

# Local Government Finance

## Implications of New Government Policies

**15<sup>th</sup> September 2005**

# National Policy Drivers

- Children and Young People
- Education (funding and reducing role for LEAs)
- Health and older people - whole system approach to health promotion
- People and places : urban sustainability and liveability (Impact of Olympic Games)
- Neighbourhood management (Local Area Agreements)
- Safer and Stronger Communities

## ***Challenge and Risk***

# Southwark Context

- 2005/06 General Fund Budget on Target
- MTFs to increase General Fund Balance
- Hugely ambitious Capital Programme
- Underlying threats and opportunities
  - Local agenda
  - National agenda

***Review of Revenue and Capital Resources underway***

# Some Real Challenges Ahead

# Government Challenges

- Formula Grant Review – Autumn 2005
- Dedicated Schools Grant
- Three Year Settlements
- CPA and Gershon
- Lyons Review
- Council Tax Revaluation
- Local Authority Business Growth Incentive Scheme (LABGI)
- Specific Grants

***Change Layered on Change***

# Formula Grant Review

- Consultation issued end of July
- Initial exemplifications showing significant adverse impact for Southwark (and Inner London in particular)
- Serious impact on children's and younger adults
- If options adopted majority of inner London authorities will be on the floor
- Option for Children's FSS will lose £17m – knock onto formula grant
- 2005/06 Grant is £360m (80% of FSS)

# FSS & Formula Grant Impact

	FSS £'m	%	Worse £'m	Best £'m
Education	184.7	-1.3% - 0.5%	-2.4	1.0
PSS - Children	69.2	-25.0%	-17.1	Some Mitigation
PSS Younger Adults	41.2	-32.0%	-13.2	Some Mitigation
PSS - Older People	37.4	-1.1% - 1.3%	-0.4	0.5
Highways	9.7	-14.4%	-1.4	-1.4
EPCS	94.7	0.0% - 3.4%	0.0	3.2
Capital Financing	13.07	-14.5% - 33%	-1.9	4.3
Area Cost Adjustment			-6.0	0.3
Resource Equalisation			0.0	6.9
Population Estimates			-1.9	-1.9

# Education Funding

- Policy to passport to Education
- Dedicated School Grant – 2006/07 onwards
- DSG Promised by DfES in 5 year Education Strategy
- Consultation on allocation of DSG issued 5th August
- Impact for Southwark Schools not quantified
- DfES Proposals
  - baseline established based on hybrid of Schools budget 2005/06 & FSS (Southwark could lose more than FSS)
  - 5% minimum increase per pupil
  - Remainder using other formula based criteria



# Three Year Settlements

- Planned to introduce three year settlements from April 2006.
- Initially two year settlement - Autumn 2005 - 2006/07 and provisional 2007/08 (Final 2007/08 - February 2007)
- Projections to be used for council tax base (but not for 2006/07 and 2007/08) and population.
- ONS population figures – Mid 2005 projection shows reduction in Southwark population (Mid 2004 population estimate shows net increase)
- Council tax revaluation

# CPA and Efficiency Gains

- CPA Use of Resources
  - Raising the Bar
  - Value for Money
- Gershon Efficiency Targets (2.5% - £7.8m)
  - Cashable (Minimum - £3.9m for 2006/07 and thereafter)
  - Non Cashable (maximum 50% of target)

**Sustained improvement or jumping through hoops**

# Lyons Review

- Balance of Funding Report December 2005
- Clashes with other initiatives (e.g. formula grant, revaluation, three-year settlements)
- Impact uncertain – (radical/move to north/link to council tax revaluation)

# Council Tax Revaluation

- Scheduled for England in 2007/08
- Trial completed in Wales – mixed reaction
- National Working Group – results awaited
- Impact on three year settlements, Lyons and formula grant

# Cohesion between Government departments?

# LABGI

- Local Authority Business Growth Incentive Scheme
- Extra cash for sustained increase in NNDR
- ALG estimate could be as much as £1m for Southwark
- Based on Dec 2005 return
- Cash to be received February 2006
- Can achievement be sustained as baseline increases?

# Specific Grants

- Specific grants 2004-05 and 2005-06 75.9m and 84.9m respectively (Nat 11.18% increase specific grant -Southwark 11.77%)
- DSG exemplifies move from general grant to specific (£163m)
- NRF to continue to 2007-08 at least
- NRF reducing from 13.6m in 2005/06 to £12.2m and £10.8m in 2006/07 and 2007/08 respectively. Assignment of grant for 2006-08 still to be determined

## Specific Grants – Good News?

- Timing
- Ring fencing / targetting
- Match with local needs?
- Longevity?



# Policy and Resourcing Strategy

## Provisional Dates

	<b>Date</b>
Scene Setting Report to Executive	Oct
Local Government Settlement	Nov/Dec
Budget option report and draft Corporate Plan to Executive	Dec
Council Tax set, revenue and capital budgets agreed & Corporate Plan agreed	Late Feb

## Summary

- Government funds 80% of what we do.
- Variations in grant affect Council services
- Grant settlement critical driver
- Local interest must be protected

**1% change in grant - £3.6m**