

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 16 <sup>th</sup> December 2003	<b>Meeting Name:</b> Executive
<b>Report title:</b>		Policy and Resourcing Strategy and Budget 2004/7 – Revenue - Supplementary Information	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Chief Executive Chief Finance Officer	

## RECOMMENDATION

1. In the light of the significant changes to the Council's resources for 2004/05 that the Executive receives a further update at its first meeting in January 2004.
2. That the Executive gives further guidance on the issues to be taken into account in that report.

## THE NEW FIGURES - NATIONALLY

3. This report sets out supplementary information following the announcement of increased resources payable through the Formula Grant.
4. On 11<sup>th</sup> December 2003 the Minister for Local Government, following the Chancellor of the Exchequer's pre-budget report, announced extra resources for Local Government. The amount - £340 million – is to be paid through Formula Grant. There is no indication that this increase will be paid again in future years.
5. The Minister stated that the increase will be effected by increasing the floors and ceilings from 3.5% and 5.8% to 4% and 7.5% respectively. There will also be a decrease in the Assumed National Council Tax level (ANCT) from an increase of 3.9% to 2.1% - the new level is now £1,059 for a Band D property.
6. Tables published with the announcement show that London as a whole gains £57.3 million (of which £17,000 will be paid to the GLA for all its services). Of this £26.2 million is allocated to Inner London Boroughs. The highest gainer is Tower Hamlets (£5.6 million). Southwark is next with £4.859 million. A complete list of the London changes is set out as an appendix to this report – together with the Minister's statements.
7. In the experience of the CFO this announcement is an unprecedented one. It seems to be a response to the widespread criticism of the first announcement. That generated complaints both of the implied levels of Council Tax and the way in which the ceilings and floors were expected to operate.

8. However, there is still confusion in the totality of the figures published by the ODPM and those used by the Treasury. The ODPM have assumed the income from Council Tax will be some £17.8 billion – (a rise of 2.1% over 2003/04). Whereas the Treasury in the pre-budget statements (at page 203) show the income from Council Tax to be £19.9 billion (or some 8.2% higher than 2003/04). This means that once again the Treasury is expecting a higher increase than the ODPM.

#### THE NEW FIGURES – LOCALLY

9. The implications for Southwark's 2004/05 budget are significant. It means that the Council can, if it is so minded, finance a growth programme of £4.265 million at the Assumed National Council Tax increase of 2.1%. This is an increase of £3.6 million over the figures (at a 3.9% increase) set out in the item on the main agenda. The increase is calculated as follows.

	£'000s
Increase in Formula Grant	4,859
Income from Council Tax (2.1% increase rather than 3.9%)	-1,258
<b>Increase in resources for growth</b>	<b>3,601</b>

10. The overall resources now available to the Council are set out below

	Council Tax increase of 2.1% £'000s
Income from Formula Grant	334,424
Income from Council Tax (at 2.1% increase)	71,576
<b>Total Available resources in 2004/05</b>	<b>406,000</b>
Cost base for 2004/05	404,722
Less Savings	-2,967
Revised 2004/05 Base	401,735
<b>Amount available for Growth</b>	<b>4,265</b>

11. Each 1% increase will generate a further £700,000.
12. When examining this report Members need to take into account the very likely prospect of Government funding being significantly restricted for 2005/06 and 2006/07. Equally there may be further adjustments when the final settlement is announced at the end of January 2004.

## REASON FOR LATENESS

13. The information contained in this report was received on 11<sup>th</sup> December 2003.

## REASON FOR URGENCY

14. The details in this report must be taken into account when the Executive makes decisions on the Policy and Resources Strategy report.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Policy and Resourcing Strategy 2004/7 – 7 <sup>th</sup> October	Corporate Strategy, Town Hall	Stephen Gaskell, Ext 020 7525 7293.
Budget Settlement Working Papers and Government Announcements	Town Hall	Alan Layton 020 7525 4309

## Audit Trail

<b>Lead Officer</b>	Bob Coomber, Chief Executive Keith Brown, Chief Finance Officer	
<b>Report Author</b>	Keith Brown, CFO	
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<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Borough Solicitor & Secretary	Yes	Yes
Chief Finance Officer	Yes	Yes
<i>List others:</i>	None	
<b>Date final report sent to Constitutional Support Services</b>		

## **PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2004/05: UPDATED CONSULTATION**

Following the announcement to Parliament on 19<sup>th</sup> November of Government's proposals for the 2004/05 local government finance settlement, and the announcement by the Chancellor of the Exchequer on 10<sup>th</sup> December of extra money for local authorities, this letter and supporting material on the ODPM website provide full details of our revised proposals for the 2004/05 settlement for local authorities.

