



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

COMPREHENSIVE SPENDING REVIEW 2010

Report of the Chief Fire Officer

Agenda Item No:

Date: 17 December 2010

Purpose of Report:

To provide Members with an update on the Comprehensive Spending Review 2010 and the provisional Formula Grant Settlement for 2011/2012 and 2012/2013.

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1. BACKGROUND

- 1.1 Members will be aware that following the headline announcements of the Comprehensive Spending Review (CSR) in October the overall level of Formula Grant paid to Fire and Rescue Authorities was to reduce by 25% over the next four years. At that time there was no indication of how this reduction would be distributed across the four years of the CSR Period.
- 1.2 Also at the same time it was announced that government were reviewing the Fire Formula with a view to introducing a new formula from 2011. The implications of formula changes on the distribution of grant between authorities was not known and whilst various exemplifications had been provided by the Department of Communities and Local Government (DCLG) all these showed was that Nottinghamshire were likely to lose out under any one of the four options under consideration.
- 1.3 On December 13th the Secretary of State announced the provisional settlements of formula grant to all local authorities including fire and specific allocations to Nottinghamshire were announced. This report sets out the implications of this announcement for Nottinghamshire Fire and Rescue Service and considers the likely impacts on budgets and Council Tax levels.

2. REPORT

Grant Changes

- 2.1 The funding of NFRS in 2010/2011 is split between Council Tax/Precept and Government Grant as follows:

Council Tax	23.10m	48%
Grant	25.01m	52%
	48.11m	

This means that over 50% of funding is received from Government Grant.

- 2.2 The Secretary of State announced on 13th December that levels of grant distributed to NFRS would be:

2011/2012	£22.634m	a reduction of 9.5%
2012/2013	£21.864m	a further reduction of 3.4%

This is a cumulative reduction of 12.6% over the two years.

- 2.3 These figures alone do not reveal the full implications of the grant settlement because Nottinghamshire is for the first time considered to be hit so hard by the grant settlement that the figures above include top up grants of £1,490,442 in 2011/2012 and £719,767 in 2012/2013 as transitional payments. These payments are referred to as contributions from the floor.

- 2.4 This however does not reveal the full extent of the reduction in terms of impact on budgets as no account is taken of either pay or general inflation in these figures.
- 2.5 The impact on budgets at the simplest level would be £3.15m over the two year period but in reality will equate to nearly £5m over the two year period once issues such as rising insurance costs, support to the capital programme and anticipated pay awards are taken into account.
- 2.6 The Secretary of State in a meeting with the Chair and the Chief on Wednesday 15th December said that whilst there had been no announcement for years 3 and 4 of the CSR period these years would be particularly difficult given the already announced “backloading”. A broad estimate of what this might mean is a further cut of about 21% over years 3 and 4 which would also include the withdrawal of the transitional contributions from the floor.
- 2.7 It is estimated overall therefore that budget cuts of the order of £8m may be required over the four year period and that is the basis upon which officers have been preparing budget proposals for consideration by the Finance and Resources Committee.

Council Tax

- 2.8 Much has been made of the government’s desire to keep Council Tax increases at zero percent in 2011/2012 and in order to facilitate this it has been announced that Nottinghamshire would receive £581,000 if Council Tax rates were maintained at the same levels as in 2010/2011. This figure roughly equates to the amount that could be raised by a 2.5% rise in tax.
- 2.9 There has been some confusion about what is actually being proposed by government in respect of this grant but all the written material would indicate that it is to be preserved for each of the four years of the CSR period although there are no promises beyond March 2015 after which it may or may not be included in the base settlement.
- 2.10 It is important to understand that the payment of this grant is only to keep Council Tax increases to zero in 2011/2012. In 2012/2013 and beyond Council taxes may need to increase even though the government will still continue to pay this grant. This is because a council tax increase in year 1 will by definition still be collected again in year two and so forth. In order to simulate this any grant would also need to be paid in subsequent years.

Consideration will have to be given as to whether to accept the grant and have a zero increase in Council Tax in year 1 or whether to levy an increase and refuse the grant.

The National Picture

- 2.11 The obvious question when considering large changes in grant or budget problems is what is happening elsewhere and how did this situation arise both of which are never straightforward questions.
- 2.12 In terms of knowing what is happening elsewhere this is a question best answered by referring to two documents issued by the DCLG and appended to this report as Appendices B and C.
- 2.13 Appendix B shows a sort of “sanitised” version of the grant settlement simply comparing the amount of grant plus council tax in 2010/2011 (Revenue Spending Power) with the amount of Council Tax (zero increase) plus Grant plus Council Tax freeze grant in 2011/2012 and talking about a reduction in spending power. For example in Nottinghamshire this shows:

	£
Council Tax 2010/2011	23.100m
Grant 2010/2011	25.010m
Spending Power	48.110m
Council Tax 2011/2012	23.100m
Grant 2011/2012	22.634m
Council Tax Freeze Grant	0.581m
	46.315m

A net loss of spending power of £1.795m or 3.73%. This -3.73% of course bears little relation to the actual reduction in grant of 9.5% but does allow some comparisons to be made between authorities.

