

WYRE FOREST DISTRICT COUNCIL**COUNCIL**
MEETING ON 29th September 2010**Response to the Local Government Finance Formula Consultation**

OPEN	
SUSTAINABLE COMMUNITY STRATEGY THEME:	
CORPORATE PLAN AIM:	Improving Corporacy & Performance
STRATEGY:	Financial Strategy
CABINET MEMBER:	Councillor Nathan Desmond
RESPONSIBLE OFFICER:	Director of Resources
CONTACT OFFICER:	David Buckland Ext. 2100
APPENDIX	Appendix 1 – Summary of grant allocation options

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to agree the response to government in relation to the current consultation exercise in relation to proposed changes in method for distributing government grant, specifically in relation to the funding of concessionary travel.

2. RECOMMENDATIONS

COUNCIL is asked to DECIDE that:-

- 2.1 The Department for Communities and Local Government be advised that:**

- 2.1.1 Wyre Forest District Council does not support any of the four grant options being considered;**
- 2.1.2 On the basis of transparency and fairness the reallocation of grant should be linked directly to the current cost of operating the scheme.**

3. BACKGROUND

- 3.1 As at 1 April 2011, responsibility for the administration of the Concessionary Travel scheme will transfer from the District Council to the County Council. This change which is being applied nationally was approved by the previous government and through rationalised contact with bus operators and perceived improvements in efficiency are planned to generate savings of £180m nationally, against a total budget of around £1bn.
- 3.2 Due to changes in eligibility and conditions of the scheme over the last four years the cost of the scheme has increased significantly with the current gross cost to Wyre Forest District Council of around £900k pa.
- 3.3 Historically, the Council operated a half price concessionary travel scheme, which was enhanced in 2006/07 to free travel within the District. This scheme was further

improved in 2008/09 when the free travel was extended to the whole of England and Wales. On each occasion funding was provided from central government in 2006/07 through the general finance grant and in 2008/09 through a specific grant.

- 3.4 With the imminent transfer of responsibilities the government have issued a consultation paper on how they will extract the funding from the district councils and provide to the county councils. The government have identified four options for the removal of the grant, each of which details proposed amendments to the formula which is used in allocating the main Local Government Financial Settlement.
- 3.5 The accountancy section has spent some time in understanding the financial impact of each of the four options, however, what is clear is that if applied all of the options would remove more grant from the Council than the scheme currently costs. Therefore, we would be faced with a shortfall in funding for other services. It is estimated that the loss above the current scheme costs for each of the options is as follows:

Option 1 – £357k pa loss

Option 2 – £661k pa loss

Option 3 – £375k pa loss

Option 4 – £859k pa loss

Further details on each of the options is contained within Appendix 1.

- 3.6 This matter would normally be considered by the Cabinet Member to make a response on this issue. However, through contacts with other Local Authorities it has only recently become clear as to the potential impact and scale to the Council, and it is therefore considered appropriate to draw this issue to the attention of Council.
- 3.7 The deadline for submission of responses on this issue is 5pm on 6th October 2010.

4. KEY ISSUES

- 4.1 The Council recognises that significant reductions in public sector expenditure are required given the current level of the budget deficits. It is also accepted that Concessionary Travel should not be excluded from such reductions. Indeed, the Council already recognised this through the removal of pre-9.30 am travel.
- 4.2 However, what is challenged is the process of removing more grant from the Council than the current scheme costs. It is suggested that all of the options are opposed for the reason that this would have a disproportionate impact upon Wyre Forest District Council.
- 4.3 In response to the consultation paper it is suggested that a simple method of removing the current scheme costs from authorities should be implemented, rather than a complex formula approach which will inevitably lead to a number of “winners” or “losers”. It is suggested that this would be the fairest method for the removal and reallocation of grant and would be both understandable and transparent.
- 4.4 The main criticism of the current cost method would come from those authorities such as Worcester City Council, who have long argued that the current

arrangements for the allocation of grant do not meet the cost of the scheme in their areas, however, it is understood that these would only be in a minority of cases.

5. FINANCIAL IMPLICATIONS

- 5.1 This is a finance report which has been produced in response to consultation paper on the future funding of the Concessionary Travel scheme.

