

REPORT TO: Cabinet

DATE(S): 27 January 2010

SUBJECT: Provisional Local Government Finance Settlement for 2011/12 and 2012/13

WARDS AFFECTED: All

REPORT OF: John Farrell
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EXEMPT/CONFIDENTIAL: No

PURPOSE/SUMMARY:

To inform Cabinet of the broad contents and implications of the Provisional Local Government Finance Settlement.

REASON WHY DECISION REQUIRED:

The report is for information. The contents of the Local Government Finance Settlement will have a key influence over the 2011/12 and 2012/13 Revenue Budget and level of Council Tax.

RECOMMENDATION(S):

Cabinet is recommended to:

1. Note the contents of the Provisional Local Government Finance Settlement;
2. Note the Authority's response to the Provisional Local Government Finance Settlement; and
3. Note the impact on the budget gap forecast in the Medium Term Financial Plan.

KEY DECISION: No.

FORWARD PLAN: No

IMPLEMENTATION DATE: Following the expiry of the call-in for this meeting

ALTERNATIVE OPTIONS: There are no alternative options.

IMPLICATIONS:

Budget/Policy Framework: The Local Government Finance Settlement determines the amount of external funding that a local authority will receive as Formula Grant and where appropriate, Specific Grants. It therefore has a critical influence on the Council's decision to approve a Base Budget and Council Tax increase.

The Provisional Settlement was subject to consultation until 17 January 2011.

Financial: In broad terms the Provisional Settlement worsens the Authority's budget gap by £6.1m to £44.1m for 2011/12 and by £2.1m to £19.8m for 2012/13.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: Not appropriate

Risk Assessment: Not appropriate

Asset Management: Not appropriate

CONSULTATION UNDERTAKEN/VIEWS:**CORPORATE OBJECTIVE MONITORING:**

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community			√
2	Creating Safe Communities			√
3	Jobs and Prosperity			√
4	Improving Health and Well-Being			√
5	Environmental Sustainability			√
6	Creating Inclusive Communities			√
7	Improving the Quality of Council Services and Strengthening local Democracy			√
8	Children and Young People			√

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Provisional Local Government Finance Settlement: Parliamentary Statement by the Secretary of State for Communities and Local Government (Eric Pickles MP) on 13 December 2010

Letter from the Department for Communities and Local Government (13 December 2010): Local Government Finance (England) Revenue Support Grant For 2011/12 and 2012/13 and Related Matters

Draft Local Government Finance Report 2011/12 and Supporting Papers (13 December 2010)

Draft Local Government Finance Report 2012/13 and Supporting Papers (13 December 2010)

Transition Grant for Local Authorities with Largest Reductions in Revenue Spending Power: Consultation Paper (13 December 2010)

1. Introduction

- 1.1. The Secretary of State for Communities and Local Government (Mr Eric Pickles, MP) announced the Provisional Local Government Finance Settlement for both 2011/12 and 2012/13 on 13 December 2010. A copy of his parliamentary statement is attached at Annex A.
- 1.2. The Local Government Finance Settlement determines the amount of external funding that Authority will receive as Formula Grant and where appropriate, Specific Grants. It therefore has a critical influence on the Council's Budget and Council Tax.
- 1.3. This report summarises the key features of the Provisional Settlement both nationally and for Sefton and analyses its impact on the Medium Term Financial Plan (MTFP).

2. Local Government Finance Settlement – National Picture

- 2.1. The key features of the Provisional Settlement are set out in the following paragraphs.
- 2.2. **Formula Grant** which is made up of Revenue Support Grant, Business Rates and Police Grant, has decreased by -9.9% (£3,243m) to £29,410m in 2011/12 and by -7.3% (£2,137m) to £27,138 in 2012/13 after taking account of funding transfers. Details of the Formula Grant changes analysed by class and region are attached at Annex B.
- 2.3. **Damping** continues to be applied within the distribution formula. For social services authorities and shire district councils, the Secretary of State proposes to set four floors. Authorities within these groups would be divided into four bands according to the extent to which they rely on formula grant to finance their budget requirement in 2010/11. The highest floor – representing the smallest reduction – would apply to the most dependent band of authorities and the lowest floor to the least dependent. The floor levels proposed for authorities with social services responsibilities are set out in the table below:

	<u>2011/12</u>	<u>2012/13</u>
Band 1 – most dependant	11.3%	7.4%
Band 2	12.3%	8.4%
Band 3	13.3%	9.4%
Band 4 – least dependant	14.3%	10.4%

- 2.4. The number of **Specific and Special Grants** paid to local authorities have been rationalised in 2011/12. The number of grants paid will be reduced from over 90 to around 10. The provisional settlement provided initial allocations for the following grants: Early Intervention Grant, Learning Disability and Health Reform Grant, Transition Grant, Preventing Homelessness, and Lead Local Flood Authorities Grant.

Area Based Grant (ABG) will not be paid beyond 2010/11. The funding streams previously provided through ABG are either transferring into Formula Grant or Early Intervention Grant or finishing in 2011/12.

- 2.5. A number of specific grants rolling into formula grant continue to be distributed using **tailored distributions** outside of the relative needs formula. These include the following funding streams: Local Transport Services, Supporting People, Housing Strategy for Older People, LSC Staff Transfer, HIV/AIDS Support, Preserved Rights, and Animal Health and Welfare allocations.
- 2.6. The level of formula grant available in 2011/12 and 2012/13 has been affected by a number funding **transfers** from other bodies and transfers of responsibility for service provision to other bodies. These include the following transfers at a national level:

	<u>2011/12</u> £m	<u>2012/13</u> £m
<u>Funding Transfers</u>		
Concessionary Travel Special Grant	223.000	0
Road Safety Grant (local transport services)	45.800	0
Rural Bus Subsidy (local transport services)	35.540	0
<u>Transfer of Responsibility for Service Provision</u>		
Academies	-145.240	-114.481
Private Sewers	-21.500	-20.059

- 2.7. The settlement confirms that there will be a grant of £650m to fund the implementation of a **council tax freeze** in 2011/12. There will be funding to support this amount in the four Spending Review years.
- 2.8. The Government intends to pay an additional **Transition Grant** to certain local authorities in 2011/12 and 2012/13. It will be paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.9% in either year. Transition Grant totalling £84.582m will be paid to 37 authorities in 2011/12 and £14.129m will be paid to 12 authorities in 2012/13. A table showing the reduction in spending power for each upper tier authority and the amount of transition grant paid is attached in Annex C.
- 2.9. The NHS Operating Framework for 2011/12 published on 15 December 2010 announced that £648m would be made available to Primary Care Trusts (PCTs) in 2011/12 to support social care. PCTs will need to transfer this funding to local authorities to invest in social care services to benefit health, and to improve overall health gain. Transfers will be made via an agreement under Section 256 of the 2006 NHS Act. PCTs will need to work together with local authorities to agree jointly on appropriate areas for social care investment, and the outcomes expected from this investment.

