

**TYNE AND WEAR FIRE AND RESCUE AUTHORITY
15th DECEMBER 2008**

**SUBJECT: PROVISIONAL REVENUE SUPPORT GRANT SETTLEMENT
FOR 2009/2010 AND INDICATIVE 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 2009/2010 and the Indicative Settlement for 2010/2011.

2. Description of Decision

- 2.1. Members are requested to note the report.

3. Background

- 3.1 On 26th November 2008 the Minister of State for Local Government issued his provisional report for the 2009/2010 Revenue Support Grant Settlement and the Indicative Settlement for 2010/2011.
- 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 he issued on 6th December 2007, and then after a period of consultation, he released his amended three year settlement on 24th January 2008.
- 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:

Aggregate External Finance

Aggregate External Finance includes Formula Grant (Revenue Support Grant and Non Domestic Rates) and all Government Special and Specific grants. The table overleaf provides an analysis of central government funding for revenue expenditure, in cash terms, for 2009/2010 and 2010/2011 compared with 2008/2009 adjusted for changes made since last years settlement. The position is slightly more complicated because of the fact that the settlement saw some changes in year for 2008/2009 that were not anticipated previously.

	Adjusted 2008/09			Adjusted 2009/10		
	£m	£m	Change %	£m	£m	Change %
Non-Domestic Rates	20,500	19,500	-4.9	N/A	N/A	
Revenue Support Grant (RSG)	2,883	4,547	57.7	N/A	N/A	
Net AEF Total	23,383	24,047	2.8	*24,041	*24,661	2.6
PFI Grant	677	853	26.0	853	1,069	25.3
Special Grants	46,097	48,220	4.6	48,249	50,930	4.8
Total Grants	46,774	49,073	4.9	49,102	51,696	5.3
Total AEF	70,157	73,120	4.2	73,143	76,357	4.4

N/A – Not Available *(i.e. the Government has only released the combined total).

- Total Aggregate External Finance (AEF) has seen reductions in both years of the current Settlement (2009/2010 and 2010/2011) as compared to the previously announced figures released in January 2008. In the main the reductions relate to the reduction in the Dedicated Schools Grant announced at the time of the 2008/2009 settlement because of the need to reflect latest pupil numbers and transfers for new academies that have been agreed. There has also been some minor additional funding allocated in 2008/2009 to update the Area Based Grant allocations although these details are not yet available and there were also some further minor grant transfers into RSG. The changes outlined above however had no affect on the Fire Service;
- 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, through initiatives such as the National Challenge which will provide £400 million over this period;
- Specific and special grants included within the AEF will increase by 4.9% for 2009/2010 and by 5.3% for 2010/2011 as compared to the 2008/2009 adjusted figures. Grants were expected to increase in overall terms by 5.1% and 5.3% respectively in January 2008 but these have decreased in 2009/2010 for the reasons set out above;
- there have been no changes to the overall formula grant allocations, for both 2009/2010 and 2010/2011, to those already published and released in January 2008;
- the Minister expects the 2010/2011 settlement to remain unchanged for next year;
- Business Rates show a reduction of £1 billion from that announced previously which reflects the worsening economic situation and also the increase in relief on empty property announced in the Pre-Budget Report (24th November).

Consequently, the government has increased its contribution by increasing Revenue Support Grant to make good this anticipated shortfall;

- Business Rates for 2009/2010 have not yet been announced.

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 substantially below 5%;
- The Government consulted in the autumn and has decided that specific efficiency information is to be included in Council Tax Bills for 2009/2010 - precise details have yet to be finalised;
- The Government announced that it is to make regulations which will allow authorities with funds invested in Icelandic banks to postpone the impact of the impairments required by accounting practice, from 2008/2009 to 2010/2011. As all of the Fire and Rescue Authority's treasury management services are carried out by Sunderland City Council, (as lead authority), it was not affected by this issue as no funds were held with the Icelandic banks concerned.

5. Effects on Tyne and Wear Fire and Rescue Authority

As a result of the changes set out in paragraph 4 above, the Authority's grant entitlement for 2009/2010 of £35.184 million and for 2010/2011 of £35.570 million remain unchanged from the figures announced in late January 2008.

The government has not made any changes to the formula grant system.

The Authority's formula grant increases for both years have not been affected by the settlement and consequently the increases set out in the consultation papers, remain unchanged at 1.26% for 2009/2010 and 1.10% for 2010/2011. The Authority's grant increases, although well below the national average increases of 2.84% and 2.65%, are above the minimum (floor) increases for all Fire and Rescue Authorities, of 0.50% and 0.50% respectively. Appendix 1 shows the detailed comparisons for information.

The Authority's grant allocations for both 2009/2010 and 2010/2011 have therefore been reduced in order to help fund the 'floor', which means that all fire authorities will receive at least the minimum grant increase for 2009/2010 of 0.50% and for 2010/2011 of 0.50%. The table below shows the impact on the Authority's allocation of grant in each year for information:

Settlement	Adjusted Grant 2008/09	Provisional Grant 2009/10	£ Change	% Change	Indicative Grant 2010/11	£ Change	% Change
	£m	£m	£m	%	£m	£m	%
Allocation before 'floor' adjustment	34.746	35.713	0.967	2.78	35.874	0.690	1.96
Actual Allocations	34.746	35.184	0.437	1.26	35.570	0.386	1.10
Cost of Floor – grant reduction			0.530			0.304	

Whilst it is difficult to argue against the use of the floor, and it should be noted that the Authority has benefited from this measure in the past, the Authority would like to see the government fund the floor element in future settlements so that authorities do receive the full benefit from their grant formula allocations.

The Authority's specific and special grant allocations for 2009/2010 and 2010/2011 have yet to be announced. The changes will however be taken into account during the budget process and will be reported to the Authority when these details are released.

6. Reason for Decision

6.1 Consideration of the 2009/2010 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 2008/2009 and related matters - (Source: DCLG).

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

LGA Briefing – Local Government Finance Settlement 2009/2010

**Comparison of Grant Allocations 2009/2010 to 2010/2011
(with the adjusted 2008/2009 position)**

Totals	Adjusted Grant 2008/09 £m	Proposed Grant 2009/10 £m	% Change	Indicative Grant 2010/11 £m	% Change
England	27,474.0	28,254.0	2.84	28,995.5	2.65
Shire Areas	13,482.8	13,908.4	3.16	14,321.3	3.00
Metropolitan Areas	7,769.6	7,993.1	2.88	8,196.6	2.56
London Authorities	6,219.4	6,350.4	2.11	6,475.4	1.98
Metropolitan Districts	5,500.4	5,659.3	2.89	5,797.3	2.46
North East Region	1,728.1	1,772.6	2.57	1,813.3	2.32
All Fire Authorities	1,027.2	1,041.8	1.42	1,056.5	1.42
Total Metropolitan Fire Authorities	323.8	328.1	1.32	332.3	1.28
Greater Manchester	73.5	74.4	1.23	75.3	1.24
Merseyside	45.8	46.1	0.50	46.3	0.50
South Yorkshire	35.5	36.1	1.90	36.8	1.77
West Yorkshire	55.3	56.4	1.99	57.5	1.99
West Midlands	79.0	79.9	1.17	80.8	1.14
Tyne and Wear	34.7	35.2	1.26	35.6	1.10