The text of statements of 10 December by the Deputy Prime Minister, and of today's date by Nick Raynsford, are attached to this letter.

### *Additional support for local authorities*

The Chancellor announced on 10<sup>th</sup> December that £340 million extra funding for English local authorities would be made available for 2004/05.

The additional support is to be distributed to local authorities as Revenue Support Grant, via the formula grant distribution system. The additional grant will not be ring-fenced in any way.

### *Revised proposals*

The inclusion of the extra money in the provisional settlement means that the floors and ceilings levels for authorities with education and social services responsibilities and for shire districts have been changed.

Local authorities with education and social services responsibilities will now be subject to a floor of 4%, and a ceiling of 7.5%.

For shire districts, the floor has been increased to 3.0%. The ceiling will be set so that it is too high to affect any authority, and the floor will be paid for by scaling back grant increase above the floor. Grant increases for shire districts will range up to 12.2%.

The floors and ceilings proposals for police authorities and fire authorities remain unchanged. No police or fire authority receives less grant under these proposals than under those announced on 19 November.

### *Revised grant allocations*

These are set out in detail on the ODPM website at <http://www.local.odpm.gov.uk/finance/0405/grant.htm>, however the revised details for your authority (Southwark) are:

Revenue Support Grant	£ 264.217773 million
National Non Domestic Rates	£ 70.206380 million
Principal Formula Police Grant	£ 0.000000 million
<b>TOTAL FORMULA GRANT</b>	<b>£ 334.424153 million</b>

### *Consultation arrangements*

In view of the scale of this change to the proposals under consultation, it has been decided that the consultation period should be extended to ensure that local government have sufficient time to fully consider and respond to the updated settlement.

**Consultation on the provisional settlement will now end on Friday 9<sup>th</sup> January 2004.**

All representations about the proposed settlement should be sent to Ms C Albone, LGF2A Division, Zone 5/J1, Eland House, Bressenden Place, London SW1E 5DU (Fax 020 7944 4209 or 020 7944 4259); or e-mailed to [rsg.settlement@odpm.gsi.gov.uk](mailto:rsg.settlement@odpm.gsi.gov.uk) **for receipt by 6pm on Friday 9<sup>th</sup> January 2004.**

The data used in the provisional settlement have not changed, however; the deadline for responses on data remains **16 December 2003.**

## **STATEMENT BY THE DEPUTY PRIME MINISTER OF 10 DECEMBER 2003**

### **EXTRA RESOURCES FOR LOCAL AUTHORITIES**

The extra £340 million for English local authorities in 2004/05, announced by the Chancellor today further demonstrates the government's commitment to investment in public services. It comes on top of the additional £420 million of grant support for local authorities which we announced in the provisional settlement last month.

It means we are now making available a full £760 million in grant beyond what the last spending review originally set aside for local authorities. And it means that next year we will be providing total support to local authorities of £54.5 billion – up from £50.8 billion for 2003/04, on a like for like basis. That represents an increase, in real terms, of 30% in central government support since 1997 and this is the second year in succession that all authorities have received an above inflation increase in government grant.

Taken together with the further £750 million reduction in ring fencing that we announced in November, the additional support we are providing underlines our commitment to ensuring that local authorities can provide decent local services without making excessive demands on local tax payers.

The government, and council tax payers, now expect local authorities to deliver. Given this significant investment in local services and the scope for efficiency improvements, it is my view that next year local authorities can and should deliver council tax increases in low single figures.

However I repeat today that authorities – including police and fire authorities – must be in no doubt that I am prepared to use my capping powers next year if that proves necessary.

When considering whether to cap authorities, I would have to look at the excessiveness of the budget. I would also expect to look at the size of the council tax increase. But it may well be appropriate to consider other matters such as how acceptable the rise in council tax is locally. Council tax payers do not want another round of high increases. If their councils think they do, why don't they allow local people to have their say in a local poll? The views of local people, if clearly expressed in a local poll, are a factor I would consider.

## OFFICE OF THE DEPUTY PRIME MINISTER

### Local Government Finance Settlement 2004/05

**The Minister for Local Government, Regional Governance and Fire (Mr. Nick Raynsford):** Further to the Pre Budget Statement made by my Rt Hon Friend the Chancellor of the Exchequer, I am today announcing the proposed allocation to English local authorities of an extra £340 million of Revenue Support Grant for 2004/05.

The Government is clear that it is right to provide this extra support to authorities to help them to improve public services. We are particularly conscious of the pressures for improvements in the areas of the environment and social services for children. The additional support will be provided as Revenue Support Grant, which is not ring-fenced, and so can be used for any purpose.