3. Local Government Finance Settlement - Sefton M.B.C.

3.1 The provisional Formula Grant (after floor damping) for Sefton for the next two years is £126.245m for 2011/12 and £115.067m for 2012/13. This represents a reduction of 12.3% in 2011/12 and 8.4% in 2012/13 after taking account of (1) Area Based Grant rolling into formula grant, (2) specific grants transferring into formula grant (3) funding transfers, and (4) transfers of responsibility.

3.2 Sefton is in band 2 for damping purposes and has received £2.930m in 2011/12 and £1.451m in 2012/13 from the funding floor. These amounts are included in the Formula Grant Allocations shown in section 3.1 above.

3.3 The table below shows the change in Sefton's Formula Grant for both years:

	<u>2011/12</u> £m	<u>Change</u> %	<u>2012/13</u> £m	<u>Change</u> %
Grant Received Previous Year	124.673		126.245	
ABG Funding Transfers	16.327		0	
Specific Grant Transfers	2.105		0	
Other Funding Transfers	1.624		0	
Transfers of Responsibility	-0.778		-0.626	
Adjusted Grant for Comparison	143.952		125.619	
Increase for the Year	-17.707	-12.3%	-10.552	-8.4%
Formula Grant	126.245		115.067	

3.4 A number of Area Based Grants and Specific Grants have been rolled into Formula Grant in 2011/12. There have also been a number of transfers of funding from other bodies and transfers of responsibility for service provision to other bodies that have affected the Authority's Formula Grant allocations in both years. Details of the adjustments made to the 2010/11 and 2011/12 Formula Grant used as the basis for floor damping in both 2011/12 and 2012/13 are set out in Annex D.

3.5 Sefton's revenue spending power has decreased by 6.74% in 2011/12 and 3.92% in 2012/13, as a result the authority does not qualify to receive transition grant in either year. Details of how the change in revenue spending power has been calculated in are shown in Annex E.

3.6 The following Specific Grant allocations were announced at the time of the Settlement:

	<u>2011/12</u> £m	<u>2012/13</u> £m
Early Intervention Grant	11.318	11.526
Learning Disability and Health Reform Grant	4.217	4.317
Preventing Homelessness	0.088	0.088
Housing and Council Tax Benefit Admin Grant	2.602	n/a
Lead Local Flood Authorities Grant	0.121	0.158

Early Intervention Grant replaces a number of Area Based Grants (£2.401m in 2010/11), Sure Start Grants (£9.574m in 2010/11) and Other Specific Grants (£1.019m in 2010/11). Overall this grant has decreased by £1.676m (-12.9%) in 2011/12.

Learning Disability and Health Reform Grant replaces funding previously paid to Sefton by the Primary Care Trust. This grant has increased by £0.118m in 2011/12, which includes £0.034m to fund Occupational Therapists undertaking assessments of Blue Badge applicants for Sefton.

Housing and Council Tax Benefit Admin Grant has been reduced by £0.095m (3.5%) in 2011/12.

- 3.7 Sefton's Primary Care Trust has been allocated £4.173m of funding to support social care and benefit health 2011/12. It is unclear at this stage as to how this resource will be utilised.

4. Representations on the Settlement

- 4.1 A response to the Provisional Settlement covering a number of specific issues relevant to Sefton was submitted to the Department for Communities and Local Government by the Interim Head of Corporate Finance and Information Services before the end of the consultation period on 17 January 2011. A copy of the response can be found at [Annex F](#).

5. Medium Term Financial Plan

- 5.1 The Provisional Settlement increases the budget gap forecast in the Medium Term Financial Plan (MTFP) by £6.1m in 2011/12 and by £2.1m in 2012/13. The most significant changes are highlighted in the table below.

	<u>2011/12</u>	<u>2012/13</u>
	£m	£m
(a) Reduction in Formula Grant	2.3	2.1
(b) Area Based Grants ending in 2010/2011	3.6	-0.2
(c) Specific Grant Transferring into Formula Grant	-1.8	0.0
(d) Local Transport Services Grants Transfer	-0.2	0.0
(e) Transfer of Responsibility for Academies	0.7	0.5
(f) Transfer of Responsibility for Private Sewers	0.1	0.1
(g) Transfers into the Early Intervention Grant	1.4	-0.4
	<u>6.1</u>	<u>2.1</u>

- (a) The decrease in Formula Grant is higher than forecast. The MTFP assumed reductions of 11.1% in 2011/12 and 6.7% in 2012/13. The Provisional Settlement announced reductions of 12.3% and 8.4%.

- (b) Area Based Grants totalling £11.130m will be finishing at the end of 2010/11. This is £3.6m more than forecast for 2011/12.
- (c) The Social Care Reform Grant, Learning Disability Campus Closure Programme Grant and Stroke Strategy Grant have been recycled into Formula Grant in 2011/12. Sefton's share of this funding is £1.8m higher than the amount included in the MTFP for these funding streams.
- (d) Funding for local transport services transferring into Formula Grant includes £0.2m previously paid to the transport authority as Road Safety Grant and Rural Bus Subsidy. No corresponding increase in expenditure has been assumed as a result of this transfer.
- (e) Funding for academies has been transferred from all authorities irrespective of whether any schools in their area have converted to academy status. No Sefton schools have converted to academy status to date so no corresponding reduction in budgeted expenditure is anticipated as a result of this transfer.
- (f) Responsibility for maintaining private sewers has transferred to water companies in 2011/12. A funding reduction has been allocated to all authorities irrespective of whether they have incurred expenditure maintaining private sewers in previous years. No corresponding reduction in budgeted expenditure is anticipated as a result of this transfer.
- (g) The Early Intervention Grant is reducing by 12.9% in 2011/12 in comparison with the funding streams that have been transferred into this new grant. There is a small increase of 1.8% in 2012/13.

6. Conclusion and Recommendations

6.1 Cabinet is recommended to:

1. Note the contents of the Provisional Local Government Finance Settlement;
2. Note the Authority's response to the Provisional Local Government Finance Settlement; and
3. Note the impact on the budget gap forecast in the Medium Term Financial Plan.