Appendix C is the same table but for 2012/2013.

- 2.14 What is clear is that irrespective of the somewhat positive presentation of these figures Nottinghamshire has the third worst settlement in the UK outside the Metropolitan areas for 2011/2012 and the second worst in 2012/2013. Some Authorities in the South of England such as Essex and Hampshire have actually secured increases in their grant settlements.
- 2.15 Derbyshire do a little better than Nottinghamshire however Leicestershire are much better treated with a reduction of about 0.5%.
- 2.16 It is always difficult to work out why grant is distributed the way it is but on this occasion it is a little easier due to the formula changes. It seems at first sight that the main reason for this shift in resources is that the weighting previously given to deprived populations has been greatly reduced. This will remove money from large deprived cities and it is noticeable that all large cities with significant levels of deprivation have lost out significantly. A change in area cost adjustments has also tended to move money southwards.

Conclusion

- 2.17 This settlement will be particularly difficult from a budgetary perspective and will present significant challenges to both Officers and Members alike as the priority remains to maintain and where possible improve the service and the safety of our citizens.

3. FINANCIAL IMPLICATIONS

The financial implications of this report are set out in full within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report although clearly the development of budgets within financial constraints such as these will have some implications.

5. EQUALITY IMPACT ASSESSMENT

There are no equalities issues arising directly from this report, as it is a review of activities rather than a new policy although care will need to be taken that any budget proposals do not impact disproportionately on any particular groups.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising directly from this report

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

There are always risks associated with the development of budgets and changing services. These will be dealt with as the various matters arise.

9. RECOMMENDATIONS

That Members note the contents of this report.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

Settlement Letter From DCLG

Dear Neil Timms,

Provisional 2011-12 and 2012-13 Settlements

The Secretary of State for Communities and Local Government today announced a two-year settlement for local government, covering 2011-12 and 2012-13; and launched a consultation on the proposed settlement ending on Monday 17 January.

Today's provisional settlement includes, for each authority for each of the next two years, allocations of formula grant and other Government grants to local government.

The key features of the settlement are:

- in total, formula grant will be £29 billion in 2011-12 and £27 billion in 2012-13;
- over £4 billion of other grants have been rolled into formula grant; and the number of separate revenue funding streams has reduced from over 100 to around a dozen;
- for 2011-12 and 2012-13, the Government has ended ring-fencing on revenue grants for councils, apart from simplified schools grants.

As in recent years, we are proposing floor damping arrangements in each of the two years. However, in this settlement, we are proposing banded floors for education/social services authorities and shire districts (four bands in each case), based on the extent to which different authorities are reliant on Government funding.

The Government has also established a Transition Grant of £85 million for 2011-12 and £14 million in 2012-13, to ensure that no authority in receipt of formula grant faces a reduction of more than 8.9% in 'revenue spending power' in 2011-12 or 2012-13. The definition of 'revenue spending power' is set out in the consultation document on Transition Grant on the Department's local government finance website. The weblink is below:

<http://www.local.communities.gov.uk/finance/1112/grant.htm>

The data for your authority, Nottinghamshire Fire (LGF-FGD code R972), follows.

Provisional 2011-12 Settlement

Adjusted 2010-11 Formula Grant (£)	25,009,684
2011-12 Revenue Support Grant (£)	5,337,487
2011-12 Redistributed Business Rates (£)	17,296,278
2011-12 Formula Grant (£)	<hr/> 22,633,764
2011-12 Relative Needs Amount (£)	4,064,868
2011-12 Relative Resource Amount (£)	-399,019
2011-12 Central Allocation (£)	17,477,474
2011-12 Floor Damping (£)	1,490,442
2011-12 Formula Grant (£)	<hr/> 22,633,764

2011 subnational population projection (number of people)	1,097,454
2011 taxbase projection (band-D equivalents)	338,969

NB: Information on the Relative Needs Formulae for your authority can be found at http://www.local.communities.gov.uk/finance/1112/tab21112/t2_R972.htm

Provisional 2012-13 Settlement

Adjusted 2011-12 Formula Grant (£)	22,633,764
2012-13 Revenue Support Grant and Redistributed Business Rates (£)	21,864,216
2012-13 Formula Grant (£)	<hr/> 21,864,216
2012-13 Relative Needs Amount (£)	3,900,564
2012-13 Relative Resource Amount (£)	-389,273
2012-13 Central Allocation (£)	17,633,158
2012-13 Floor Damping (£)	719,767
2012-13 Formula Grant (£)	<hr/> 21,864,216
2012subnational population projection (number of people)	1,106,248
2012 taxbase projection (band-D equivalents)	341,137

