

**BRIEFING ON GOVERNMENT SETTLEMENT FOR 2005/06**National Framework

- The Provisional Local Government Finance Settlement for 2005/06 was announced yesterday (2 December 2004) launching a 5 to 6 week consultation period to 11 January 2005.
- Overall there is a £3.5bn increase (to £60.1bn) in total Government grants to Councils – an increase of 6.2%. Formula Grant to Local Authorities and police grant (both of which are subject to floors) has increased by 5.6% (to £49.0bn).
- For local authorities with Education and Social Services responsibilities (such as East Sussex County Council), a minimum 'floor' increase of 4.0% in grant is guaranteed, the same as last year. The ceiling level, however, has been abolished and floors are paid for by scaling back grant received above the floor. This year, as last year, authorities will receive an increase in grant at least of their increase in Schools Formula Spending Share (FSS). In calculating the Schools FSS, authorities are guaranteed a minimum 5.5% increase in funding allocation per pupil. The increase in schools FSS represents the 'passporting' requirement.
- In percentage terms the South East has received a 5.2% increase in funding compared with the West Midlands receiving the highest at 6.2% and the North West receiving the lowest at 5.1%.
- Ministers have made clear, they do not expect councils to set excessive increases in council tax. They expect to see a national average increase in council tax of less than 5%.
- There are no changes to the grant distribution formulae for 2005/06.

Impact on East Sussex County Council

- In cash terms, for the next financial year, we will receive £16.9m more grant than this year but, after base adjustments, on a like for like basis, it represents a £11.7m or 4.1% increase on our adjusted base grant for 2004/05. These adjustments in our base grant (+£5.2m) principally reflect loss of responsibility for the Magistrates Courts Service (-£0.7m) and changes in the method of funding for Residential Allowances, Preserved Rights and Training Support Grant in Social Services (+£5.7m), and for the changed funding of Civil Contingencies (+£0.2m). As last year, the £11.7m grant increase appears to be largely all committed to meeting the school passporting requirement of £10.2m. There is therefore only £1.5m (compared to our planning assumption of £0.5m) grant funding increase for all other service cost pressures faced by the County Council. This equates to increased grant for all other services outside schools of only some 0.6%.
- The schools passporting requirement of £10.2m in grant increase compares with existing standstill pressures of £5.2m. Excluding schools passporting, the remaining available grant of £1.5m compares with standstill pressures in all other services, including Social Services, of some £15.6m.

- The passported funding for schools is significant and will be welcomed but part does relate to additional education provisions for 3 year old's. Conversely the lack of grant support for all other services continues to be extremely disappointing.
- The settlement still reflects significant transitional protection (£16.4m) which will unwind over the medium term to the detriment of the County Council.
- The table below summarises the changes in Formula Spending Share. This is not cash but it drives the calculation of formula grant and thus the floor provision.

<b>East Sussex 2005/06 Provisional FSS</b>	<b>Provisional Settlement 2005/06</b>	<b>Adjusted Base Increase</b>	<b>Adjusted Base Increase</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
<b>Education</b>			
Schools	219,247	10,215	4.89%
Other LEA	28,465	963	3.50%
<b>Total Education</b>	<b>247,712</b>	<b>11,177</b>	<b>4.73%</b>
<b>Personal Social Services</b>	123,331	5,479	4.65%
<b>Highways Maintenance</b>	17,556	942	5.67%
<b>Environmental Protective &amp; Cultural Services</b>	35,540	959	2.77%
<b>Capital Financing</b>	26,146	4,272	19.53%
<b>Total FSS</b>	<b>450,285</b>	<b>22,830</b>	<b>5.34%</b>

- At 4.1% East Sussex has again received the lowest % increase in formula grant, and the 5th lowest increase in total FSS, of any county council in the country. Cambridgeshire received the highest increase in grant of 11.2%, whilst the average county council received a 5.9% increase
- There is much further analysis to be done when information becomes available. In particular, it will be important to validate the base adjustment in formula grant and to understand changes in specific grants. At this stage (but subject to further analysis) the Council appears to have avoided any significant loss in resources from the movement of existing specific grants into the general grant formula. For these reasons, however, it is not possible to comment on the local council tax impact at this stage.
- The Cabinet has previously indicated that it intends to honour the schools passporting requirement, but beyond that the Cabinet may wish to consider any changes in the Reconciling Policy & Resources guidelines as a result of the Provisional Settlement, at its meeting in December.

Sean J Nolan  
Deputy Chief Executive &  
Director of Corporate Resources