

**SOUTH EAST ENGLAND REGIONAL ASSEMBLY
EXECUTIVE COMMITTEE**

Date: 21 October 2005

Subject: **Local Government Finance Settlement**

Report of: Chairman of the Regional Assembly

Recommendation:

That the Executive ask the Leadership Group to:

- a) work with the South East County Leaders Group to complete a comprehensive survey of funding pressures facing local authorities in the South East;
- b) establish whether sufficient consensus can be established between authorities and, if so, to pursue a high-profile media and lobbying campaign, jointly with the South East County Leaders Group, drawing attention to the funding crisis facing local government and other public services in the South East.

1. Purpose of this Report

- 1.1 To update the Executive Committee on the funding crisis facing local government in the South East and to propose joint action to press the Government on this issue.

2. Background

- 2.1 A survey of Budget and Council Tax Prospects for 2006/07 across the County Councils and Shire Unitary Authorities in the South East Region was carried out for the South East County Leaders Group by Surrey CC in the week commencing 17 October. 11 of the 21 authorities had responded at the time of writing (8 Counties, 2 Unitaries, 1 County/Unitary – note this includes Hertfordshire and Essex which are in the East of England region but which are members of the South East County Leaders Group). The results to date are at Annex 1.

3. Summary of Results

Council Tax

- 3.1 All authorities are looking to make significant reductions in current spending levels in order to achieve their target council tax levels.

- 3.2 Authorities are targeting council tax increases in the range of current RPI (2.7%) to 5%. Most authorities are making the assumption that capping will occur for increases above 5%. Without reductions in spending, council tax increases would be 10% or higher.

Spending Reductions

- 3.3 Projected levels of spending reductions are in excess of £250m across the region on just over a 50% sample. Total spending reductions could be in excess of £300m.

Spending Pressure Areas

- 3.4 The major spending pressure areas are:
- Adult Services – demographic and cost pressures above inflation, particularly people with learning disabilities, including those in transition from children’s services and older people.
 - Children’s Services – social care agency placements.
 - Waste Disposal – cost of PFI schemes, impact of rising domestic waste volumes and effect of LATS scheme.
 - Cost pressures above RPI inflation – particularly on energy prices, highway maintenance and insurance.
 - Pensions Rule of 85 reinstatement.
 - Other – including borrowing costs, concessionary fares scheme changes and impact of single status.

Grant Loss in real terms

- 3.5 All authorities are predicting very small increases (below inflation) on non-schools RSG. This is largely the effect of the introduction of the Dedicated Schools Grant (DSG). However, the methodology used for DSG itself produces some losers in the region.
- 3.6 The Formula Spending Share (FSS) review could result in some very significant losers in the Region.

4. Possible Actions

- 4.1 Further work is clearly required to establish whether other local authorities in the South East find themselves in the same position as the 11 which have so far responded to the survey. However, informal discussions indicate that this is likely to be the case.

- 4.2 Given the particular funding pressures facing local authorities (and indeed the wider public sector) it is proposed to explore further whether it is possible to establish a cross-Group and cross-Authority consensus on the need to press the Government on these issues. If this is possible it is proposed that the Leadership Group be asked to pursue an appropriate media and lobbying campaign jointly with the South East County Leaders Group.

Cllr Keith Mitchell
Chairman of the Regional Assembly

20 October 2005

Annex I – Results of survey to date

	Bucks	East Sussex	Essex	Herts	Isle of Wight
Projected council tax increase before savings	11%	min 10%	14.60%	9-10%	up to 17%
Target council tax increase	5%	5%	3-5%		RPI 2.7%
Projected budget reductions to achieve target council tax increase	£20m	£10m	£45-55m	£20m	£6.4-8.5m
Key spending pressures					
Adult social care	Demographics, legislative reqmts, loss of specific grants	Yes	Learning Disabilities transitions, supporting people, general purchasing. £21m	Learning Disabilities older people	Children in transition, adult demographics
Children's Services	Yes	Yes	£2m	Yes	
Waste Disposal LATS etc	Cost of hitting recycling targets	Waste PFI	£5.6m	Domestic waste volumes	
Pensions Rule of 85 reinstatement		Phasing in	£3m	Yes	Yes

	Bucks	East Sussex	Essex	Herts	Isle of Wight
Cost pressures above rpi inflation	Energy prices, transport and highways	Energy prices, transport and highways	£7.5m		Energy prices,
Other			Borrowing costs £5.6m, Highways £4.2m, LEA £5.5m		Borrowing costs
Assumption on RSG (excl FSS Review)		Assume 1% floor increase for non schools	Floor increase	Assume 1.5% grant increase for non schools	
Grant loss from FSS Review	Neutral			Max loss £27m.	
Grant loss from DSG introduction	Neutral	Neutral	Up to £5m loss		

	Kent	Oxfordshire	Surrey	West Sussex	Brighton and Hove	Wokingham
Projected council tax increase before savings	9%	11.2%	min 10%	9%	10.50%	9-10%
Target council tax increase	2.7-7.5%	4.375%	5%	5%	5%	3%
Projected budget reductions to achieve target council tax increase	£36m	£30m gross, £13m net	£50m gross, £40m net	£10.2m	£3.6-4.2m	
Key spending pressures						
Adult social care		Learning Disabilities, older people, Supporting People, Phys Dis and Mental Health	Learning Disabilities transitions, older people	Loss of specific grants, demand and cost pressures £8.5	Learning Disabilities transitions, mental health	Learning Disabilities
Children's Services		Yes	Yes	Denmand £2.3m	Agency placements	
Waste Disposal LATS etc		Yes	Waste PFI	£3.8m	Waste PFI	£0.4m
Pensions Rule of 85 reinstatement		£1.2m	£4m	Yes		£0.6m
Cost pressures above rpi inflation		£1.6m	Energy prices, transport and highways	Highway mntnce £1.1m	Energy prices,	Energy prices, insurance

	Kent	Oxfordshire	Surrey	West Sussex	Brighton and Hove	Wokingham
Other		ICT, Fire & Rescue, Misc smaller pressures		Borrowing costs	Concessionary Fares, single status	Borrowing costs
Assumption on RSG (excl FSS Review)	Floor increase		Assume 1.5% grant increase for non schools	Assume 2% floor increase	Assume 3% floor increase	Assume 3% floor increase
Grant loss from FSS Review	Max loss £33m.		£5-75m loss			
Grant loss from DSG introduction	Neutral		Up to £6m loss		Assume neutral	