NB: Information on the Relative Needs Formulae for your authority can be found at http://www.local.communities.gov.uk/finance/1112/tab21213/t2_R972.htm

Change in Spending Power after application of Council Tax Freeze Grant 2011/12

Appendix B

Local Authority	2010-11 Council Tax Requirement	2010-11 adjusted Formula Grant 2010-11 (adjusted)	'Revenue Spending Power 2010-11'	2010-11 Council Tax Requirement	2011-12 Formula Grant	Indicative Council Tax Freeze Grant 2011-12	2011-12 Estimated 2011-12 Revenue Spending Power	Change in estimated 'revenue spending power' 2011-12	Change in estimated 'revenue spending power' 2011-12
	£m	£m	£m	£m	£m	£m	£m	£m	%
West Midlands Fire	38.208	80.813	119.021	38.208	73.136	0.960	112.303	-6.718	-5.64%
Greater Manchester Fire	42.036	75.335	117.370	42.036	68.178	1.055	111.268	-6.102	-5.20%
Merseyside Fire	27.247	46.305	73.552	27.247	41.906	0.680	69.833	-3.719	-5.06%
South Yorkshire Fire	22.972	36.770	59.742	22.972	33.277	0.577	56.826	-2.916	-4.88%
West Yorkshire Fire	35.421	57.490	92.911	35.421	52.211	0.891	88.523	-4.388	-4.72%
Tyne and Wear Fire	23.749	35.570	59.319	23.749	32.191	0.596	56.536	-2.783	-4.69%
Cleveland Fire Authority	10.857	22.382	33.238	10.857	20.255	0.272	31.385	-1.854	-5.58%
Avon Fire Authority	22.097	24.879	46.976	22.097	22.541	0.558	45.196	-1.779	-3.79%
Nottinghamshire Fire Authority	23.100	25.010	48.110	23.100	22.634	0.581	46.315	-1.795	-3.73%
Cambridgeshire Fire Authority	15.815	14.443	30.259	15.815	13.071	0.400	29.287	-0.972	-3.21%
Durham Fire Authority	16.647	14.529	31.176	16.647	13.149	0.419	30.215	-0.961	-3.08%
Derbyshire Fire Authority	22.025	19.674	41.700	22.025	18.027	0.555	40.607	-1.093	-2.62%
Shropshire Fire Authority	13.323	8.268	21.590	13.323	7.482	0.337	21.142	-0.449	-2.08%
Humberside Fire Authority	22.287	27.174	49.462	22.287	25.623	0.560	48.470	-0.991	-2.00%
Buckinghamshire Fire Authority	17.384	11.452	28.835	17.384	10.473	0.438	28.295	-0.540	-1.87%
Lancashire Fire Authority	29.736	32.608	62.344	29.736	31.252	0.745	61.733	-0.611	-0.98%
North Yorkshire Fire Authority	18.523	12.968	31.491	18.523	12.208	0.466	31.196	-0.295	-0.94%
Leicestershire Fire Authority	16.855	18.840	35.695	16.855	18.211	0.425	35.491	-0.204	-0.57%
East Sussex Fire Authority	24.541	14.673	39.213	24.541	13.836	0.618	38.995	-0.218	-0.56%
Berkshire Fire Authority	18.429	15.423	33.852	18.429	14.784	0.464	33.678	-0.174	-0.52%
Wiltshire Fire Authority	15.517	9.587	25.104	15.517	9.113	0.390	25.020	-0.084	-0.33%
Bedfordshire Fire Authority	16.955	11.386	28.341	16.955	10.880	0.427	28.262	-0.079	-0.28%
Kent Fire Authority	42.854	29.596	72.450	42.854	28.421	1.079	72.354	-0.096	-0.13%
Hereford and Worcester Fire Authority	20.644	10.668	31.312	20.644	10.409	0.521	31.574	0.262	0.84%
Cheshire Fire Authority	24.853	18.621	43.709	24.853	18.670	0.623	44.145	0.436	1.00%
Devon & Somerset Fire Authority	43.705	31.245	74.950	43.705	30.896	1.099	75.699	0.749	1.00%
Dorset Fire Authority	17.799	11.001	28.800	17.799	10.886	0.448	29.133	0.333	1.15%
Staffordshire Fire Authority	24.129	18.600	42.728	24.129	18.540	0.605	43.274	0.545	1.28%
Essex Fire Authority	42.629	32.371	75.000	42.629	32.317	1.071	76.016	1.016	1.36%
Hampshire Fire Authority	38.649	29.266	67.915	38.649	29.335	0.973	68.956	1.041	1.53%