List of Annexes

Annex	Description
A	Provisional Local Government Finance Settlement: Parliamentary Statement by the Secretary of State for Communities and Local Government (Eric Pickles MP) on 13 December 2010
B	Formula Grant changes by class and region
C	Change in Revenue Spending Power and Transition Grant Allocations for all upper tier authorities
D	Calculation of Adjusted Formula Grant
E	Calculation of Change in Spending Power
F	Response to the Provisional Settlement

Local Government Finance Settlement

Parliamentary Statement by the Secretary of State for Communities and Local Government (Eric Pickles MP) on 13 December 2010

With permission, Mr Speaker, I should like to make a statement on finance for English local authorities for 2011 to 2013.

The spending review set out how the Government would tackle the catastrophic levels of public debt by delivering necessary reductions in public spending to accelerate deficit reduction and put the public finances back on a sustainable footing. This has involved difficult, but essential and responsible, decisions. Every part of the public sector needs to do its bit to help to reduce the highest deficit in the UK's peacetime history and the rapidly rising national debt that this Government have inherited.

Last year, the Government borrowed one pound in every four they spent. That threatened our economic credibility. In contrast, our plans to eliminate the current structural deficit over five years have won the backing of the International Monetary Fund, kept our credit rating steady and held interest rates down. The Office for Budget Responsibility's forecast confirms we are taking the right steps. Its message is that Britain's recovery is on track.

I have sought to achieve a fair and sustainable settlement for local government by listening to what the local government community has asked for. It will be a progressive settlement that is fair between different parts of the country. First, we have focused on the most vulnerable communities with significant social challenges. These are often the areas that are most reliant on Government grant, so equal grant reductions would leave the poorest places worst off. We have insulated them by giving more weight to the levels of need within different areas and less weight to per capita distributions. We have also grouped councils into four bands, reflecting their dependence on central Government. More dependent places will therefore see proportionally lower falls than more self-sufficient places.

Secondly, we have listened to concerns about the front-loading of the reductions. The Local Government Association asked me to focus on local government total spending, including not just grants but income from council tax and NHS funding to support social care and benefit health. It said that reductions in spending should be limited to 8%. As far as possible, I have given the LGA what it asked for. I have made sure that no authority will face more than an 8.9% reduction in spending power in either 2011-12 or 2012-13. In fact, the average reduction in spending power for 2011-12 is 4.4%. To fund this, I have transferred an extra £30 million of my Department's budget to local government for 2011-12. I have also provided a grant of £85 million for 2011-12 and £14 million for 2012-13 to fund councils who would otherwise have seen sharper falls.

The spending review also announced that the Government will protect the public from excessive council tax rises. We have set aside £650 million so every council can freeze council tax next year without hitting local services. We will provide councils that freeze council tax with the equivalent of a 2.5% increase in funding instead. That will provide real help to hard-working families and people on fixed incomes, such as pensioners. The Government also want to ensure that council tax payers are protected against authorities that reject the offer and impose excessive council tax rises. We will introduce powers for residents to veto excessive council tax increases through a local referendum. In the meantime, the Government will take capping action against councils that propose excessive rises.

When the House debates the final local government finance report next year, I will set out the capping principles. I will also publish shortly details of the figures that will be used to compare authorities' budgets between years, should capping be necessary. The previous

Government had planned to cap the police authorities of Greater Manchester and Nottinghamshire after they set excessive increases in 2010-11. Subject to challenge, we will ensure that, should they decide not to freeze the council tax, neither can impose an increase of over 2.5% in 2011-12.

This settlement also supports the Government's commitment to adult social care, providing councils with sufficient resources to protect people's access to care and to deliver improved quality of outcome. That includes £150 million of NHS funding in 2011-12 to support social care services, promoting integrated working between primary care trusts and local authorities and benefiting the health system. The settlement directs more formula grant to authorities that deliver social care.

Despite all the actions we have taken, I recognise that local government still faces significant challenges. The vast majority of councils have been making sensible plans to address them. I support that and I am restoring real power to councils, ensuring that Whitehall interference, red tape and the burdens of inspection and regulations are gone. The Localism Bill, published today, will deliver a new democratic settlement to local councils, overturning decades of central Government control.

For too long, councils have been barred from using their initiative and creativity to improve services. The limited "power of well-being" acted as an obstacle to cost savings, such as mutual insurance companies. Today's Bill will fundamentally change councils' freedom to act in the interest of their local communities through a new general power of competence. That will give councils the legal reassurance and confidence they need to innovate, drive down costs and deliver more effective services. I am also giving councils greater control over their budgets.

With very few exceptions, we have ended grant ring-fencing so that councils can decide for themselves how their money is spent. We will also allow them to borrow against future business rates receipts. Councils now have the freedom and responsibility to concentrate on what residents want: protecting front-line services. To support them, I have set aside £2 million to help councils to modernise and reduce back-office costs.

Councils can protect front-line services by sharing services and back-office functions, improving procurement to get more for less, bringing increasing senior pay under control and using transparency to cut waste. Proactive councils are already taking the opportunity radically to rethink and transform their services. There are also substantial incentives available for councils to invest in long-term projects, which include the new homes bonus and £1.4 billion of regional growth funds over three years—a fund that goes well beyond the working neighbourhoods fund. There will now be a statutory consultation on the settlement for 2011-12 and I look forward to hearing representations from councils.

Finally, this is a transitional settlement, using an inherited system. That is why I have set out details only for the next two years to strike a balance between the need to help councils plan and the need to reform the system. This system, based on redistributing business rates, makes councils heavily reliant on handouts from central Government—some depend on us for up to 75% of their spending power. It is part of the trend that has led to some areas of the country becoming completely dependent on the public sector. It makes planning difficult, weakens local accountability and stifles local innovation. There is no incentive for councils to invest in their local economy as they will see most of the proceeds disappear.

That is why I have set up a review of business rates with the intention that, in future, local government will be able to keep more of what it collects. Ultimately, the councils that invest and support the local economy will be able better to use the finances themselves. The local government resource review will begin in the New Year. I commend the statement to the House.

