

**Item 5**

**Fire Commission update paper**

**Purpose of report**

For information.

**Summary**

The report outlines issues of interest to the Commission not covered under the other items on the agenda.

**Recommendation**

Members to note the update.

**Action**

Officers to progress as appropriate.

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**Fire Commission update paper**

**Business rates retention scheme**

1. The Government published its response to the consultation on the business rates retention scheme on 19 December 2011. On 20 December, LGA officers circulated a briefing on the issues for fire and rescue authorities to Fire Commission members. It covers the essential elements of the Government's proposals, the main LGA messages and implications for Fire and Rescue Authorities. Please refer to **Appendix A** for a copy of this briefing.
2. The Department for Communities and Local Government is in the process of setting up a Local Government Finance Working Group. This Group will advise Government on the design of the scheme and the LGA have been invited to nominate a representative to this group.

**Community Right to Challenge – Fire and Rescue Authorities**

3. The Community Right to Challenge in the Localism Act gives community and voluntary bodies, existing employees and parish councils the right to challenge to provide any local authority or fire and rescue service. Services excluded by the Secretary of State in regulations are exempt.
4. DCLG are continuing to consult other government departments on the services that will be excluded. However, previous consultation documents and policy statements highlight that services that are required in existing legislation to be delivered by the authority will not be subject to the Community Right to Challenge. For FRAs this means that core activities to put out fires, undertake rescues from fires and respond to road accidents should be excluded from the Community Right to Challenge in forthcoming regulations. The Community Right to Challenge also cannot be used to take over any 'functions' of a FRA, i.e. decision-making powers or duties.
5. Prevention Services carried out by FRAs however are likely to be within the scope of the Community Right to Challenge provisions. Authorities will have the opportunity to manage the flow of challenges to run these services by specifying periods when 'Expressions of Interest' will be accepted. Expressions of Interest received outside of these periods can then be rejected. It is also expected that other grounds for rejections will cover instances where an authority considers the body challenging to provide or assist in providing the service is not suitable, or has provided unsatisfactory, inadequate or inaccurate information. If a challenge is accepted, it will trigger a normal procurement exercise in which any provider can then participate.

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**Sprinklers' working group**

6. In December 2011, the Fire Commission moved to establish a working group to examine the case for launching a campaign to lobby on the issue of sprinklers. The working group met for the first time on 25 January 2012 and nominated Cllr Richard Hobbs as Chairman. Cllr Hobbs is joined by Cllr Rebecca Knox and Cllr David Milsted of Dorset, Cllr John Edwards from West Midlands and Cllr Dave Hanratty of Merseyside.
7. The Group discussed and agreed that the aim of a joint campaign with CFOA will be to lobby Government to reconsider the case for the mandatory installation of sprinkler systems. The Group will be lobbying for their installations in buildings where the most vulnerable either reside in or use - principally schools, care homes and homes of multiple occupation (including social housing). The Group is in the process of engaging with the Association of British Insurers (ABI), National Association of Fire Sprinklers, British Sprinkler Alliance, Fire Protection Association and the All Parliamentary Party Group for Sprinklers.
8. The Group will be meeting for the second time on 17<sup>th</sup> of February to develop a campaign plan and will report back to the FSMC and Fire Commission in May and June, respectively.

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**Appendix A - Retained business rates briefing for fire authorities**

**20 December 2011**

**Briefing for Fire Authorities**

**Proposals for Business Rates Retention Consultation: Government Response**

**Introduction**

The Government published on 19 December 2011 its response to the consultation on proposals for business rate retention.

The Government has confirmed its intention to introduce business rate retention from 2013.

**LGA Key messages**

- The proposals that the Government have published go some way to addressing local government's concerns about business rates relocalisation, but many detailed points remain unresolved.
- The design of the new arrangements now incorporates more safeguards to help authorities that raise relatively low amounts of business rates, and is likely to deliver a more even level of incentive for growth across the full range of local authorities.
- The 'set-aside' arrangements remain in place, but now return a proportion of business rates income fully to local government.
- Additionally, the proposed 10 per cent cut in the grant for council tax benefit (worth £500 million) means councils will be forced to make tough decisions about the services they provide if they don't want to raise council tax, particularly for those who are least able to pay. The tight timeframe for implementing this places an even greater burden on councils and we urge the Government to give councils the necessary time to do this in the most considered, flexible and cost-effective way possible.

**Key points for fire authorities**

- Most significantly for fire authorities the Government has decided that all fire authorities including single purpose fire authorities should be part of the scheme.