Changes in Spending Power after application of Council Tax Freeze Grant 2012/20113

Appendix C

Local Authority	2010-11 Council Tax Requirement	2011-12 Formula Grant adjusted	Indicative Council Tax Freeze Grant	'Revenue Spending Power 2011-12'	2010-11 Council Tax Requirement	2012-13 Formula Grant	Indicative Council Tax Freeze Grant	Estimated 2012-13 'Revenue Spending Power'	Change in estimated 'revenue spending power' 2012-13	Change in estimated 'revenue spending power' 2012-13
	£m	£m	£m	£m	£m	£m	£m	£m	£m	%
West Midlands Fire	38.208	73.136	0.960	112.303	38.208	70.649	0.960	109.817	-2.487	-2.21%
Merseyside Fire	27.247	41.906	0.680	69.833	27.247	40.481	0.680	68.408	-1.425	-2.04%
South Yorkshire Fire	22.972	33.277	0.577	56.826	22.972	32.146	0.577	55.695	-1.131	-1.99%
Tyne and Wear Fire	23.749	32.191	0.596	56.536	23.749	31.096	0.596	55.441	-1.094	-1.94%
Greater Manchester Fire	42.036	68.178	1.055	111.268	42.036	66.030	1.055	109.120	-2.148	-1.93%
West Yorkshire Fire	35.421	52.211	0.891	88.523	35.421	51.504	0.891	87.816	-0.707	-0.80%
Cleveland Fire Authority	10.857	20.255	0.272	31.385	10.857	19.567	0.272	30.696	-0.689	-2.19%
Nottinghamshire Fire Authority	23.100	22.634	0.581	46.315	23.100	21.864	0.581	45.545	-0.770	-1.66%
Cambridgeshire Fire Authority	15.815	13.071	0.400	29.287	15.815	12.627	0.400	28.842	-0.444	-1.52%
Shropshire Fire Authority	13.323	7.482	0.337	21.142	13.323	7.228	0.337	20.887	-0.254	-1.20%
Durham Fire Authority	16.647	13.149	0.419	30.215	16.647	12.852	0.419	29.918	-0.297	-0.98%
Avon Fire Authority	22.097	22.541	0.558	45.196	22.097	22.396	0.558	45.052	-0.145	-0.32%
Derbyshire Fire Authority	22.025	18.027	0.555	40.607	22.025	17.911	0.555	40.491	-0.116	-0.28%
Humberside Fire Authority	22.287	25.623	0.560	48.470	22.287	25.550	0.560	48.398	-0.073	-0.15%
Buckinghamshire Fire Authority	17.384	10.473	0.438	28.295	17.384	10.456	0.438	28.278	-0.017	-0.06%
East Sussex Fire Authority	24.541	13.836	0.618	38.995	24.541	13.884	0.618	39.042	0.047	0.12%
Lancashire Fire Authority	29.736	31.252	0.745	61.733	29.736	31.337	0.745	61.817	0.085	0.14%
North Yorkshire Fire Authority	18.523	12.208	0.466	31.196	18.523	12.295	0.466	31.283	0.087	0.28%
Bedfordshire Fire Authority	16.955	10.880	0.427	28.262	16.955	10.991	0.427	28.373	0.111	0.39%
Kent Fire Authority	42.854	28.421	1.079	72.354	42.854	28.721	1.079	72.655	0.300	0.42%
Wiltshire Fire Authority	15.517	9.113	0.390	25.020	15.517	9.229	0.390	25.137	0.117	0.47%
Berkshire Fire Authority	18.429	14.784	0.464	33.678	18.429	14.960	0.464	33.853	0.175	0.52%
Hereford & Worcester Fire Authority	20.644	10.409	0.521	31.574	20.644	10.583	0.521	31.748	0.174	0.55%
Leicestershire Fire Authority	16.855	18.211	0.425	35.491	16.855	18.441	0.425	35.721	0.230	0.65%
Dorset Fire Authority	17.799	10.886	0.448	29.133	17.799	11.090	0.448	29.337	0.204	0.70%
Devon & Somerset Fire Authority	43.705	30.896	1.099	75.699	43.705	31.484	1.099	76.287	0.588	0.78%
Staffordshire Fire Authority	24.129	18.540	0.605	43.274	24.129	18.899	0.605	43.633	0.359	0.83%
Cheshire Fire Authority	24.853	18.670	0.623	44.145	24.853	19.037	0.623	44.512	0.367	0.83%
Essex Fire Authority	42.629	32.317	1.071	76.016	42.629	33.102	1.071	76.801	0.785	1.03%
Hampshire Fire Authority	38.649	29.335	0.973	68.956	38.649	30.087	0.973	69.709	0.753	1.09%