
**SUBJECT: PROVISIONAL REVENUE SUPPORT GRANT SETTLEMENT
FOR 2010/2011**

**JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE
OFFICER**

1. Purpose of Report

- 1.1. This report advises the Authority of the Provisional Revenue Support Grant Settlement for 2010/2011.

2. Description of Decision

- 2.1. Members are requested to note the report.

3. Background

- 3.1 On 26th November 2009 the Parliamentary Under Secretary of State for Local Government issued the provisional report for the 2010/2011 Revenue Support Grant Settlement.
- 3.2 This follows on from the Minister's first three year Local Government Finance Settlement covering the period 2008/2009 to 2010/2011 which was issued on 6th December 2007, and after a period of consultation, the amended three year settlement was issued on 24th January 2008 after some further amendments made on 21st January 2009.
- 3.3 The main points of the Settlement are outlined in paragraph 4 with the effects on the Authority outlined at paragraph 5.

4. National Settlement

The main features of the provisional and indicative settlements are as follows

4.1 Aggregate External Finance

Aggregate External Finance includes Formula Grant (Revenue Support Grant and Non Domestic Rates) and all Government Specific and Special grants. The table overleaf provides an analysis of central government funding for revenue expenditure, in cash terms, for 2010/2011, compared with the 2009/2010 allocation adjusted for changes made since last year's settlement.

	Adjusted 2009/10 £m	2010/11 £m	Change %
Non-Domestic Rates	19,500	21,500	10.3
Revenue Support Grant (RSG)	4,541	3,167	(30.5)
Net AEF Total	24,041	*24,667	2.6
PFI Grant	853	1,069	25.3
Special Grants	48,438	50,520	4.3
Total Grants	49,291	51,589	4.7
Total AEF	73,332	76,256	4.0

- Total Aggregate External Finance (AEF) has seen a reduction of the current Settlement (2010/2011) as compared to the previously announced figures released in January 2009. In the main, the reductions relate to the reduction in the Dedicated Schools Grant (DSG) announced at the time of the 2009/2010 settlement because of the need to reflect latest pupil numbers and transfers for new academies that have been agreed. There have also been numerous changes to the Specifics and Special Grant funding allocated in both 2009/2010 (an increase of £178.9m) and 2010/2011 (a reduction of £85.7m) to those allocations announced in the previous year's settlement. The details have been analysed and the only grant affecting Fire and Rescue Authorities, (the Fire Control Grant), has been reduced nationally by £6.8m in 2009/2010 but no changes have been made to the allocation in 2010/2011 of £36.3m. The reason for the decrease of £6.8m is being researched and will be reported to the meeting if available.
- The Government has stated in the Settlement that the difference in Dedicated Schools Grant funding allocations between the financial years 2008/2009 (adjusted) through to 2010/2011 will be used in supporting schools and other children's services initiatives;
- Specific and special grants included within the AEF will increase by 4.7% for 2010/2011 as compared to the 2009/2010 adjusted figures. Grants were expected to increase in overall terms by 5.2% in January 2009 but these have decreased mainly because of changes to grant funding particularly in Education and Children's services in respect of reduced DSG and other grant changes announced by the government;
- Overall the allocation of Specific and Special grants covering the adjusted 2009/2010 and the amended 2010/2011 years has seen a net increase of £92.3m in the Settlement;
- There have been no changes to the overall general formula grant allocation, for 2010/2011, to that already published and released in January 2009;
- Business Rates shows an overall increase of 10.3% due to a surplus on the Business Rate Pool Account consequently, the government has reduced its

contribution from Revenue Support Grant to take this factor into account which helps to explain the 30.5% reduction in the grant compared year on year;

- The Business Rate multipliers for 2010/2011 have been announced as 41.4p and for small businesses 40.7p which reflects the fall of 1.4% in the Retail Price Index for September 2009 on which the multipliers are based.

