to the 2006/07 Adjusted Formula Grant is some £166K.

In reality, however, this Council **has not** received an increase of 2.7%. The increase in our grant in cash terms is some £78K – representing an increase of only 1.2% on that received in 2006/07, well **below** the rate of inflation.

Before going into the detail of this below inflation settlement and other associated matters, I would like to draw your attention to another piece of work that the Council's Executive recently considered. Research was undertaken on our behalf by Rita Hale Associates following the publication of the 'Guide to Relative Needs Formulae (RNF) 2006/07'. We were extremely concerned to note from this publication that this Council's notional amount per head for the RNF element of the grant distribution system was only **£121.76**, the lowest in Kent by some margin. Worse still, it was significantly below the average for shire districts in England.

We do appreciate that the Relative Needs Formulae is a complex tool with a number of variables (some working in different directions). We are concerned, however, that the data being used is not as up to date as it might be and as a result this Council is being short-changed. Accordingly, as a result of the comprehensive research undertaken on our behalf by Rita Hale Associates, I have been instructed by the Executive to urge you to:



- i) consider using the projected resident population in arriving at the density indicator for the year in question rather than, in the case of 2006/07, the resident population at 30 June 2004 in order to reflect the latest population figures;
- ii) review the boundary in respect of application of the outer London allowance; and
- iii) review the net in-commuters indicator particularly in the light of the Kings Hill development which is drawing a substantial number of commuters into our area on a daily basis.

I said I would return to the issue of the below inflation increase in grant of 1.2% (£78k). Putting this into some kind of context, this sum is not even sufficient to cover a 1% pay award for the Council's staff. This Council has been rated 'excellent' under the Comprehensive Performance Assessment, and we continue to set ourselves challenging targets and improvement actions. We have risen to the challenge and have so far met all the Government's requirements regarding the three-year efficiency gains. Our Band D council tax in 2006/07 is £144.82, which is below the average for shire district councils in England (source: Table 5 of Statistical Release, 27 March 2006, levels of council tax set by local authorities in England 2006-07). The Council has listened to the Government's advice about excessive council tax increases and we have kept our council tax increases below 5% for the last three years. All in all, the Council has managed and planned its finances well, has achieved efficiencies and has sought to be innovative for the benefit of its residents.

As a shire district council, one of the biggest changes to our budget in the last year has been the impact of the free-fare travel scheme for pensioners. Not surprisingly, the usage has grown, and within Kent it is thought that there has been growth of almost 15%. As this is a statutory scheme, the Council has no choice but to meet the costs. We understood that additional funding was going to be made available to administering local authorities in the **2007/08** settlement in order to assist in the funding and administration of this rapidly growing service. **This Council has not seen any increase in funding for this essential service through the provisional settlement.**

In a similar fashion, there are new demands and associated costs arising from the new Electoral Administration Act 2006. In a letter dated 22 December 2005 from John Sills of the Department for Constitutional Affairs (DCA), we were advised that: "*.... The DCA, which has responsibility in Government for electoral policy, has therefore committed to providing £19.9m funding to local authorities in England in 2006/07 and **2007/08** to cover the additional costs of these activities. .... Consistent with wider government and LGA policy, this money will not be ring-fenced but will be paid into the EPCS block of the RSG.....*". **This Council has not seen this expected increase in funding for 2007/08 through the provisional RSG settlement.**

One can only presume that it is the 'floor' mechanism of the RSG system that has prevented this essential additional funding from being delivered to certain local authorities. **Is my assertion correct?** If it is, then we must seriously question the operation of this mechanism. One has to ask whether other government departments appreciate that the floor mechanism will prevent funding from being delivered to authorities caught by the 'floor'. In order to aid my own understanding, and that of my Members, I should be grateful for your comments on this matter and for your recommendations on how this might be addressed in the future.

In summary, the Council is disappointed by the Settlement and the implications it will have for residents of this borough. We ask you to look carefully at the points made and trust that appropriate adjustments will be made within the final settlement.

I look forward to hearing from you.

Yours sincerely

Mrs S J Shelton  
Director of Finance

c.c. Chief Executive  
Leader of the Council  
Councillor M Dobson