

CABINET 3rd SEPTEMBER 2002**REPORT OF THE COUNTY TREASURER****REVENUE SUPPORT GRANT****- RESPONSE TO CONSULTATION****Purpose of report**

1. The purpose of the report is to propose a response to the Government's consultation paper on changes to the Revenue Support Grant (RSG) system.

Recommendation

2. The Cabinet is recommended to agree the proposed response to the Government's consultation on RSG.

Reason for recommendation

3. The proposed response is intended to present a case to ensure that the RSG system fairly reflects the County Council's needs and ensures resources are adequate to meet those needs.

Timetable for decision

4. The deadline for responses is the end of September. This issue is due to be considered by the Scrutiny Commission on 4th September.

Policy Framework and Previous Decision

5. The County Council has lobbied for a more equitable distribution of resources for many years, particularly in terms of education funding. Leicestershire was a founder member of the forerunner of the present F40 Group which campaigns on behalf of the lowest funded education authorities. The Medium Term Corporate Strategy emphasises the need to continue to press the Government to increase the level of funding it provides for Leicestershire schools.

Resource Implications

6. The Consultation Paper contains 47 options for changing the RSG system. Appendix 1 illustrates the impact on the County Council based on the current year's figure of total SSA's. No account is taken of the increase for 2003/4 announced as part of the spending review. The most critical areas are education, area cost adjustment and resource equalisation. The best combination of options would result in a gain of £22.2 m and the worst a loss of £23.6 m. In numerical terms the majority of options are unfavourable to the County Council.

Circulation under Sensitive Issues Procedure

7. None

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PART B

Background

8. On 8th July 2002 the government issued a consultation paper on possible changes to the formula used to distribute grant to English local authorities.
9. The document contains 47 options for changes to the grant formula. These cover all the main services and a number of cross-service issues.
10. Each option is exemplified on the basis of its effect on 2002/03 Standard Spending Assessments for each local authority. These are not the figures that will appear in the 2003/04 local government finance settlement, because of changes in the overall funding totals which will occur as a result of the 2002 Spending Review and because there will be changes to data used in the formulae such as population which will not be available until later this year.
11. The Government has said that it will not necessarily limit itself to the options in the consultation paper.
12. In many cases the Paper provides limited justifications for the options chosen. This is unfortunate given the long moratorium on changes to the formula. Further work is being done by the RSG advisers to the County Council network (CCN) to analyse the options. The Office of the Deputy Prime Minister (ODPM) has been asked to exemplify the effect of other options by groups representing local authorities (such as CCN) and by individual authorities. Given the time available the resources of the ODPM will not be able to meet all requests but the results are due to be released by the end of August.
13. The proposed response set out below has been compiled on the basis of the information to hand. The response may need to be amended to take account of further information.

Education

14. The Education options draw on work in the Education Funding Strategy Group. All of the four options have a similar structure.
- There are two main blocks: Schools Block and LEA Block. Approximately 88% of the funding assessment will be in the Schools Block, with the remaining 12% in the LEA block. There is one formula for the LEA block; this is common to all four options;
 - The Schools Block is divided into 4 sub-blocks, covering under 5s, primary, secondary and high cost pupils i.e. those with statements of special educational need. Again, there is only one formula for the high cost pupil block which is common to all four options;
 - The formulae for the primary, secondary and Under 5s blocks will have a similar structure; a basic entitlement per pupil; with top ups for 'significant deprivation' (Additional Educational Needs or AEN) and for areas where it costs more to recruit and retain teachers (Area Cost Adjustment or ACA);
 - All options contain an allowance for English as an Additional Language (EAL) in the primary block and an ethnicity measure in the secondary block;
 - The four options differ as to:-
 - the incidence of deprivation; whether income support alone is used as an indicator or also Working Families Tax Credit; (WFTC)
 - the cost of the AEN component and whether or not it caters for 'unmet needs', as identified in work carried out by PriceWaterhouseCoopers for the DfES;
 - the level of an AEN 'threshold' which indicates significant deprivation;
 - whether Education uses the same Area Cost Adjustment as for other blocks (see below) or a variant which reflects house price differentials between areas as they affect the average teacher salary.
15. Option EDU1 is almost the worst combination of factors for Leicestershire (loss of £6.8 m) as it uses only Income Support to measure deprivation; it includes provision for unmet needs and has a low threshold before a top up is given for deprivation.
16. Option EDU2 is the best for the County Council (gain £5.9 m) as it includes WFTC, does not provide for unmet needs and has a high threshold before a top up for AEN.