Formula Grant changes by class and region

Local Authority Type	2011/12 % Change	2012/13 % Change
England	-9.9%	-7.3%
London area	-9.1%	-7.0%
Metropolitan areas	-9.8%	-7.2%
Shire areas	-10.4%	-7.5%
Isles of Scilly	0.0%	0.0%
Inner London boroughs incl. City	-11.2%	-7.4%
Outer London boroughs	-11.3%	-7.9%
London boroughs	-11.3%	-7.6%
GLA - all functions	-4.9%	-5.9%
Metropolitan districts	-11.3%	-7.6%
Metropolitan fire authorities	-9.4%	-3.0%
Metropolitan police authorities	-5.1%	-6.7%
Shire unitaries with fire	-11.9%	-7.3%
Shire unitaries without fire	-11.3%	-7.6%
Shire counties with fire	-12.5%	-8.0%
Shire counties without fire	-12.7%	-7.8%
Shire districts	-15.0%	-10.8%
Combined fire authorities	-4.7%	0.4%
Shire police authorities	-5.1%	-6.7%
GO REGIONAL SUMMARY		
South West GOR	-10.3%	-7.1%
South East GOR	-10.8%	-8.1%
London GOR	-9.1%	-7.0%
Eastern GOR	-10.6%	-7.6%
East Midlands GOR	-10.3%	-7.4%
West Midlands GOR	-9.5%	-7.0%
Yorkshire and Humber GOR	-10.1%	-7.2%
North East GOR	-9.8%	-7.1%
North West GOR	-10.0%	-7.3%
FLOOR DAMPING GROUPS		
Education Authorities	-11.6%	-7.7%
Police Authorities	-5.1%	-6.7%
Fire Authorities	-5.8%	-0.7%
Shire Districts	-15.0%	-10.8%

Change in Estimated Revenue Spending Power and Transition Grant Allocations for all Upper Tier Authorities

	Change in Estimated Spending Power		Transition Grant	
	2011/12 %	2012/13 %	2011/12 £m	2012/13 £m
<u>London Boroughs</u>				
Hackney	-10.5%	-6.7%	5.776	0
Newham	-10.5%	-6.6%	5.731	0
Tower Hamlets	-9.9%	-6.1%	3.767	0
Islington	-8.8%	-4.3%	0	0
Southwark	-8.4%	-4.5%	0	0
Haringey	-7.9%	-4.0%	0	0
Greenwich	-7.7%	-4.4%	0	0
Lambeth	-7.7%	-4.5%	0	0
Westminster	-7.2%	-5.1%	0	0
Hammersmith and Fulham	-6.6%	-4.3%	0	0
Camden	-6.5%	-4.3%	0	0
Lewisham	-6.5%	-4.3%	0	0
City of London	-6.5%	-6.4%	0	0
Wandsworth	-6.4%	-4.6%	0	0
Barking and Dagenham	-5.9%	-3.3%	0	0
Brent	-5.9%	-4.0%	0	0
Kensington and Chelsea	-5.3%	-4.2%	0	0
Waltham Forest	-5.2%	-3.7%	0	0
Croydon	-5.0%	-2.7%	0	0
Ealing	-4.9%	-3.8%	0	0
Hounslow	-4.7%	-3.7%	0	0
Merton	-3.8%	-3.5%	0	0
Hillingdon	-3.1%	-3.1%	0	0
Sutton	-2.8%	-2.6%	0	0
Bexley	-2.8%	-2.9%	0	0
Enfield	-2.8%	-2.5%	0	0
Redbridge	-2.6%	-2.8%	0	0
Barnet	-2.6%	-2.3%	0	0
Kingston upon Thames	-2.6%	-2.6%	0	0
Bromley	-2.5%	-2.8%	0	0
Harrow	-1.9%	-2.4%	0	0
Havering	-1.7%	-2.3%	0	0
Richmond upon Thames	-0.6%	-1.6%	0	0

	Change in Estimated Spending Power		Transition Grant	
	2011/12 %	2012/13 %	2011/12 £m	2012/13 £m
<u>Metropolitan Districts</u>				
Liverpool	-11.3%	-7.1%	15.550	0
Manchester	-11.0%	-7.0%	13.332	0
Knowsley	-10.7%	-6.3%	3.968	0
South Tyneside	-10.5%	-5.5%	3.009	0
Doncaster	-9.6%	-4.6%	2.118	0
St Helens	-9.4%	-4.8%	0.935	0
Rochdale	-8.9%	-4.3%	0.031	0
Sunderland	-8.9%	-4.0%	0	0
Bradford	-8.8%	-4.0%	0	0
Salford	-8.5%	-3.9%	0	0
Sheffield	-8.4%	-4.0%	0	0
Birmingham	-8.3%	-4.3%	0	0
Oldham	-8.2%	-3.6%	0	0
Gateshead	-7.9%	-3.7%	0	0
Newcastle upon Tyne	-7.8%	-4.0%	0	0
Barnsley	-7.4%	-3.7%	0	0
Wirral	-7.4%	-4.1%	0	0
Wolverhampton	-7.0%	-3.6%	0	0
Bolton	-6.9%	-3.9%	0	0
Sefton	-6.7%	-3.9%	0	0
Sandwell	-6.7%	-3.6%	0	0
Walsall	-6.6%	-3.5%	0	0
Wigan	-6.4%	-3.4%	0	0
Tameside	-6.2%	-3.6%	0	0
Coventry	-5.7%	-3.8%	0	0
Leeds	-5.0%	-3.8%	0	0
Rotherham	-5.0%	-3.9%	0	0
Calderdale	-4.9%	-3.7%	0	0
Wakefield	-4.7%	-3.8%	0	0
Bury	-4.4%	-3.9%	0	0
North Tyneside	-4.4%	-3.8%	0	0
Kirklees	-4.3%	-3.4%	0	0
Trafford	-3.8%	-3.4%	0	0
Solihull	-3.5%	-3.0%	0	0
Dudley	-3.4%	-3.1%	0	0
Stockport	-2.8%	-2.7%	0	0

