

## **12. Formula Grant Consultation**

### **Purpose of Report**

1. To consider the Authority's response to the government consultation on potential changes to formula grant distribution.

---

### **Recommendation**

***The Acting Treasurer recommends that the FRA respond to the consultation in line with the draft letter at appendix 2.***

### **BACKGROUND**

2. The formula grant allocation was last reviewed for the 2008/09 to 2010/11 grant settlements under the current Comprehensive Spending Review (CSR) round, and in accordance with normal practice is reviewed for the next grant round.
3. As the work on this review has taken place over the last two years, government has been able to consult on this much earlier than in the past. Unfortunately the response deadline (6 October) is also much earlier and too early for consideration by the Budget Committee, as would be the normal practice.
4. The details of the attached report (Appendix 1) were considered by the Group Leaders on 6 September and form the basis of the proposed response.

### **PROPOSED FORMULA CHANGES**

5. CLG has had a Fire & Rescue Formula Working Group for the last 2 years and H&W Director of Finance was one of 3 representatives of CFAs on the group.
6. CLG require that the formula should be risk based and should be robust and predictable, the latter does not mean an intention to maintain status quo as has been interpreted by some FRA
7. As a result of the work undertaken by the group a small number of potential changes to the funding formula are exemplified and consulted upon by CLG, prior to recommendations being made to Ministers.
8. The changes are exemplified against the "raw" grant actually calculated for 2010/11 and do not take account of either:
  - a. The probable overall grant reductions from 2011/12
  - b. The effect of damping. - In 2010/11 H&W receives only 99% of the "raw" allocation losing £0.115m to support grant to other FRAs. One FRA received 126% of its "raw" grant

9. Details of each of the proposed changes are shown in the attached appendix, but can be summarised as:
- Updating expenditure data from an average of 1998-2001 to 2006-2009 – 2 options
  - Changing the indicators in the risk index – 2 options
  - Allowing more Ministerial judgement – 2 options
  - Minor changes to Area Cost Adjustment
  - Change of data for Child Benefit recipients
10. Whilst all except the latter give significant additional “raw” grant to H&WFRA and other Shire areas this is done largely at the expense of Metropolitan areas (including London). Experience has shown that previous Ministers have not wished to see the necessary resource shift.
11. There are additional technical issues that the Service feel are fundamental, relating to the working of the grant damping mechanism, and these are explained in paragraph 10-12 of the report and are referred in the proposed response to Question 17.
12. The Chief Fire Officer and Principal Officers of the Authority will be encouraging Members of Parliament and local political leaders to support our views in this matter in order to seek the best possible outcome for the Authority.

## **Appendices**

Report to Group Leaders meeting: 6<sup>th</sup> September 2010  
Proposed draft response to CLG

## **Contact Officer**

Martin Reohorn, Director of Finance & Acting Treasurer  
(01905 368205)  
Email: mreohorn@hwfire.org.uk