The increase in grant distributed by formula will now be 5.5% compared to 2003/04, on a like for like basis: overall grants to local authorities will increase by 7.1%.

The floors and ceilings on grant increases will change for authorities with education and social services responsibilities, to 4.0% and 7.5%, respectively. In some cases, however, authorities will receive more than 7.5% because we are continuing to provide support for increased capital investment outside the floors and ceilings system.

For shire districts, the additional grant is sufficient to raise the floor to 3%, so all districts will get an above inflation increase. There will be no effective ceiling for districts, giving grant increases of up to 12.2% for individual authorities.

There will be no changes in floors or ceilings for police and fire authorities.

This will mean that for the second year running, every local authority will get at least an above inflation increase with many getting substantially more.

Tables showing grant totals and the revised provisional allocation of formula grant to all English local authorities for 2004/05 have been placed in the Vote Office and are also available in the Libraries of both Houses.

Given the scale of this change, the consultation period on our proposals will be extended and will now end on 9 January 2004. The House will then have the chance to debate the Government's final proposals in late January or early February. As is normal, the detailed allocations to individual authorities may still change as data on council tax base and capital allocations are updated.

Given the scale of the investment in local services and the scope for efficiency improvements in local government, the Government believes next year local authorities must aim to deliver council tax increases in low single figures. Unreasonably large council tax increases will neither be justified nor acceptable.

So the Government is prepared to use targeted capping powers next year if that proves necessary.

When considering whether to cap authorities, the Government will look at a range of factors including the level and increase in the council tax and the level of the budget. In areas where there is a combined fire authority, budgets for 2004/05 will not be comparable with 2003/04 because the combined fire authority is precepting for the first time in 2004/05. The Office of the Deputy Prime Minister is today issuing a consultation document which sets out the proposed methodology and the notional budget figures as a result of this change. A copy of this will be made available in the Libraries of both Houses.



## Formula Grant Changes Between Updated Provisional Settlement and Provisional Settlement

Local Authority	Provisional Settlement Formula Grant	Updated Provisional Settlement Formula Grant	Change	% Change
England	45,776.849	46,116.849	340.000	0.7%
London area	9,166.476	9,223.802	57.325	0.6%
Inner London boroughs incl. City	3,119.595	3,145.775	26.180	0.8%
Outer London boroughs	3,956.018	9.000	31.128	0.8%
London boroughs	7,075.614	7,132.922	57.308	0.8%
GLA - all functions	2,090.863	2,090.880	0.017	0.0%
<b>GREATER LONDON</b>				
City of London	106.123	106.636	0.513	0.5%
Camden	218.247	220.794	2.547	1.2%
Greenwich	261.708	263.844	2.135	0.8%
Hackney	292.609	295.394	2.785	1.0%
Hammersmith and Fulham	165.210	166.497	1.287	0.8%
Islington	230.304	231.664	1.360	0.6%
Kensington and Chelsea	133.294	133.938	0.644	0.5%
Lambeth	298.389	299.949	1.560	0.5%
Lewisham	287.978	289.412	1.434	0.5%
Southwark	329.565	334.424	4.859	1.5%
Tower Hamlets	346.084	351.645	5.561	1.6%
Wandsworth	226.988	227.401	0.412	0.2%
Westminster	223.095	224.178	1.082	0.5%
Barking and Dagenham	174.737	176.008	1.271	0.7%
Barnet	222.654	224.575	1.921	0.9%
Bexley	171.170	172.008	0.838	0.5%
Brent	261.072	265.268	4.195	1.6%
Bromley	187.222	187.227	0.005	0.0%
Croydon	256.463	258.828	2.365	0.9%
Ealing	260.494	262.417	1.924	0.7%
Enfield	251.483	253.272	1.789	0.7%
Haringey	242.915	244.092	1.177	0.5%
Harrow	153.901	156.062	2.162	1.4%
Havering	161.181	161.559	0.378	0.2%
Hillingdon	190.875	193.943	3.068	1.6%
Hounslow	191.594	193.026	1.433	0.7%
Kingston upon Thames	91.032	92.269	1.237	1.4%
Merton	128.633	130.080	1.447	1.1%
Newham	359.243	360.368	1.125	0.3%
Redbridge	200.585	202.121	1.535	0.8%
Richmond upon Thames	89.469	89.472	0.003	0.0%
Sutton	134.208	136.364	2.157	1.6%
Waltham Forest	227.088	228.187	1.099	0.5%
GLA - all functions	2,090.863	2,090.880	0.017	0.0%