Proposed response

17. **The Government has stated that the purpose of the new funding system for Education is to underpin the raising of standards. Our view is that all the options identified are flawed to varying degrees and this aim will not be achieved.**

18. **At present, Leicestershire County Council is the lowest funded County Council for Education. In terms of secondary education we currently receive £380 per pupil less than the average for all LEA's. Three of the four proposals put forward actually reduce our level of funding and make the disparity even greater. It would appear that the Government could be minded to ignore the results of its own consultation on the Local Government green paper when over 14,000 organisations and people raised concerns over the current inequalities in funding.**
19. **This is particularly surprising as Government ministers are on record as saying that "the current system creates disparities in funding across the country that cannot continue".**
20. **The focus of the review has been to identify the cost of educating pupils with additional educational needs. These costs have then been deducted from the available funding to come up with a 'basic entitlement'. Unsurprisingly the consultation paper cannot and does not contain any evidence to suggest that the basic entitlement is adequate to 'raise standards' in our schools. We await with interest the further work that is being undertaken on 'activity led' funding.**
21. **Maximising the basic entitlement for each pupil is critical to raising standards. It is the basic entitlement which will directly impact on class sizes. It is the basic entitlement which will be the headline figure for schools and parents. The 'activity led' costing analysis should define the basic amount with residual amount for 'add-ons'. It is completely wrong to calculate the add-ons, and top slice this amount with the remainder dictating the basic amount.**
22. **We have serious concerns about the Price Waterhouse Coopers work on Additional Educational Needs (AEN) upon which the proposals are based. Technical flaws in the review concerning the treatment of other funding for deprived areas mean that AEN costs have been overstated.**
23. **The option of meeting the cost of 'unmet' needs by top slicing the 'basic entitlement' is totally unjustified. By definition the current level of funding, which is above SSA, is insufficient to meet these needs. If 'unmet' needs are to be funded, substantial additional resources should be made available by the Government rather than further reducing the funding of authorities at the bottom of the pile.**
24. **The proposals put forward two indicators of deprivation, Income Support and Working Families Tax Credit (WFTC). We support the use of both indicators given that it would be unfair to penalise the children of low income parents because they are working, by reducing funding to schools they attend. To use only Income Support would be counter to the Government's policy on maximising the number of people in work. The use of two indicators should reduce the volatility of funding between years.**

25. **The County Council concurs with the Government's stated aim that additional funds should only be channelled to those authorities with 'significant' deprivation. If so, the threshold should be at least 50 LEA's, if not 100. Finally, in terms of deprivation we hope that real attention is given to the level of funding that 'deprived' areas receive through specific grant to ensure that these LEAs are not allocated funds twice.**
26. **The proposals include options on area cost. Our comments on area cost are included in the appropriate section. We do not believe house prices are a reliable indicator of area cost and the proposals provide no justification. House prices do not accurately reflect the actual pay differences for local government employees between regions. House prices have been known to fall thus implying that teachers' salaries should reduce in those areas. This method could lead to greater volatility and having two approaches to area cost will increase complexity of the overall approach to funding local authorities. It is of concern that the DfES appears to be pursuing its own line on area cost.**
27. **We support the use of indicators of sparsity in both the primary and LEA funding blocks. However, we believe that sparsity is also a factor that impacts on the cost of under 5's and secondary education.**
28. **It is disappointing that only one option has been proposed for the LEA block. This includes a significantly higher weighting for pupils resident in an authority as opposed to the number of pupils in an authority's schools. We believe that the weighting should be reversed given that the majority of LEA expenditure is directed at improving standards in its schools and not supporting resident pupils that may well be educated by neighbouring LEA's with more popular schools.**
29. **The allowance for deprivation should also include Working Families Tax Credit to be consistent with the pupil block.**
30. **We understand and support the guarantee that schools should not lose out in real terms from changes in the funding formula. We hope that this guarantee will be funded by the Government rather than by increased demands on Council Taxpayers.**
31. **Overall of the options exemplified, Leicestershire County Council would prefer option EDU 2. However, we believe that it is flawed in relation to the underlying assumption on sparsity, the threshold for additional needs is too low and it assumes the continuation of the current discredited system for Area Cost.**

Personal Social Services

Children

32. **Three options are presented. All of them keep the structure of the formula similar to the way it is at present, but differ as to how the top up**

for fostering costs is treated. The current formula takes account of deprivation and the number of married women in full-time employment on the basis that this dictates the supply of foster carers.

