

## **Report to the Finance and Performance Management Cabinet Committee**



**Epping Forest  
District Council**

**Report reference: FPM-012-2010/11.**

**Date of meeting: 27 September 2010.**

**Portfolio: Finance and Economic Development.**

**Subject: Consultation – Local Government Finance Formula Grant Distribution.**

**Responsible Officer: Bob Palmer (01992 564279).**

**Democratic Services: Gary Woodhall (01992 564470).**

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### **Recommendations/Decisions Required:**

- (1) To agree the proposed response, as amended if appropriate, to the Consultation; and**
- (2) To note the potential impact of the formula changes on this Council's Formula Grant.**

### **Executive Summary:**

As part of the Comprehensive Spending Review the Department for Communities and Local Government (DCLG) is reviewing the formulae used to calculate the Formula Grant that is paid to local authorities. The consultation document includes exemplifications that show the likely impact of each proposed change. The proposed response to the consultation, attached as Appendix 1, has been compiled on the basis of the least worst outcomes for this Council.

This exercise is to determine how the cake is cut, the decision on the overall size of the cake is a separate one that has been well publicised but will not be revealed for some time yet.

### **Reasons for Proposed Decisions:**

To ensure that an appropriate response is made to the Consultation and that Members are made aware of the potential impact of changes to the grant formulae.

### **Other Options for Action:**

Members could decide not to submit a response to the Consultation.

### **Report:**

1. In July DCLG issued a Consultation Paper on Local Government Finance Formula Grant Distribution. The document is over 400 pages long and has 25 detailed questions about proposed changes to the grant formulae. Responses to the Consultation must be submitted to DCLG by 5pm on 6 October.

### **Concessionary Travel**

2. The single most significant change to the formulae is to move funding for concessionary travel from District Councils to County Councils, as this becomes a County Council function with effect from 1 April 2011. A number of alternative methods of achieving

the transfer are set out in the Consultation and the best and worst outcomes for this Council are set out in the table below:

	<u>Best</u>	<u>Worst</u>
Option	CONCF1	CONCF2
Indicative Allocation	£9.4m	£9.4m
Concessionary Travel (a)	£0.5m	£0.5m
Base Position	£8.9m	£8.9m
Difference from Base Position (b)	£0.3m	£1.2m
Total Grant Reduction (a+b)	£0.8m	£1.7m
Current Spending Removed from Budget	£0.7m	£0.7m
Net Impact	£0.1m	£1m

3. As can be seen from the table, the change for concessionary travel is likely to leave the Council at least £100,000 worse off but could have a net impact of as much as £1 million. The consultation exemplifies four alternatives, with CONCF3 having a similar impact to CONCF1 and CONCF4 having a similar impact to CONCF2.

#### Flood Defence

4. The second most significant potential change is to the flood defence element of the formulae. It is proposed to remove expenditure based data and replace it with an assessment based on Geographical Information Systems analysis of the length of ordinary watercourse not covered by an Internal Drainage Board. This Council has invested heavily in flood defences in the past and the exemplification shows that the change away from expenditure base data could result in a £0.3m reduction in grant.

#### Other Changes

5. The potential impact of all the proposed changes has been identified from the exemplifications and is provided as Appendix 2. Apart from question 12, flood defence, and question 18, concessionary travel, the other proposed changes do not have a significant impact on the grant allocated. It is worth noting that questions 16, 23 and 24 could produce small increases in grant.

#### Floors and Ceilings

6. To limit the extent of fluctuation in grant, the output of the formulae has been moderated by floors (to limit reductions) and ceilings (to limit increases). The vagaries of the grant distribution system are highlighted by the fact that prior to 2006/07 this Council benefited from floor support but for 2006/07 and 2007/08 was subject to the ceiling limit before returning to the floor again for the last three years.

7. The consultation considers floor damping levels, in the current climate it is difficult to envisage the need for a ceiling restriction, and asks as question 17:

*“Over the next Spending Review period do you think that the floor level should be set close to the average change or such that it allows some formula change to come through for authorities above the floor?”*

8. Based on the exemplifications, it appears that this Council may suffer more than the average. This would mean that if the floor was not set close to the average change the reduction in Formula Grant could be far more substantial.

### **Resource Implications:**

The resource implications are potentially severe. If the decisions on concessionary travel and flood defence do not go in the Council's favour, the Council could be £1.3 million worse off. The impact of any changes in the formulae may be mitigated by floor damping, although no exemplifications have been provide for different levels of floor support.

### **Legal and Governance Implications:**

None.

### **Safer, Cleaner, Greener Implications:**

None.

### **Consultation Undertaken:**

None.

### **Background Papers:**

DCLG Consultation Paper – Local Government Finance Formula Grant Distribution

### **Impact Assessments:**

#### Risk Management

By responding to the consultation the Council will be seeking to reduce the risk of unfavourable changes to the grant formulae.

#### Equality and Diversity:

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.