

COUNTY COUNCIL MEETING – 17 SEPTEMBER 2010

Statement from: Cllr Martin Hill – Leader and Executive Councillor for Policy, Strategy, Communications, County Farms and Finance

Finance

The government has issued a number of statements and consultation papers over recent weeks.

Local referendums to veto excessive council tax increases

The Department for Communities and Local Government has published a consultation and the government intends to introduce legislation for council tax referendums, probably in a Localism Bill to be introduced to Parliament in the autumn.

The key points are:

- Each year the Secretary of State will determine principles on the level of council tax increases.
- These principles will apply to all local authorities although there could be different principles for different categories of local authority.
- The principles will also apply to parish councils but authorities would be exempted from holding a referendum where the amount of tax raised is small.
- The principles would be published at around the time of local government finance settlements i.e. late November.
- A council planning a council tax increase in excess of the principles will be required to prepare a shadow budget based on the maximum council tax increase allowed by the principles.
- A council planning such an increase must hold a referendum.
- It would be required to send information to council tax payers on the proposed increase, including the estimated cost of the referendum. This information and polling cards will be sent at the same time as council tax bills.
- Council tax billing authorities (district councils in Lincolnshire) will be required to organise and administer referendums and when a referendum is held on behalf of a precepting authority (LCC and LPA) will be able to recoup costs.
- If a simple majority votes against an “excessive” council tax increase in the referendum, the council must adopt the shadow budget and the maximum council tax increase set by the Secretary of State.
- The government will repeal its existing council tax capping powers once this proposed legislation is enacted.

The consultation closes on 10 September and, since the government intends to introduce legislation, the Department is particularly seeking comments on any practical difficulties in implementing the proposals.

Formula Grant distribution

The Department for Communities and Local Government has published a consultation on the formula used to distribute Formula Grant between local authorities from 2011/12 onward.

Formula Grant is the main general government grant to local authorities. The Council will receive £192 million in the current year, some 17% of its total income.

The consultation “is mainly looking to update and fine tune the existing system.” It is not intended as a major review of funding. However, the consultation document runs to 408 pages, describes 31 options for changes in formulae or data, many of which are technically complex, and poses 25 questions.

The issues which the Council will need to consider in its response include:

- How funding for concessionary fares is transferred from district to county councils, including whether this should be via Formula Grant or specific grant
- How “damping” will be applied i.e. protecting grant losers from the full extent of their losses by reducing increases for grant gainers. This will be a major issue if, as expected, the total grant quantum is reduced. LCC’s grant is reduced by £18 million in the current year which is its contribution to protecting grant losers.

The consultation ends on 6 October.

The outcome is likely to be incorporated in local government finance settlements for the next two years. The government has announced a more fundamental review of local government finance and there may be more substantial grant distribution changes, possibly from 2013/14 onward.

Consultation on school funding 2011/12: introducing a pupil premium

The Department for Education has published this consultation on the distribution of funding for schools in 2011/12 and proposals to introduce a pupil premium to support disadvantaged children.

Funding is distributed to schools via the Council through a Dedicated Schools Grant (DSG) which is £386 million in the current year.

The main proposals are:

- to retain the current basis for allocating the DSG i.e. a “spend plus” method. The intention is to provide stability and transparency for the introduction of the pupil premium.
- To mainstream other schools grants into the DSG. This is likely to include School Development Grant and Schools Standards Grant.
- Councils will be able to include previous grant levels in their distribution formula to support stability of funding at school level.
- No major changes are proposed for grant distribution methodology in 2011/12 as the main priority is a smooth introduction of the pupil premium.