33. Option SSC1 keeps the existing foster care adjustment but increase its weight against other elements in the Children's formula in line with the results of analysis on more recent data; (neutral for Leicestershire)
34. Option SSC2 changes the weights of the factors within the fostering care adjustment following analysis of more recent data; (gain £0.6m)
35. Option SSC3 uses a new foster care adjustment, as recommended by new research for the DoH. This would use two factors: social class and ethnicity. (gain £0.4m)

Younger Adults

36. Three options are presented.
37. Option SSO1 retains the existing statistical analysis of spending patterns but updates expenditure data from 1990/91 to 2000/01 and keeps the existing 12 indicators to measure needs; (gain £1.2m)
38. Option SSO2 is the same as SSO1 but reduces the existing 12 indicators to three: income support, single people living away from families and those living in public sector flats; (gain £1.8 m)
38. Option SSO3 introduces a separate formula for Mental Health, as recommended in work done for the County Councils Network; (gain £2.0 m)

Elderly people

39. Six options are presented. Three of them retain separate blocks for Elderly Residential and Elderly Domiciliary; the other three present a combined Elderly formula as developed in work for DoH by the University of Kent to reflect the fact that the distinction between residential and domiciliary care is increasingly blurred.
40. Option SSR1 updates the Elderly Residential formula drawing on the 1998 General Household Survey. It includes an estimate of income from charges, as opposed to actual data, as at present; (loss £0.9 m)
41. Option SSR2 is the same as SSR1 but changes the basis of the population used in the formula to include elderly people living in institutions as well as households; (loss £0.9m)
42. Option SSD 1 updates the Elderly Domiciliary Formula in line with the 1998 General Household Survey, uses more recent data for charges and doubles the weighting for sparsity from 0.5% to 1%; (gain £0.7m)
43. Option SSE1 is based on a combined formula as recommended by the University of Kent but excluding ethnicity; (neutral)
44. Option SSE2 is also based on a combined formula but changes the basis of the population to include elderly people living in institutions as well as households; (gain £0.2m)
45. Option SSE3 is a combined formula as above, but includes an allowance for ethnicity. (loss £0.4m)

Proposed response

46. **We would like to see an end to the Foster Care Adjustment (FCA) for the childrens' SSA. The justification is questionable and scrapping it would aid simplicity. If the FCA is retained the regression analysis upon which it is based should be updated as per option 1 (SSC2) unless there is clear evidence that the work upon which SCC3 is based is sound.**
47. **For younger adults we support option SS03 as it does not rely on regression against past spending but Working Family Tax Credit should also be included as an indicator to be consistent with Education and indeed other blocks.**
48. **In terms of the elderly SSA whilst the distribution between domiciliary and residential is becoming blurred options SSE1-3 appear to require a lot of further work before they can be seriously considered. In the meanwhile we support option SSD1 as it is based on the latest data, it reflects actual rather than notional charges and gives a more realistic reflection of the cost of providing services in sparse areas.**

Fire

49. Four options are included. All remove the current fire calls indicators from the formula, as it is seen as a perverse incentive. Three of the options still rely on an analysis of past spending to set weights from the indicators in the formula used to measure need, but updates the figures used from 1990/91 to 2000/01.
50. Option FIR1 includes a new 'fire risk' index to replace the fire calls indicator; (gain £0.5m)
51. Option FIR2 includes an element for fire risk assessments, in addition to the 'fire risk' index; (gain £0.3m)
52. Option FIR3 is based on radically simplifying the formula by giving each authority a flat rate increase each year based on the total SSA increases; starting from authorities' actual spend on fire; (loss £1.8m)
53. Option FIR4 includes a reflection of the cost of providing services in sparse areas, increases in the proportion for fire education and includes a technical adjustment to the way pensions are dealt with. (gain £0.6m)

Proposed response

54. **We would prefer option FIR4 as it recognises the increased costs of providing services in sparser areas. Option FIR3 is ludicrous. It would be a very dangerous precedent to base SSAs directly on past spending except where local authorities have no discretion.**

Highway Maintenance

55. It is proposed that the formula should consist of a basic amount per kilometre; with top-ups for traffic flow, winter maintenance and pay costs, much as at present, although the current threshold before any allowance is given to reflect for traffic flows would be abolished. Weights for the various indicators would still be set by examination of past spending patterns, but figures would be updated from 1990/91 to 1998/99, the latest available. Average temperatures, as opposed to number of days with snow lying, would be used for the winter maintenance part of the formula.
56. The two options presented differ as to whether or not to retain density as an explanatory factor. Option HM1 is a gain of £2.3 m; option HM 2 removes an allowance for population density and gains us £4.7 m.

