

REVIEW OF REVENUE SUPPORT GRANT ISSUES

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1. **Purpose**

1.1 To update members on issues relating to the 2000/01 Revenue Support Grant settlement, and beyond.

2. **Summary**

2.1 A key part of the Council's budget strategy is the maximisation of external resources. There are a number of areas where the Council might attempt to maximise its Revenue Support Grant and these are set out in the report. The benefits of such actions are not assured and may not flow to the Council straight away but all avenues need to be explored in the current circumstances. The Council has, therefore, initiated a group of officers with specific responsibilities, to address the issues where action might be possible.

3. **Background**

3.1 A key part of the Council's budget strategy is the maximisation of external resources through a process of a thorough review of options and opportunities.

3.2 This report sets out to give a comprehensive survey of the Council's position with regard to Revenue Support Grant distribution. In doing so it identifies the areas where the Council is initiating work.

3.3 There are a number of strands to this work and these are set out below.

4. **Issues and Choices**

4.1 Maximising RSG in the Current System

- (a) The Government has announced that the current methodology for allocating Revenue Support Grant (RSG) will remain in force for the 2000/01 and 2001/02 settlements. In combination with the data released on the Comprehensive Spending Review, however, this does give the Council some certainty over its likely resources for the next two financial years. It is clear, however, that the Council can initiate work to maximise resources even in the context of the current methodology.

- (b) Each individual component of a Council's SSA is calculated by reference to a wide range of statistical indicators.
- (c) Each indicator has been chosen because it helps predict how individual local authority's characteristics translated into spending in 1990/91. The assumption is that as this was a year without capping Councils were able to set budgets freely with reference to need. The indicators chosen are those with a high statistical correlation to spending patterns in that year. These indicators have then been used to predict need to spend in each years' settlement.
- (d) The vast majority of these indicators come from the 1991 Census or from other static reference points. However there are a number of indicators which are updated annually, from various sources, where the Council will seek to maximise returns. These variable indicators and the action the Council is taking to maximise returns are set out in the **Annex**. The most important are the population statistics but all action points are worthy of follow-up.
- (e) By law, the DETR can only use data they have in their hands, as agreed by the relevant Departments, on October 3. It is imperative therefore that all work, as it affects the 2000/01 settlement, is completed well before that date. It is suggested that the Groups' work be completed by the end of August for this reason.
- (f) Due to the complexity of the issues the Council has taken external soundings as to the approach being recommended here. An earlier draft of this paper was considered by Rita Hale, a well respected consultant on Revenue Support Grant issues. While she was able to support the approach as far as the Council was seeking to provide the correct data to Government she was not able to suggest any other avenues which the Council might adopt in the context of the current methodology.

4.2 Revenue Grant Distribution Review

- (a) The government has undertaken to completely review the methodology for future years, 2002/03 and beyond, and has set up a Revenue Grant Distribution Group to do this research and to make recommendations to ministers. The Council is excluded from that work directly but is represented on the Group through the Society of Municipal Treasurers and the LGA.
- (b) Sigoma is also seeking representation, to this point refused, but will be tracking the research programme in any case and putting forward papers and views where possible.
- (c) It is suggested that officers be nominated to follow the issues as they arise and contribute to this work programme where possible. While this is unspecified at present it is important that the Council can respond quickly when issues come forward and nominations for lead officers and identified support from relevant Finance Managers have been made in relation to specific areas.

4.3 Possible Direct Support from English Partnerships

- (a) To recognise shortcomings in Revenue Distribution methods, Milton Keynes Development Corporation used to provide grant aid under s36 and s37 of the 1981 New Towns Act to Buckinghamshire County Council. This “Undue Burdens Grant” was paid to enable the County Council to fund the “burden of expansion” in Milton Keynes arising from the need to provide school places in advance of pupils and for highway provision in advance of need.
- (b) This issue was raised again in the meeting with the Local Government Minister on June 21 and the Council was invited to make an application for this grant.
- (c) To facilitate this two meetings have been held with the Finance Director of the CNT which have been generally positive in tone and confirmed the approach the Council will need to adopt. It is clear, however, that a strong case will need to be made, emphasising the uniqueness of Milton Keynes, for such a claim to be successful.
- (d) The main areas where such a case could be made are as follows:
 - (i) The population of Milton Keynes is growing by 3,000 each year. The SSA uses data that lags two years behind. The shortfall in SSA from these “missing” 6,000 residents is £3m to £5m.
 - (ii) The standard of highway provision in the designated area is high and would be comparable with “urban roads” in many conurbations. For the main, however, these roads are recognised in the SSA as rural roads and so attract a much lower level of funding than for the tight definition of urban roads. As it was the CNT who specified the standards it may be possible to enter negotiations to explore grant aid to bridge the gap between spend and SSA.
 - (iii) The maintenance costs of Redways are not recognised in the SSA in any way. Following MKDC and BCC procedures these transport routes are simply “adopted” and incorporated into the Council’s cost structure with no recognition of future liabilities. Public Open Space adoptions on the other hand are subject to the payment of cash endowments from the Developer or CNT as appropriate. This avenue will be explored in regard to future adoptions of Redways as well as an Undue Burden issue.

5. **Implications**

5.1 Environmental

None directly

5.2 Equalities

None directly

5.3 Financial

The report deals with the financial implications of the Revenue Support Grant mechanism.

5.4 Legal

None directly

5.5 Staff and Accommodation

None directly

Background Papers: Revenue Grant Distribution papers from DETR January 1999
Correspondence from Rita Hale dated 12 May 1999