	Change in Estimated Spending Power		Transition Grant	
	2011/12 %	2012/13 %	2011/12 £m	2012/13 £m
<u>All Purpose Authorities</u>				
Blackburn with Darwen	-10.5%	-5.6%	2.806	0
Hartlepool	-10.3%	-5.6%	1.661	0
Kingston upon Hull	-9.7%	-4.7%	2.391	0
North East Lincolnshire	-9.1%	-4.2%	0.396	0
Middlesbrough	-9.1%	-3.8%	0.364	0
Halton	-8.9%	-3.8%	0.026	0
Nottingham	-8.4%	-4.2%	0	0
Redcar and Cleveland	-8.4%	-3.6%	0	0
Stoke-on-Trent	-8.1%	-3.1%	0	0
Stockton-on-Tees	-7.3%	-3.8%	0	0
Blackpool	-7.3%	-3.1%	0	0
Durham	-6.7%	-3.2%	0	0
Leicester	-6.7%	-3.6%	0	0
Northumberland	-5.6%	-3.2%	0	0
Luton	-5.5%	-3.2%	0	0
Derby	-5.5%	-4.1%	0	0
Slough	-4.9%	-3.6%	0	0
Peterborough	-4.8%	-3.6%	0	0
Brighton & Hove	-4.7%	-4.1%	0	0
Portsmouth	-4.4%	-3.5%	0	0
Southampton	-4.4%	-3.3%	0	0
Plymouth	-4.4%	-2.9%	0	0
Reading	-4.3%	-3.6%	0	0
Telford and the Wrekin	-4.1%	-3.4%	0	0
North Lincolnshire	-4.0%	-3.2%	0	0
Isle of Wight Council	-3.9%	-3.2%	0	0
Bournemouth	-3.8%	-3.7%	0	0
Bedford	-3.7%	-3.1%	0	0
Bristol	-3.6%	-3.1%	0	0
Medway	-3.6%	-3.1%	0	0
Darlington	-3.5%	-3.1%	0	0
Southend-on-Sea	-3.5%	-3.2%	0	0
Warrington	-3.5%	-3.1%	0	0
Torbay	-3.4%	-3.1%	0	0
Milton Keynes	-3.3%	-2.8%	0	0
York	-3.3%	-3.2%	0	0
Cornwall	-3.2%	-2.9%	0	0
Herefordshire	-3.2%	-2.9%	0	0
Cheshire West & Chester	-3.0%	-2.9%	0	0
East Riding of Yorkshire	-2.9%	-2.7%	0	0
Shropshire	-2.8%	-2.7%	0	0
Bath & North East Somerset	-2.6%	-2.4%	0	0
Bracknell Forest	-2.5%	-2.5%	0	0
Thurrock	-2.4%	-2.3%	0	0
Swindon	-2.4%	-2.3%	0	0
South Gloucestershire	-2.4%	-2.2%	0	0
North Somerset	-2.3%	-2.3%	0	0

	Change in Estimated Spending Power		Transition Grant	
	2011/12 %	2012/13 %	2011/12 £m	2012/13 £m
<u>All Purpose Authorities</u> <u>(continued)</u>				
Wiltshire	-2.2%	-2.5%	0	0
Rutland	-2.2%	-2.4%	0	0
West Berkshire	-2.0%	-2.3%	0	0
Central Bedfordshire	-1.7%	-2.1%	0	0
Cheshire East	-1.6%	-2.1%	0	0
Windsor and Maidenhead	-1.1%	-1.8%	0	0
Poole	-1.0%	-1.9%	0	0
Wokingham	-0.6%	-1.5%	0	0
 <u>Shire Counties</u>				
Lancashire	-3.6%	-2.8%	0	0
Cambridgeshire	-3.0%	-2.6%	0	0
Lincolnshire	-2.7%	-2.6%	0	0
Nottinghamshire	-2.7%	-2.6%	0	0
Northamptonshire	-2.6%	-2.4%	0	0
Gloucestershire	-2.5%	-2.4%	0	0
Suffolk	-2.4%	-2.4%	0	0
Derbyshire	-2.4%	-2.4%	0	0
North Yorkshire	-2.0%	-2.2%	0	0
Somerset	-2.0%	-2.1%	0	0
Staffordshire	-2.0%	-2.1%	0	0
Cumbria	-1.9%	-2.0%	0	0
Oxfordshire	-1.9%	-2.4%	0	0
Worcestershire	-1.8%	-2.1%	0	0
Kent	-1.8%	-2.1%	0	0
Devon	-1.8%	-2.1%	0	0
Leicestershire	-1.8%	-2.1%	0	0
Norfolk	-1.7%	-1.9%	0	0
Hertfordshire	-1.5%	-2.3%	0	0
East Sussex	-1.5%	-1.9%	0	0
Warwickshire	-1.3%	-1.7%	0	0
Essex	-1.3%	-1.8%	0	0
Hampshire	-0.9%	-2.0%	0	0
West Sussex	-0.6%	-1.7%	0	0
Buckinghamshire	-0.6%	-1.7%	0	0
Surrey	-0.3%	-1.5%	0	0
Dorset	0.2%	-1.1%	0	0

Calculation of Adjusted Formula Grant

A number of Area Based Grants and Specific Grants have been rolled into Formula Grant in 2011/12. There are also a number of changes as a result of transfers of funding from other bodies or transfers of responsibility for service provision to other bodies. The tables below show the adjustments applied to the 2010/11 and 2011/12 formula grant used as the basis for floor damping in both 2011/12 and 2012/13.

<u>Adj.</u> <u>2011/12</u>	<u>ABG / Specific Grant/ Transfer</u>	<u>Sefton £m</u>
Formula Grant 2010/11		124.673
D Concessionary Travel	Funding Transfer	1.425
H Child Death Review Processes	ABG	0.039
I Care Matters White Paper	ABG	0.282
J Mobile Homes Act	Specific Grant	0.001
K Economic Assessment Duty	ABG	0.065
L <u>Adult Social Services</u>		
Mental Health Grant	ABG	1.022
Child and Adolescent Mental Health Services	ABG	0.517
Learning and Disability Development Fund	ABG	0.290
Mental Capacity Act and Independent Mental Capacity Carers Grant	ABG	0.190
Adult Social Care Workforce	ABG	1.604
Local Involvement Networks funding	ABG	0.920
M Personal Social Services	Specific Grants	0.170
O Private Sewers	Responsibility	1.951
P Planning Inspectorate SUDs Appeals Costs	Responsibility	-0.118
Q Academies	Responsibility	-0.005
R <u>Local Transport Services</u>		
- Road Safety Grant (59.3%)	Funding Transfer	-0.655
- Rural Bus Subsidy (59.3%)	Funding Transfer	0.181
- Detrunking Grant (59.3%)	ABG	0.018
S Supporting People	ABG	0.485
T Housing Strategy for Older People	Specific Grant	6.747
U LSC Staff Transfer	ABG	0.110
V AIDS Support Grant	Specific Grant	0.331
W Preserved Rights	ABG	0.038
X Animal Health & Welfare Grant	Specific Grant	3.665
		0.005
Adjusted Formula Grant 2010/11		143.952

<u>Adj.</u> <u>2011/12</u>	<u>ABG / Specific Grant/ Transfer</u>	<u>Sefton £m</u>
Formula Grant 2011/12		126.243
B Private Sewers	Transfer	-0.110
C Academies	Transfer	-0.516
Adjusted Formula Grant 2011/12		125.619