Proposed Response

57. **The County Council agrees with the Government's view put forward in the White Paper: Strong Local Leadership - Quality Public Services that it should move away from resource allocation based on previous spending patterns. We are therefore disappointed that no practical alternative to this has been identified. If there is no alternative to this approach we would support the Government updating resource allocation to the latest available spending data rather than the redundant 1990/91 information that is currently used.**
58. **We welcome the increased weighting given to HGV's and agree that this is justifiable.**
59. **The County Council strongly believes that population density should not be included in the formula as it is already reflected in the formula by the additional weighting given to roads in built up areas. This adequately compensates urban authorities for the additional costs of pedestrian crossing etc. As a consequence option HM 2 is supported.**
60. **The County Council supports the move to using average temperature instead of days with snow lying.**

Environmental, Protective and Cultural Services (EPCS)

61. The paper envisages that EPCS should continue to have two main sub-blocks for upper tier ('county') and lower tier ('district') services. It proposes to abolish the concurrent services adjustment which recognises that some 'county' services in two-tier areas are provided by districts and vice-versa and to adjust the control totals of the two blocks in recognition of this.
62. Four options are presented. They all contain elements of population deprivation, density and top-ups for sparsity and ethnicity but they differ in the weightings given to deprivation and the other factors. The

best option for the County Council is EPC2 (gain £1.7 m); the worst is EPC4 (loss £3.2 m) because of the higher weighting for deprivation.

Proposed response

- 63. The current EPCS formula allocates funding to cover a very large number of services provided by authorities and the control total is patently inadequate resulting in the County Council spending over 70% more than SSA.**
- 64. The County Council strongly believes that there should be a separate control total for Waste where the costs will soon exceed that for Fire. It should reflect the realistic cost of collecting and disposing of waste and should include the impact of government and E.C. regulations and policy such as the landfill tax and the recent directive on the disposal of fridges and freezers.**
- 65. The County Council believes that the adjustment for concurrent provision of services should reflect actual expenditure within individual areas rather than a split based on national spending patterns. We are unusual for a County Council in terms of the extent of our spending on Museums and Concessionary Travel. If simplicity dictates a national apportionment of the control total to reflect concurrent provision this should be based on a realistic figure i.e. between £650m - £700m rather than the £500m suggested in the paper.**
- 66. The County Council has serious concerns regarding the high weighting given to deprivation in the current formula, which unbelievably is actually increased for some options. The cost of most of the services funded through the EPCS SSA does not vary with deprivation. Indeed for Waste Disposal it could reasonably be expected that less deprived areas will consume more leading to higher costs of waste management. The proposals do not provide any evidence to support giving deprivation an even higher weight.**
- 67. The Government has also recently been prescriptive in setting standard levels of service for Local Government. The DCMS Library standards are a clear example, no allowance is made for differential funding. This again demonstrates that deprivation should have a much lower weighting as the cost of service provision depends on common standards.**
- 68. The proposals include a number of factors to measure deprivation. However, Working Families Tax Credit is not included. The County Council believes that this should be a factor to make the system consistent across all spending blocks. Certainly the Index of Multiple Deprivation indicators should not be used as these are wholly unsuitable for this purpose being designed for the redistribution of regeneration Funding.**
- 69. The County Council supports the adequate reflection of sparsity as a factor that clearly influences the cost of service provision.**

Examples of services where this is undoubtedly a factor are Waste Collection and Disposal, Libraries and Regulatory Services.

- 70. The County supports option EPC2 based on the reasons set out above. However, a separate Waste control total is also strongly supported with a distribution mechanism that is based on resident population which does not take account of deprivation.**

Capital Finance

71. The consultation document notes that the Government will be consulting during the summer on how it should support capital investment in future under the prudential system. However it is likely that existing borrowing will be funded by a similar mechanism to that used currently.
72. All four options presented in the consultation paper involve adjustments in the system which take account of interest receipts as a reduction to the SSA. The options vary as to how this reduction is allocated among other SSA blocks. Options CF1 (loss £2 m) and Options CF2 (loss £2.4 m) are the worst for the County Council. Option CF4 gives us the biggest gain (£3.5 m) but Leicestershire districts would lose £2.6 m. Option CF3 gives a gain of £0.4 m.

