

# REVENUE SUPPORT GRANT

## CABINET AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

15TH JULY 2004

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### Wards Affected

Countywide.

### Purpose

To respond to the emerging issues in regard to fast growing authorities and their impact on the Revenue Support Grant (RSG) allocation, and to note the Council's response to recent consultation on the Local Government Finance Settlement.

### Key Decision

This is not a key decision.

### Recommendations

- THAT (a) local MPs be urged to support the Council in formally lobbying the Government to use up to date population data in the formula grant settlement; and**
- (b) the County Treasurer prepares a response to the Amending Reports objecting to the continued use of outdated Census information and seeks expert advice in analysing the Council's position relative to the National RSG framework.**

### Reasons

To engage in the central government lobbying process for maximising the Council's RSG grant allocation.

### Considerations

1. The Settlement Working Group, which is a body of finance experts from both local government and the Office of the Deputy Prime Minister (ODPM), has recently discussed the issue of fast growing authorities and how these are affected under the RSG formula system. The key issue is the use of out of date population figures which are fed into the formula, which at the moment are two years old. Herefordshire is one of 28 councils within the fast growing upper tier authorities group and is therefore affected by this "data lag".
2. It is important that councils within this group lobby the government, who will be reviewing the formula grant system in 2006/07, to include the most recent population data possible in any revised formula. To this extent it would be appropriate not only for the Leader of the Council to respond directly to Government on this issue but also

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Further information on the subject of this report is available from Ian Hyson, County Treasurer  
on (01432) 260235

to ask the County's MPs to do likewise. Although the review is not until next year, local authorities only have a small window of opportunity if they are to lobby effectively.

3. A separate but connected issue is the amending reports to the Local Government Finance Settlement recently released by the ODPM. These amending reports are subject to consultation and contain proposals for retrospective changes to the 2003/04 and 2004/05 Local Government Finance reports. Any changes will not result in any authority having to repay grant back to Government in 2004/05, but instead any adjustments will be a direct addition or deduction from the 2005/06 RSG settlement. This may have a significant impact not only on the level of grant receivable in 2005/06 but also, in this capping environment, an impact on the level of Council Tax the Council can raise.
4. Members will be aware that the formula for distributing Revenue Support Grant (RSG) is highly complex. A significant amount of data is fed into the formula from the Census as well as population data from the Office of National Statistics (ONS). A key concern the Council has is that the Census data used for distribution is now thirteen years old and the ODPM do not propose to use the 2001 Census data in the amending reports. According to exemplifications of the formula received by the ODPM, the Council would have potentially received significantly more RSG for 2004/05 if 2001 Census data had been used. This is a vitally important issue for the Council and we are already supporting a response through the County Council's Network.
5. An associated issue is the report, recently published and currently being evaluated, commissioned by UNISIG (Unitary Authorities Special Interest Group) into a number of RSG matters from the Unitary Authorities' perspective. Whilst a number of issues will be directly related to Herefordshire, it is recognised that the majority of unitaries are more urban in characteristics than Herefordshire. In order to inform the Council's approach to such issues in the future, it will be necessary to evaluate changes that might benefit Herefordshire in a national RSG context. Having regard to the complexities of the RSG methodology, it is recommended that expert advice is obtained to assist in the process at a cost of between £5,000 and £10,000.

## **Risk Management**

By not lobbying effectively and responding to consultation on such matters the Council risks not maximising its grant settlement which is so important in maintaining effective local service delivery.

## **Consultees**

None.

## **Background Papers**

None.