Change in Spending Power Calculation

Change in Spending Power in 2011/12	£m
<u>Sefton's Spending Power in 2010/11</u>	
Council Tax Requirement 2010/11	118.848
Formula Grant 2010/11 adjusted	143.952
Learning Disability 2010/11 adjusted	4.133
Early Years Intervention Grant 2010/11 adjusted	12.994
Migration Impact Fund 2010/11	0.155
Working Neighbourhood Fund 2010/11	7.139
Housing and Council Tax Benefit Subsidy Admin Grant 2010/11	2.697
Preventing Homelessness 2010/11 adjusted	0.063
	289.981
<u>Sefton's Spending Power in 2011/12</u>	
Council Tax Requirement 2010/11	118.848
Formula Grant 2011/12	126.246
Learning Disability 2011/12	4.217
Early Years Intervention Grant 2011/12	11.318
Housing and Council Tax Benefit Subsidy Admin Grant 2011/12	2.602
Preventing Homelessness 2011/12	0.088
Indicative Council Tax Freeze Grant 2011/12	2.950
NHS funding to support social care and benefit health 2011/12	4.173
	270.442
Change in estimated 'revenue spending power'	-6.74%

Change in Spending Power in 2012/13	£m
<u>Sefton's Spending Power in 2011/12</u>	
Council Tax Requirement 2010/11	118.848
Formula Grant 2011/12 Adjusted	125.619
Learning Disability 2011/12	4.217
Early Years Intervention Grant 2011/12	11.318
Preventing Homelessness 2011/12	0.088
Indicative Council Tax Freeze Grant	2.950
NHS funding to support social care and benefit health 2011/12	4.173
	267.214
<u>Sefton's Spending Power in 2012/13</u>	
Council Tax Requirement 2010/11	118.848
Formula Grant 2012/13	115.067
Learning Disability 2012/13	4.317
Early Years Intervention Grant 2012/13	11.526
Preventing Homelessness 2012/13	0.063
Indicative Council Tax Freeze Grant	2.950
NHS funding to support social care and benefit health 2012/13	3.970
	256.740
Change in estimated 'revenue spending power'	-3.92%

Response to the Provisional Local Government Finance Settlement 2011/12 and 2012/13

I am writing on behalf of Officers of Sefton Council to make representations on the proposed Local Government Finance Settlement announced on 13 December 2010.

The level of grant cuts delivered over the Settlement period together with growing cost pressures in areas such as adult social care, children's services and waste management have left the Council needing to find savings of £64m over the next two years (£44m in 2011/12, plus a further £20m in 2012/13).

The Settlement presents us with some very difficult decisions. This level of savings cannot be achieved solely through efficiencies and cuts in back office functions. In fact over the past five years we have achieved more than £31m of cashable efficiency savings that have been passed on to local tax payers in the form of reduced council tax demands. The removal of red tape, reductions in inspections, and the use of new freedoms and flexibilities announced by the Government are helpful but they will not achieve savings of the magnitude required. It is inevitable that deep cuts in the front line services that people rely on will have to be made.

We have taken action to cut our costs with reductions in spending provision across all services resulting in savings of £24.9m agreed to date. These cuts together with the remaining savings required to set a balanced budget are expected to result in more than 1,000 staff redundancies.

I would also like to make the following comments on specific aspects of the provisional settlement.

The Level and Front Loading of Formula Grant Cuts

Issue:

Local authorities are facing some of the biggest cuts in the public sector. The cuts faced by Sefton are not only higher than previously indicated in both the June Budget statement and the Spending Review they are also front loaded so that the majority of savings will need to be achieved in 2011/12. This has made it difficult to plan for the actual level of savings required and prioritise the areas in which they are made or to mitigate their impact.

Background

The Chancellor's Budget statement in June 2010 indicated that public spending would need to be cut by 25% in real terms over a four year period. In response the Council planned for budget cuts of £24m in 2011/12 and a further £17m in 2012/13 based on a 6.5% cut in formula grant and area based grant, whilst freezing Council Tax in each year.

The Spending Review in October 2010 indicated that formula grant paid to local authorities would reduce by 28% over the next four years. The reductions were front loaded with cuts of 10.7% in 2011/12 and 6.4% in 2012/13. In response the Council forecast budget cuts of £38m in 2011/12 and a further £18m in 2012/13 based on an 11.1% cut in formula grant and changes in area based grant in line with the Letter from the Secretary of State for Communities and Local Government (dated 20 October 2010), whilst freezing Council Tax.

Provisional Local Government Finance Settlement

The Provisional Settlement indicates that Sefton will face formula grant cuts of 12.3% in 2011/12 and 8.4% in 2012/13. The combined effect of the cuts in formula grant and the impact of changes in specific grant funding have further increased the Council's budget gap by £6m in 2011/12 and a further £2m in 2012/13.

Real Terms Cuts in Formula Grant

The real terms impact of the cuts in formula grant is much higher than the cash amounts announced in the Provisional Settlement. Sefton faces real terms formula grant cuts of 15.6% in 2011/12 and 11.7% in 2012/13 (based on the December 2010 CPI figures), giving a total real terms reduction of 27.3% over the next two years.

Planning

The Secretary of State for Communities and Local Government will be aware of the time needed to plan and implement changes on this scale. The late announcement of additional funding reductions has given the Authority's elected members little time to implement efficiencies, plan service reductions or inform local residents before they feel the impact of the cuts.

Removal of the Working Neighbourhoods Fund (WNF)

The WNF was introduced in 2008/09. It replaced the Neighbourhood Renewal Fund which had been introduced to tackle deprivation. The WNF was focused on a smaller number of areas where high levels of worklessness remained persistent.

Some areas within Sefton suffer from very high levels of unemployment. Sefton was ranked 23 on the Employment Scale in the Index of Multiple Deprivation 2007 indicating that worklessness is a significant problem in this area. The Council has benefited from the WNF during the last three years, receiving funding of £7.139m in 2010/11 (after the in-year cuts announced in June 2010).

The WNF has enabled the Council to take positive action to reduce unemployment and improve business opportunities. An example of this positive action is the Sefton Integrated Business Support Project which aims to transform particular areas within Sefton into places that encourage and invite new entrepreneurs and successful, outward looking businesses and where residents and businesses are able to access a range of services that will enable them to start up in business or grow their existing business.

The level of unemployment, which is already high in Sefton, is expected to rise at a higher rate than the national average as the local economy is heavily reliant on the public sector.