6. LEGAL AND POLICY IMPLICATIONS

- 6.1 There are none arising directly from this report, however, the various grant distribution options could adversely affect the council's ability to deliver its policies and mandatory services.

7. RISK MANAGEMENT

- 7.1 This issue is a significant financial risk to the Council. The value of the potential losses of grant ahead of the results of the Comprehensive Spending Review 2010, to an authority of the size of Wyre Forest District Council would have a considerable impact upon the Council's ability to maintain service provision.
- 7.2 It is therefore important that the Council responds to government highlighting the potential impact.

8. EQUALITY IMPACT ASSESSMENT

- 8.1 A screening exercise was undertaken when the changes to the current scheme were approved as part of the 2009/10 budget process. A separate exercise is not required for this proposal.

9. CONCLUSIONS/ACTION

- 9.1 It is recognised that the Council will need to make significant reductions in expenditure over the next four years as a result of the Comprehensive Spending Review 2010. However, the current proposals for the reallocation of grant would require the Council to deliver further savings on areas for which we would no longer have responsibility.
- 9.2 For these reasons and the lack of transparency and fairness of the proposed method, it is recommended that the Council opposes each of the four options and suggests that the grant should be removed on the basis of current spend.

10. CONSULTEES

Corporate Management Team

11. BACKGROUND PAPERS

Cabinet – 22 January 2009 – Financial Strategy 2009-12

Consultation Paper - Local Government Finance Formula Grant Distribution
(Concessionary Travel)

Summary Grant Allocation Options

Option CONCF1

Keep the district-level EPCS formula unchanged and adjusted the base position by the 2008-09 Concessionary Travel Net Revenue Expenditure. This is the same data we have used for the concessionary travel control total.

The average grant increase on a like-for-like basis for authorities with responsibility for education and personal social services has increased from 2.81% to 3.23%. We have therefore adjusted the level of the floor from 1.5% to 1.9% which gives broadly the same scaling factor as at settlement.

The reason for this increase is in the way we determine how much grant should go to each of the four floor damping groups. We set the shares of tax base such that the percentage increase in formula grant is broadly proportional to the percentage increase in RNFs for the four groups on a like for- like basis.

The average grant increase on a like-for-like basis for shire districts has decreased from 1.35% to -1.82%. We have therefore adjusted the level of the floor from 0.5% to -3.3% which gives broadly the same scaling factor as at settlement.

This option would lead to a loss of formula Grant of £1.053m. After taking into account the savings that will be achieved through no longer providing the service the net loss will be **£357,000 pa.**

Option CONCF2

Keep the district-level EPCS formula unchanged and adjusted the base position pro rata to the district-level EPCS formula.

The average grant increase on a like-for-like basis for shire districts has remained broadly the same and we have therefore left the floor level unchanged.

This option would lead to a loss of formula Grant of £1.358m. After taking into account the savings that will be achieved through no longer providing the service the net loss will be **£661,000 pa.**

Option CONCF3

Use the 2005-06 district-level EPCS formula and adjusted the base position by the 2008-09 Concessionary Travel Net Revenue Expenditure.

The average grant increase on a like-for-like basis for shire districts has decreased from 1.35% to -2.41%. We have therefore adjusted the level of the floor from 0.5% to -4.0% which gives broadly the same scaling factor as at settlement.

This option would lead to a loss of formula Grant of £1.071m. After taking into account the savings that will be achieved through no longer providing the service the net loss will be **£375,000 pa.**

Option CONCF4

Use the 2005-06 district-level EPCS formula and adjusted the base position prorata to the district-level EPCS formula.

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The average grant increase on a like-for-like basis for shire districts has decreased from 1.35% to 0.15%. We have therefore adjusted the level of the floor from 0.5% to -0.9% which gives broadly the same scaling factor as at settlement.

This option would lead to a loss of formula Grant of £1.555m. After taking into account the savings that will be achieved through no longer providing the service the net loss will be **£859,000 pa.**

Under this proposal, the value of the proposed reduction in grant is twice the current cost of the scheme.

Summary & Assumptions

All 4 options result in a significant loss of grant income way in excess of the savings that would be made for not providing the Concessionary Travel service. The net losses from the 4 options range from **£357,000 to £859,000 pa.**