Proposed Paper

- 73. It is unfortunate that the options presented appear to be chosen arbitrarily as there is little factual evidence to support them.**
- 74. The County Council agrees that the current formula needs reform. In 2001/02 the County Council earned interest of £2.8m, compared with the SSA formula which anticipated that £4.8m would be earned. This indicates that the control total is overstated, the methodology for its distribution is wrong, or a combination of the two.**
- 75. The County Council strongly objects to options that do not properly reflect the ability of different classes of authorities to realise capital receipts and generate interest. These options would be unfair to counties given that 45% of all local government assets are Council dwellings, and these are owned by other classes of authority.**
- 76. We would favour option CF3 as this takes account of the potential of authorities that have responsibility for Council housing to generate higher levels of interest receipts. We favour this option despite option CF4 bringing the County the largest financial gain as this option assumes only lower tier authorities have the capacity to earn interest which does not reflect reality.**

Area Cost Adjustment

77. Five options are presented. Each is based on three years of earnings data rather than one as at present, in order to reduce volatility in year on year changes.
78. Option ACA1 uses New Earnings Survey (NES) data in the same way as at present but extend the ACA to cover authorities in Cambridgeshire, Northamptonshire, Warwickshire, Gloucestershire, Avon and Wiltshire; (loss £3.5m)
79. Option ACA2 is a variant of the 'Elliott' methodology used to calculate area costs in the NHS, taking more detailed account of differences in the structure of the labour market between authorities and incorporating a 'lower limit' or threshold. Leicestershire would get no area cost adjustment as with the present formula. ACA is also extended to the five authorities as in option ACA 1; (gain £1.6m)
80. Option ACA3 is the same as ACA2 but based on evidence on private sector wages only, because it is argued they better reflect underlying market pressures; (gain £0.1m)
81. Option ACA4 is as for ACA2 but with no lower limit, so all areas including Leicestershire receive an ACA factor; (gain £5m)
82. Option ACA5 is as ACA4, but based only on private sector wages.(gain £6.5m)

Proposed response

83. **The County Council strongly supports reform to the current area cost adjustment system which has been publicly criticised by Ministers, is widely held in contempt and lacks any credibility.**
84. **The County Council would support a system which reflects as far as possible the actual cost differentials borne by authorities. If this specific cost approach is not possible and a general labour market approach is used then the 'Elliott' methodology seems to be an improvement on the current system. The system should be based on the following principles:**
 - **Reduces year on year volatility by taking account of three years' data.**
 - **One system covers all services. There should not be a separate system for education.**
 - **Takes account of pay levels in the public sector as well as the private sector.**
 - **Does not have a cliff edge in terms of which authorities are eligible for area cost.**
85. **The County Council is therefore strongly opposed to options ACA 1 and ACA3 where Leicestershire, as a fringe Authority, would not**

receive area cost despite being next to Authorities that would receive additional funds (Northamptonshire, Warwickshire and Cambridgeshire). This could lead to both lower service levels when compared with neighbouring authorities and difficulties recruiting staff in areas that border authorities receiving ACA. This would also be true in the case of ACA2 although it at least has the benefit of consistency with the NHS.

86. Overall option ACA4 seems to be the closest to meeting the above criteria and is supported.

Fixed costs

87. Two fixed costs options are presented.
88. Option FC1 gives a fixed costs element of £300,000 for each shire district and education / social services authority to reflect the cost of 'being in business' irrespective of the size of authority. The EPCS block would be top sliced to pay for this; (neutral)
89. Option FC2 gives a fixed cost element of £300,000 for each police and fire authority in addition to those above; with the EPCS, Police and Fire blocks to scaled down to reflect this. (gain £0.1m)

Population change

90. The proposal is to introduce a 'targeted' grant for authorities whose population is projected to decrease by more than 0.5% in the two year period between the population estimates used in the settlement and the settlement year. All other formula grant allocation are scaled down to pay for this. (loss £0.1 m)
91. Another option involves a 'targeted' grant for authorities whose population is projected to increase by more than 1.5% in the two year period between the population estimates used in the settlement and the settlement year. All other formula grant allocations are scaled down. (loss £0.3 m)