The removal of WNF in conjunction with the significant reductions in other areas of funding will severely limit the action the Council can take to tackle unemployment and grow business opportunities in the future.

The decision to end this funding should be reversed.

Top-slicing of Formula Grant to fund Academies

Funding required to support schools converting to academies has been transferred out of Formula Grant. Nationally the amount transferred is £145.240m in 2011/12 and £114.481m in 2012/13. The adjusted formula grant used as the baseline for damping purposes has been adjusted pro-rata to the Local Authority Central Education Services Relative Needs Formula. Sefton's adjusted formula grant for 2010/11 and 2011/12 have been reduced by £0.656m and £0.516m respectively.

On 5 January 2011, the Department for Education published a list of all schools that had converted to academies. The list showed there are 407 Academies open in England, none of these are in Sefton. There has been no reduction in need to spend on support for schools in Sefton in 2011/12 as a result of schools becoming academies, so this represents a funding reduction rather than an adjustment.

It would have been more equitable to adjust the baseline of only those authorities where academies have been established. If this did not produce the required level of funding then a retrospective adjustment in formula grant could have been made in 2011/12 and 2012/13 as and when schools became academies. This would have ensured that reductions in funding were matched by a reduction in spending pressures rather than the proposed allocations which mean that areas where no academies have been established are subsidising those areas where a number of schools have transferred to academies.

Funding reductions for academies should only be made where schools have transferred to academy status.

Local Transport Services Grants Rolled into Formula Grant

The way that local transport funding allocations have been calculated overstates the amount of Road Safety Grant actually paid in 2010/11 (it uses the grant before in year reductions were applied). This favours those authorities that did not receive de-trunking grant in 2010/11 by giving them a higher allocation than would have been the case if the actual Road Safety Grant paid had been used.

If the actual level of Road Safety Grant paid in 2010/11 was used to calculate the baseline adjustment for 2010/11 the allocations for 2011/12 and 2012/13 would have been calculated as follows:

Year	National Total	Cumulative Change	Sefton's Allocation
	£		£
2010/11 Actual	168,502,311		1,073,537
2010/11 Adjusted	112,000,000	-33.53%	713,558
2011/12 Allocation	79,000,000	-53.12%	503,313
2012/13 Allocation	72,000,000	-57.27%	458,716

Correcting the allocations would result in the following changes in Sefton's allocation.

Year	Provisional Settlement	Corrected Allocation	Change
	£	£	£
2010/11 Adjusted	683,676	713,558	28,882
2011/12 Allocation	482,236	503,313	21,077
2012/13 Allocation	439,506	458,716	19,210

Home Office Grant Funding ending in 2011/12

A number of Home Office grants allocated as part of the Area Based Grant have ended in 2011/12. These include the Stronger Safer Communities Fund, and Young People Substance Misuse Partnership. Sefton received £0.323m in 2010/11.

The Safer and Stronger Communities Fund (SSCF) was introduced for all Local Authorities in England in April 2005. It brought together funding streams aimed at tackling crime, anti-social behaviour and drugs, empowering communities and improving the condition of streets and public spaces, prioritising the most disadvantaged neighbourhoods.

Removal of this funding stream will limit the Council's ability to tackle anti-social behaviour and drug misuse which are a major public concern and of particular significance in deprived areas.

The Substance Misuse Partnership funding has been used to develop our Service Substance Misuse Advice Support and Help (SMASH) service in partnership with the PCT. SMASH offers prevention and targeted specialist treatment / support services to a significant numbers of the young people known to have drugs/alcohol and other health support needs, with the balance firmly in favour of prevention.

Removal of this funding stream will limit the Council's ability to work in partnership with the PCT on prevention of substance misuse.

The decision to end this funding should be reversed.

Concessionary Travel Adjustment

The adjustment to formula grant for 2010/11 for the transfer of concessionary travel grant has been calculated pro-rata to each authority's share of the new Concessionary Travel Relative Needs Formula. In contrast local transport authority levies are based on population. This results in a difference between the anticipated increases in levy allocations and the amount of formula grant protection provided within the settlement.

The difference in Sefton's case can be easily calculated by deducting (a) the disaggregated grant shown in Column V of the 'Calculation of Estimated 2010-11 Concessionary Travel NRE' table (£1.621m) from (b) Adjustment D in the 'Calculation of Adjusted 2010-11 Formula Grant' table (£1.425m). This calculation indicates that the increase in the local transport authority levy as a result of the concessionary fares funding transfer will be £0.196m higher than the amount included in the Adjusted 2010/11 Formula Grant used in the damping calculation.

Calculating the adjusted 2010/11 formula grant this way results in a series of winners and losers in each transport authority area. This adjustment should have been calculated using the latest mid-year population estimates.

Additional Funding for Personal Social Services within Formula Grant

In his statement on the provisional settlement the Secretary of State for Communities and Local Government made the following comments:

'This settlement also supports the Government's commitment to adult social care, providing councils with sufficient resources to protect people's access to care and to deliver improved quality of outcome. That includes £150 million of NHS funding in 2011-12 to support social care services, promoting integrated working between primary care trusts and local authorities and benefiting the health system. The settlement directs more formula grant to authorities that deliver social care.'

We welcome the emphasis placed on adult social care funding as this is an area which is placing increasing pressure on the Council's resources. However, we are concerned that funding provided via primary care trusts will come with potential restrictions that mean it cannot be directed in line with the Council's priorities. If this proves to be the case the level of care services provided by the Council will be adversely affected.

Changes to the Formula Grant Distribution Model

Area Cost Adjustment

The use of labour cost adjustment weights based on evidence rather than judgement is a welcome improvement in the way the area cost adjustment (ACA) is calculated. However, we continue to believe that the amount of weight given to the ACA is far too high and consequently the level of grant distributed via the ACA factor overcompensates authorities in comparison with the actual cost differences they face. The continued use of private sector wage data that includes salary levels far in excess of the Prime Minister or even the highest paid Council Chief Executive in the calculation of the ACA cannot be justified.

Replacing the Children's Income Support Benefit Data

Replacing 'children of income support/income based job seekers allowance claimants indicator data' with 'children in out-of-work families receiving child tax credit indicator data' has resulted in a significant redistribution of formula grant that could not be justified without a full review of the formulae affected. No such review was undertaken. The consultation paper on formula grant distribution issued in July 2010 indicated that Sefton would lose £3.3m of formula grant as a result of this change. This is a significant loss of funding with no resulting reduction in spending pressures. This change is unjustified and should be reversed.