- To retain a minimum funding guarantee for schools in 2011/12. In previous years schools have been guaranteed a minimum x% cash increase per pupil. For 2011/12 this will be announced after the Spending Review and “it could be negative rather than positive.”
- The Department is also considering dispensing with the previous cash floor which provides protection for schools with falling pupil numbers “as we believe that money should closely follow pupils.”
- The consultation closes on 18 October. Indicative DSG allocations for 2011/12 will be published late November / early December.
- “The government’s intention for the longer term is to bring in a simpler and more transparent funding system. This should help reduce the funding differences between similar schools in different areas.”
- The pupil premium will be distributed via a specific grant outside DSG. The grant will be paid to councils and councils will be required to pass on defined per pupil amounts to schools with eligible pupils. The funding will not be ringfenced at school level. The pupil premium will be introduced from September 2011.
- The consultation considers different options for measuring deprivation including free school meals eligibility and tax credit information.
- A pupil premium is also proposed for service children. It notes that there are additional costs associated with service children such as initial assessments and administrative work.

Distributing funding to lead local flood authorities for local flood risk management

LCC is one of 149 lead local flood authorities which will be established in England by the Flood and Water Management Act. DEFRA has circulated a note on the distribution of funding to lead authorities for their new roles and responsibilities. DEFRA has asked for comments by 17 September.

The Department is considering whether to provide funding through Area Based Grant (ABG) rather than Formula Grant. Both are general, unringfenced grants but ABG would provide greater clarity and transparency of funding. A major advantage of ABG is that, unlike Formula Grant, it does not entail “damping” of the grant distribution so that it would be clear that a council actually receives the amounts intended.

The note uses an illustrative total of £36 million for England which was the government’s assessment of additional costs. The actual total to be made available is dependent on the outcome of the Spending Review.

The Department’s note also describes the work it is doing on using the available information on flood risk as a basis for grant distribution. The basis of distribution being considered places Lincolnshire as the highest risk area in England. It would therefore receive the highest share of funding.

Use of Resources

The government has announced that the Audit Commission will no longer be providing a scored assessment of councils’ Use of Resources. These annual

assessments covered managing finances, governing the business and managing resources. In the last assessment the Council was described as “performing well” on managing finances and “performing adequately” in the other areas. It is likely that all areas would have been assessed as “performing well” had a further scored assessment been published.

The Audit Commission will not be replacing the Use of Resources assessment. However, it continues to have a statutory responsibility to give a conclusion on whether councils have proper arrangements for securing value for money. Auditors will give this conclusion based on the Council’s arrangements for:

- Securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future
- Challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

The auditor will report the value for money conclusion and the key messages from their work, including suggested areas for improvement, to the Audit Committee.

Audit Commission to be disbanded

The Secretary of State announced the disbanding of the Commission on 13 August.

- The Commission’s responsibilities for overseeing and delivering local audit and inspections will stop.
- Research activities will end.
- The Commission’s in-house audit practice will be transferred out of public ownership.
- Councils will be free to appoint their own independent external auditors.
- Audit quality regulation will be overseen by the National Audit Office.

The intention is for the new arrangements to be in place from the 2012/13 financial year with the necessary legislation enacted in this Parliamentary session.

Place-Based Budgeting

We have been actively engaged with the Local Government Association over its proposals to promote place-based budgeting, and the LGAs efforts to persuade the Government to adopt this approach, and have expressed our interest in leading the delivery of a place-based budget for public services in this county.

NHS Reforms

We have been in regular discussion with colleagues in the NHS over their plans to move the Community Services arm of NHS Lincolnshire out of the PCT, and potentially into a joint organisation with our Adult Social Care (Operations) Service.

We are also considering how best to prepare ourselves for two other significant changes to the NHS, in order to ensure that these changes will be as successful as possible within Lincolnshire. One is the move towards GP commissioning, where we will be encouraging the closest possible relationship between GPs and our arrangements for commissioning Social Care. The other is the potential transfer of responsibility for Public Health from the NHS to local government. A White Paper in this latter respect is due in December, but we will hope to have functional arrangements embedded in advance of any formal transfer.

Comprehensive Spending Review

Members will be aware that all Whitehall departments have been asked to model income reductions of 25% and 40% in order to inform the deliberations leading into the Comprehensive Spending Review. Accordingly, and in anticipation of significant local government grant reductions being announced in the CSR, we have been reviewing all of the Council's expenditure to examine what the 'Core Offer' of the Authority should be. This work will ensure that the very difficult decisions that we will undoubtedly have to take following the CSR will be well-founded and in support of our priority objectives.