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- All fire and rescue authorities will be funded through a percentage share of each district or borough council's billing authority business rates baselines (pre-tier split), subject to the tariffs and top ups required to bring them to their baseline funding level.
- The Government's response recognises that single purpose fire and rescue authorities have fewer levers for growth. It proposes that the percentage share of billing authority business rates that single purpose fire and rescue authorities receive reflects this and provides them with a degree of protection within the scheme.

### *LGA view*

- *Fire authorities have been concerned about the potential for short to medium term funding disruption associated with being part of the scheme. The level of protection provided to fire authorities should mean that they receive as a minimum the level of funding that they would have received under a fixed grant system in the years to 2015.*

### **Proposed scheme design**

The Government has made a number of decisions on the design of the scheme.

#### ***Setting local and central shares***

- In setting the share of business rates that is localised the Government will have regard to the 2010 spending review.
- The Government has committed to reviewing the scope for further simplification and alignment of funding between business rates collected by local authorities and the functions and services which they fund.
- The Government will set out the percentage share of business rates that it is to be localised, together with the mix of functions and services to be funded through retained business rates, in the spring of 2012.
- The Government retains the right to alter the localised share of business rates.

### *LGA view*

- *Local government will not have access to the full real terms growth in business rates in 2013-14 and 2014-15 through the mechanism of the 'set-aside' even though they will now use proportional shares rather than a Government forecast. The LGA will continue to call for local government to have full access to the growth from business rates.*

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- *The LGA and the Fire Service Management Committee argued strongly against the set-aside. The Government's proposals indicate that the set-aside will continue beyond 2015. There is little rationale for this, as the main justification for the set-aside was to ensure that the scheme functions within the spending control totals issued in 2010 and therefore works alongside the deficit reduction programme. Continuing the set aside beyond this point cannot be justified. It reduces the incentive to grow business rates and acts a form of central Government control in a system which is designed to do the opposite. The set-aside is a tax on local authorities which the LGA opposes strongly.*

***Establishing the Baseline***

- In determining the business rate baseline the Government will use authorities' average rates over several years.
- Baseline funding levels will be based on 2012-13 formula grant (excluding the 2012-13 transition grant). Each local authority's baseline position will be arrived at by applying the process used to determine their 2012-13 formula grant allocation to the local government spending control totals for 2013-14, while updating all datasets and making some limited, technical updates to the formula.
- The Government will determine an authority's baseline using numbers after floor damping.

*LGA view*

- *We note that the Government has made it clear how the 2012-13 grant process should be used to set the baseline and hope that the further consultation of detailed issues will make rapid progress.*
- *FSMC in its response wanted assurances that there is a mechanism within the scheme to ensure that any new responsibilities associated with national resilience are properly funded and that funding for national infrastructure is taken into account. We welcome the fact that the Government will continue to provide for new burdens through a new Revenue Support Grant.*

***The Levy***

- The scheme will have a proportionate levy which will allow an authority to retain growth in an equivalent proportion to its baseline revenue. The actual ratio will be set after discussions with local authorities.

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*LGA view*

- *We are pleased the fact that the levy to recoup a share of 'disproportionate benefit' will be based on 'proportionate shares' – this is the option which the LGA urged the Government to explore.*

**Resets**

- The system will be reset every 10 years.

*LGA view*

- *The supported resets triggered on the basis on evidence; there will be disappointment that the Government suggests 10 year resets.*

**The Safety Net'**

- This will be available to any authority that sees its funding decrease by more than a set percentage below their baseline funding level.
- Baselines will be up-rated in line with RPI to determine whether the authority is eligible for support and ensure the protection from the safety net is in real terms. The Government will consult in 2012 on the specific level at which the trigger point for the safety net should be set.
- The levy and the safety net must be self-funding, though there is the possibility of it balancing out over a number of years rather than per financial year. Benefits may be accrued during growth years to mitigate for adverse changes in low growth years.
- In the event that there is levy income over and above the level needed to ensure long-term safety net funding, this will be redistributed back to local government following a Government consultation.

*LGA view*

- *We are pleased the fact that the levy to recoup a share of 'disproportionate benefit' will be based on 'proportionate shares' – this is the option which the LGA urged the Government to explore.*
- *We support the proposal for top-ups and tariffs to be indexed to RPI. The LGA's response to the LGRR consultation said that we saw the technical case for this.*



**Fire Commission**  
17 February 2012

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