Proposed response

92. **So called 'fixed costs' vary with the size of authority. All education/social services authorities should be of sufficient size for such costs to be met from normal funding. These proposals would undermine the principle of simplicity given the relatively small sums involved. If implemented it should not apply to upper tier authorities and any allowances for lower tier authorities should be top sliced from the lower tier EPCS control total.**
93. **The County Council does not support either option on sluggish costs or rapid population growth. As for fixed costs the impact does not seem worth the complication it would introduce.**

Resource Equalisation

94. At present the grant system compensates for the assessed need to spend through the SSA formula. It also compensates for authorities different capacity to raise council tax as it takes the council taxbase in to account in calculating the amount of the grant. However it only takes this into account for spending up to SSA. There is no allowance in the grant system for any spending above SSA. Three options are presented to take this additional spending into account.
95. Under each of these options total SSA would be uprated, with a compensating increase in the assumed amount contributed from the council tax (Council Tax at Standard Spending) There is no increase in Government grant. Although neutral in overall terms it has the effect of shifting substantial amounts of grant to authorities with high SSA's and low council tax bases.
96. Option RE1 uprates all SSA's total by a fixed national percentage to eliminate the gap between total SSA's and budgets; (loss £4.6 m)
97. Option RE2 uprates each SSA block separately to bring it into line with actual spending for that block; (loss £8.8 m)
98. Option RE3 is a halfway house which uprates the control totals for Environmental, Protective and Cultural Services (EPCS) and Personal Social Services (PSS) only, by roughly half of the existing gap. (loss £3.3 m)

Proposed response

99. **It is unfortunate that this appears to be a dry and technical issue when the effects are the most dramatic and pernicious of all the options put forward. The County Council is vehemently opposed to any of the options on resource equalisation.**
100. **It is reasonable that the grant system should take account of local resources (i.e. council tax base) but this should only be to the level of spending the Government is prepared to fund. If local authorities decided to spend above this level this was done with the full knowledge of the impact on council tax.**
101. **If the Government is concerned about the gap between actual spending and SSA it should put more resources into the system to bridge the gap. Merely increasing SSAs without extra funding distributes even more grant to authorities with high SSAs and relatively low council tax bases.**
102. **Leicestershire loses three ways from these ill conceived proposals. Firstly, we spend more above SSA than average precisely because the current formula system works against us. For this excess spending to be allocated pro rata to SSAs, thus benefiting those who already do well out of the system exacerbates the problem. Finally, the cost of this excess spending is then shared pro rata to tax base further disadvantaging the County Council.**

103. Local residents may struggle with the technical concepts but the effect is clear. Leicestershire would lose £8.8m from option RE2 equivalent to a 5% council tax increase on top of the increase of over 5% implied by the Spending Review.
104. Clearly these options would totally undermine the fundamental objectives of simplicity, transparency and stability, let alone fairness.
105. These options have come 'out of the blue' with no prior research or warning.
106. Other points against these proposals include:-
- The new system legitimises and could encourage high spending by those authorities with a low tax base.
 - The proposal is on top of the other changes to the system that aim to redistribute funds to more deprived areas. This could result in double or even triple counting for such costs.
 - It could impact on the ability of authorities to passport funding to schools.
 - The option is based on past spending, a principle from which the government has stated it wishes to move away.

Other matters covered by the document

107. The document also contains discussion of other options although detailed exemplifications of their effects are not provided. These are:-
- How to set a baseline figure, which will be used for calculating floors and ceilings, which does not lead to changes in grant for authorities not directly affected by changes in function;
 - Whether or not data should be 'smoothed' in the new system;
 - A simpler presentation of the new system; identifying £ per head figures for the basic amount and top-ups;
 - Merging Revenue Support Grant and National Non-Domestic Rates into a single Formula Grant, as set out in the draft Local Government Bill.

Proposed response

Predictability and Stability

108. We would support option BYG3 as being the easiest to understand.

- 109. We agree that data should be smoothed to add stability where the data is used to calculate 'top ups' rather than client group size such as population.**

Presentation

- 110. We support a form of presentation which clearly distinguishes between basic allocation and the various 'top ups'. However simplicity should not be at the expense of fairness.**

Merging RSG and NNDR into a single grant

- 111. Whilst this would aid simplicity and reflects the reality that business rates are now a national tax it would have an unfortunate effect on some shire districts who would suffer a reduction in Central Government Support.**

Equal Opportunities Implications

None

Background Papers

Local Government Finances Formula Distribution - A Consultation Paper.

PS/CG/Cabinet/RSG2