Student Exemptions

The use of May data only for the student exemptions adjustment in the council tax base projections overstates the average number of student exemptions actually experienced by university towns and cities. This was recognised as a risk in the formula grant consultation paper and was adequately demonstrated in data provided to the Settlement Working Group in Annex A of paper SWG-09-40 based on Manchester's records of student exemptions. This showed that student exemptions peaked in June and were at their lowest in January. The chart clearly illustrated that using May only data would overestimate the average number of student exemptions for the year. This change is unjustified and should be reversed.

Damping

The introduction of Banded Floors to protect those authorities who are more heavily reliant on formula grant to fund their budgets is a welcome change to the way in which floor damping has been applied in this settlement.

However, a number of grants such as the Working Neighbourhoods Fund that supported our expenditure in 2010/11 have not been accounted for in the baseline (adjusted 2010/11 formula grant) used in the damping calculation. This means that the real reduction in funding in 2011/12 is much higher than the -12.3% figure stated in the Settlement.

We believe that the inclusion of WNF in the baseline would have significantly improved the fairness of the funding distribution and final settlement should be changed to reflect this.

Use of Population Projections in the Formula Grant Distribution Model

ONS population estimates suggest that Sefton has suffered one of the highest reductions in population in England since the Census was undertaken in 2001 when the Authority had a resident population of 282,958. The latest ONS mid-year population estimates for 2009 indicate that our resident population has fallen to 273,300. In part this is due to natural change (Births less Deaths) which has reduced our population by 5,100. The remainder is due to migration and other changes which have resulted in a further reduction of 4,500.

The population projections used in the 2011/12 and 2012/13 settlements indicate that the Authority's population will decline even further in 2011 and 2012.

We have always supported the use of the latest available data in the grant distribution formulae (provided that it is relevant and accurate) and believe that this data should be applied consistently across settlements in order to provide a stable finance system. In most cases the data used in the formulae is the latest available and is damped over a number of years to provide stability. One significant area where this is not the case is the use of population projections.

The use of projections was introduced in the 2006/07 along with the introduction of three year settlements. Prior to this the local government finance system used the latest mid-year population estimates available, which provided a degree of lag that protected those local authorities with reducing populations, who could not restructure their fixed costs at the same rate as their populations were declining.

ONS revisions to population data between the last two settlements had a material effect on Sefton's formula grant allocations. The ONS changed the way it calculated migration and student inflow/outflows in 2008 and issued revised population figures for 2007 that reduced Sefton's population estimate by 1,100. This reduction in our population estimates has influenced the population projections used in the latest settlement, resulting in a reduction in our formula grant allocations, which has not been matched by a reduction in demand for our services.

Given that the latest settlement covers only a two year period, coupled with the overall reductions in formula grant during the period it would have been preferable to have used the latest mid-year population estimates for 2009 in both the 2011/12 and 2012/13 settlements in order to promote stability and to allow authorities with declining populations time to restructure their services.

We ask for the removal of population projections and a return to the use of mid-year estimates in future settlements.

Council Tax Freeze Grant

Whilst the proposals for calculating the council tax freeze grant payments available to authorities in 2011/12 follow a logical pattern, the targeting of formula grant in this way benefits those authorities with higher council tax bases who rely less on formula grant to fund their expenditure. These authorities are also the ones who are receiving the lowest reductions in their formula grant relative to their overall spending power. This will be perceived as grossly unfair by taxpayers in areas with low tax bases who will see services in their areas reduced in order to fund a tax freeze in more affluent areas of the country.

It would have been fairer to distribute this funding via the relative needs formula or via the transition grant.

Transition Grant

The transition grant proposed for 2011/12 and 2012/13 is a welcome attempt to ensure that those authorities most reliant on grant funding are cushioned from the full impact of the reductions in both years even if only to a limited extent.

However, the gap between those affected most by the cuts (e.g. Liverpool's spending power is reduced by -8.9%) and those least affected by the cuts (e.g. Dorset's spending power is increased by 0.2%) is too wide.

It would have been feasible to ensure that all local authorities received a grant settlement that provided a reduction in funding much closer to the average for upper tier authorities of -4.7%. Setting the level at -6% in 2011/12 would have meant redistributing an additional £320m. This is approximately equal to a 1.5% rise in council tax and could have been achieved using some of the money set aside to fund the council tax freeze grant.

As it stands the provisional settlement provides the following average decrease in spending power for each type of upper tier authority:

<u>Type of Authority</u>	<u>Reduction in Spending Power</u>
London Boroughs	-5.9%
Metropolitan Districts	-7.4%
Unitary Authorities	-4.7%
Shire Districts	-1.8%

This means that Metropolitan Districts such as Sefton who are supporting some of the most deprived areas of the country are facing the largest cuts whilst the more affluent areas with the lowest levels of deprivation are insulated from those cuts through higher tax bases, council tax freeze grant, and cuts to deprivation targeted funding in other areas.

We would like to see the final settlement amended to ensure that there is a smaller gap between the worst affected and the least affected authorities.

Cutting Services and Meeting the Cost of Redundancy Payments

In response to the funding cuts set out in the provisional settlement we are taking action to cut our costs with reductions in spending provision across all services. These cuts are required to set a balanced budget and are expected to result in more than 1,000 staff redundancies. Meeting our legal obligation to make redundancy payments to these staff will put further pressure on our budgets requiring deeper cuts if the cost of redundancies cannot be spread over a number of years.

On 30 November 2010, the Secretary of State for Communities and Local Government suggested that Councils who have put aside significant sums of money in recent years should dip into their reserves to help manage the consequences of the economic downturn. The Council has examined all of its earmarked reserves with a view to releasing any over provisions to meet the costs of restructuring its services. Unfortunately there is insufficient funding available to meet the significant costs associated with the level of anticipated job cuts.

In 2010 we applied for a capitalisation direction to help manage redundancy costs in 2010/11. The amount approved for capitalisation fell well short of the funding required to enable us to meet our obligations. As a result we will have to stagger our redundancy programme to delay some of the costs until 2011/12. This has been possible in 2010/11 but will not be achievable in 2011/12, so it vital that sufficient capitalisation consents are made available in 2011/12 to ensure that Council's are able to spread the costs of restructuring their services in a sensible manner. However, we believe that the capitalisation limits announced for 2011/12 will be insufficient to achieve this. The Government must recognise that the next four years will not be business as usual for local authorities and an adequate amount of capitalisation must be made available to protect essential services from being cut to fund redundancies.

I trust you will consider the issues raised above and look forward to receiving your response on these matters.