

# **S.I.G.O.M.A.**

*The Special Interest Group  
of Municipal Authorities (Outside London)  
Within the LGA*

## **RESPONSE TO THE 2009/10 LOCAL GOVERNMENT FINANCE SETTLEMENT**

### **1. BACKGROUND**

SIGOMA is a special interest group of 45 Municipal Authorities located outside London and is a recognised special interest group within the LGA. Its membership comprises 33 metropolitan districts and 12 major unitary authorities with similar characteristics. The combined population of SIGOMA authorities amounts to over a quarter of the population of England. Its member authorities account for over 25% of English local government expenditure and SIGOMA members comprise most of the largest housing authorities in England.

SIGOMA is pleased to have the opportunity to set out its views in relation to the funding announcement for 2009/10, the second year of the three settlement. These views are the result of recent consultation with our members, and aim to address the impact of the proposed settlement from the perspective of SIGOMA authorities that face their own particular issues.

## 2. OVERVIEW OF THE SETTLEMENT

SIGOMA welcomes the stability offered in this second year of the multi-year settlement and is pleased that there were no changes made to the initial announcement as a result of the current economic climate. It is fundamental that the stability of the three year settlement is not threatened. However, Government also should recognise that these are difficult times financially and the impact on council resources and service demands may mean that further resources are needed by local government to avoid the increased burdens being passed on to tax payers or funded by cuts in essential services.

We repeat the comments made in last years settlement consultation response that we feel the three year settlement has acknowledged the underlying needs of the communities SIGOMA represents; the removal of Personal Social Services (PSS) formulae damping has enabled resources to now flow through the grant distribution system more effectively and be targeted to authorities with the highest intensity of need.

An overview of the settlement shows the following increases in 2009/10;

	<b>% Increase on 2008/09 before floors and scaling</b>	<b>% Increase on 2008/09 after floors and scaling</b>
Inner London	(9.07%)	1.79%
Outer London	(2.53%)	2.28%
Metropolitan Districts	5.37%	2.89%
Shire Counties – Fire	2.51%	4.08%
Shire Counties – Non Fire	9.13%	4.29%
Shire Districts	13.08%	4.82%
Unitary Authorities	6.14%	3.50%
<b>SIGOMA</b>	<b>6.18%</b>	<b>3.05%</b>

SIGOMA's increase in formula grant, as compared to adjusted 2008/09 is £198m or 3.05%, compared to the national increase of 2.84%.

The redistribution of resources, mainly from abolition of formulae damping, is only the start of the much needed change. SIGOMA authorities have endured many years of underfunding. The majority of authorities remain some distance from their 'target' grant.

In total, 38 of our members have their allocation scaled back from their funding target, at a cost of £220m. Whilst SIGOMA supports the use of an appropriate grant floor overall, and the requirement of floor damping in the system to protect floor authorities, Government needs to continually recognise that our members are still not in the funding position they should be. We stress the message that there is still room for improvement in the allocation of resources.

The following table illustrates the position of some of the underfunded authorities in SIGOMA:

<b>2009/10</b>	<b>Formula Grant Before Floors £m</b>	<b>Grant Received £m</b>	<b>Distance from Target %</b>
Blackburn with Darwen	86.120	77.804	-9.7%
Blackpool	84.599	78.638	-7.0%
Stoke-on-Trent	131.289	123.062	-6.3%
Rotherham	126.683	118.936	-6.1%
Oldham	124.751	117.534	-5.8%

As a final point, SIGOMA wishes to reaffirm its opposition to the 4 block system introduced in 2006/07. The lack of identifiable fairness, transparency, simplicity and robustness within this system makes it difficult to assess the overall sufficiency of our financial settlements.

### **3. OTHER ISSUES IN THE PROPOSED SETTLEMENT**

#### **I. NNDR MULTIPLIER**

The NNDR multiplier has been increased in line with the September 2008 RPI inflation figure of 5%. This has resulted in a large increase in costs at a time when local authorities are trying to help local businesses through the effects of the current economic situation. This large increase will add further pressure to any business that is struggling to weather the effects of the 'credit crunch'.

In the statement on 26<sup>th</sup> November 2008, John Healey stated that Council Tax increases should be 'substantially below 5%', therefore the increase in the NNDR multiplier is at odds with this principle, exploiting the business community.

#### **II. OVERALL DAMPING**

Whilst SIGOMA supports the principle of adequate floors, as they provide some stability and predictability in grant levels and give some support to those authorities losing resources through data losses, the current level of scaling appears high.

Improvements in the funding formula to better reflect need are effectively negated to a large extent by scaling and little benefit is seen by authorities such as those in SIGOMA, despite their recognised needs. Emphasis should be placed on need in the formula and the resources should be directed accordingly into the relative needs block.

SIGOMA supports a balance between stability and the funding of agreed needs, but believes this balance must be kept under review as we move forward into future funding periods. We ask that government sets down and makes explicit a policy on the pace of change and the movement towards target that an authority can reasonably expect within each settlement period – this is already undertaken by the Department of Health with regard to the funding of Primary Care Trusts (PCTs).

SIGOMA also remains of the view that the cost of the overall damping mechanism should be met from outside the system – this will enable resources to flow through to those recognised as requiring further support and they will receive the full amount of their 'target' grant.

#### **III. INCLUSION OF COUNCIL TAX EFFICIENCY INFORMATION**

SIGOMA were disappointed with the decision to go ahead with the proposals to include efficiency information on the face of the council tax demand notice. The feeling among member authorities was generally that the proposals were to be commended for their aim i.e. to better inform and empower local citizens. However, the information presented was not necessarily in the right format or the right place and could lead to queries or not be understood by the reader.

Councils have delivered significant efficiency savings since the Gershon review and are well placed to meet the efficiency targets set in the 2007 Comprehensive Spending Review, which are 3% cashable efficiencies up to 2010/11. Therefore, it is concerning that Councils are now asked to provide further efficiency savings in 2010/11, at a time when demand for services and needs are high. Additional efficiencies in the current three year period also contradicts the principle of a stable local government finance settlement as most Councils have planned on a 3% cashable efficiency.

#### **IV. LOSSES FROM ICELANDIC BANKS**

SIGOMA is pleased that the government has decided to allow councils to exclude possible losses arising from the loss of deposits in Icelandic banks from their 2009/10 budgets. This will allow further time to assess the impact and work with Icelandic authorities and administrators to ensure as much money as possible is retrieved. It is

acknowledged that such losses will not impact on Council Tax payers next year and allow authorities sufficient planning time to deal with any impact.

#### **V. AREA BASED GRANT**

SIGOMA is disappointed that the Government has not confirmed it will honour the indicative allocations for Area Based Grant previously announced for 2010/11 in the same manner as the provisional 2010/11 local government finance settlement was confirmed. This does not provide stability for local authorities to plan to deliver key national and local priorities. There is concern among Councils that the Government will see these grants as additional Council funding and a potential area for cutting back grant as a result of the current economic climate.

#### **VI. POPULATION PROJECTIONS**

Many of our members still have significant concerns about population projections used in the calculation of formula grant. Increasing populations are not recognised and remain unfunded. Given that such data is a fundamental driver of the formula grant SIGOMA stress the need for accurate estimates. Additional funding should be made available for authorities adversely affected by errors in population estimates. However, any additional funding must reflect an authorities position in relation to target funding i.e. authorities who are over target already and scaled back need not benefit further from funding.