4.2 Other announcements

- The government has re-emphasised that it will use capping powers if necessary and that it expects to see Council Tax increases fall further from this years (2009/2010) average Council Tax increase of 3%;
- The government announced a consultation paper in respect of a new initiative to provide free personal care at home to people with high personal needs. The scheme is expected to come into force on 1st October 2010 and will cost an estimated £670m in a full year. The government is proposing that it will part fund this through the Area Based Grant (amounting to £210m in the first year 2010/2011 and £420m for a full year). The remaining cost is to be funded by local government efficiencies (amounting to £125m in 2010/2011 and £250m in each full year thereafter). The consultation formally ends on 23rd February 2010 and comments are required preferably by 26th January 2010 to the Department of Health.

5. Effects on Tyne and Wear Fire and Rescue Authority

- 5.1 As a result of the changes set out in paragraph 4 above, the Authority's grant entitlement for 2010/2011 of £35.570 million has remained unchanged from the figures announced in late January 2009 and is welcomed. It is hoped that the settlement will remain unchanged once it is finally approved by Parliament.
- 5.2 The government has not made any changes to the formula grant system.
- 5.3 The Authority's formula grant increase for 2010/2011 has not been affected by the settlement and consequently the increase set out in the consultation paper, remains unchanged at 1.10% for 2010/2011. The Authority's grant increase, although well below the national average increase of 2.65%, is above the minimum (floor) increases for all Fire and Rescue Authorities, of 0.50%. Appendix 1 shows the detailed comparisons for information.
- 5.4 The Authority's grant allocation for 2010/2011 has been scaled back in order to help fund the 'floor', which means that all fire authorities will receive at least the minimum grant increase for 2010/2011 of 0.50%. The table below shows the impact on the Authority's allocation of grant for 2010/2011 for information:

Settlement	Adjusted Grant 2009/10	Indicative Grant 2010/11	Change	Change
	£m	£m	£m	%
Allocation before 'floor' adjustment		35.874	0.690	1.96
Actual Allocations	35.184	35.570	0.386	1.10
Cost of Floor – grant reduction		0.304	0.304	

- 5.5 The use of the 'floor' is supported and it should be noted that the Authority has benefited from this measure in the past. However, it is suggested that the government should fund the 'floor' element in future settlements so that authorities receive the full benefit from their grant formula allocations and not continue to experience the effects of scaling back.
- 5.6 Some of the Authority's specific and special grant allocations for 2010/2011 have yet to be announced at the time of writing this report. Any changes will however be taken into account during the budget process and will be reported to Authority when these details are released.
6. **Reason for Decision**
- 6.1 Consideration of the 2010/2011 Settlement forms part of the budget preparation process of the Authority.
7. **Alternative options to be considered and recommended to be rejected**
- 7.1 There are no alternative options recommended for approval.

Background Papers

Local Authority Finance (England) – Revenue Support Grant for 2009/2010 and related matters - (Source: DCLG).

Local Authority Finance (England) – Revenue Support Grant for 2010/2011 and related matters - (Source: DCLG).

LGA Briefing – Local Government Finance Settlement 2010/2011.

Comparison of Grant Allocations 2009/2010 (adjusted) to 2010/2011

Totals	Adjusted Grant 2009/10 £m	Provisional Grant 2010/11 £m	% Change
England	28,248.0	28,995.5	2.65
Shire Areas	13,904.6	14,321.3	3.00
Metropolitan Areas	7,991.8	8,196.6	2.56
London Authorities	6,349.4	6,475.4	1.98
Metropolitan Districts	5,658.0	5,797.3	2.46
North East Region	1,772.3	1,813.3	2.32
All Fire Authorities	1,041.8	1,056.5	1.42
Total Metropolitan Fire Authorities	328.1	332.3	1.28
Greater Manchester	74.4	75.3	1.24
Merseyside	46.1	46.3	0.50
South Yorkshire	36.1	36.8	1.77
West Yorkshire	56.4	57.5	1.99
West Midlands	79.9	80.8	1.14
Tyne and Wear	35.2	35.6	1.10

