Local Government Association

Fire Commission
19 October 2012

Item 3

Appendix A

BUSINESS RATE RETENTION SCHEME TECHNICAL CONSULTATION

RESPONSE BY THE LGA'S FIRE SERVICES MANAGEMENT COMMITTEE

24 September 2012

Changing context for fire funding

1. The fire services management committee welcomes the opportunity to contribute to Retained Business Rate Scheme Technical Consultation. In this consultation response we comment on the issue of funding in years 2013-15, which is of great importance to fire authorities and which sets the context for the business rate retention scheme. We also comment on specific elements of the design of the rates retention scheme as they affect *all* fire authorities. This response does not touch on distributional issues across the fire authorities.

2. The LGA's Fire Services Management Committee has been in favour of the inclusion of all fire authorities in the retained business rate scheme. However, as the proposals have developed it has become clear that the overall scheme is less attractive than was envisaged. For fire authorities the benefits of inclusion now appear to be marginal.

3. The introduction of the scheme coincides with a number of other changes which will impact significantly on fire authority funding. These include:

    3.1. Council tax benefit localisation;
    3.2. Increasing pressure for pay increases;
    3.3. The impact of all pension changes and revaluations on the cost of pensions schemes; and
    3.4. The potential need to plan for further cuts in the next spending review period.

4. These factors make it challenging for FRA's to assess and plan for the overall impact on community safety, firefighter safety, and the continuing ability to contribute to national resilience.

5. Government has to work with fire authorities to understand the combined implications of these changes on individual authorities and for the sector as a whole to ensure that the Service can continue to deliver the high quality service that communities have come to expect.

Fire funding 2013-15

6. The funding reductions for fire authorities in this spending review were backloaded. This means that initial cuts in front line services have been feeding through slowly. We are concerned that this makes it difficult for the government and fire authorities to risk assess the overall impact of the reduced funding in this spending review on community safety and national resilience. There is a potential that government will take too sanguine a view of the capacity of fire authorities to absorb further cuts in funding.

7. In the first two years of this spending review there was significant variation across fire authorities in the level of funding reductions. Although indicative control totals have been published for 2013-15 there is still complete uncertainty about individual allocations. We

understand that these will not be announced until December 2012. This will make it very difficult for fire authorities to plan effectively. We call on the government to give fire authorities information on individual grants as soon as possible.

Retained Business Rate Scheme

8. FSMC agrees with the wider Local Government Association (LGA) that in developing the detailed arrangements for business rates retention, the Government is putting the interests of the Treasury ahead of those of local authorities. In particular, Government forecasts for overall business rates yield have, in recent years, been consistently over optimistic. Retaining this optimism bias will significantly reduce the benefit authorities might gain from localised business rates. The forecasting process should be more transparent and local authorities including fire authorities should retain all real terms growth in business rates.

9. In establishing the control total the Government is taking out up to £350 million as insurance funding for the safety net and capitalisation. Under the proposals £7 million will come from funds that would otherwise have gone to Fire and Rescue Authorities. The impact on fire authorities is to future reduce the control total in 2013/14 and 2014/15, resulting in overall reductions on the 2012/13 funding of -9% and -5.4% respectively. Even if some of this money is subsequently returned to fire authorities, it will be far too late for it to be taken into account in budgets. We call on the Government to take its share of the risk on funding for the safety net, rather than requiring local authorities to pay for that.

10. The introduction of the Fire & Rescue sparsity adjustment at 1%, and other changes to the relative needs formula, have a differential impact on fire and rescue authorities. The reasons for the proposed changes need to be clearly understood by fire authorities, but the consultation paper does not provide the context or the detailed reasoning for the changes. The impact of these changes needs to be more fully explained and exemplified. The changes also need to be understood in the context of the 2013-15 settlement for individual authorities.

11. The Government proposes to set the single purpose fire and rescue authority share of a billing authorities' business rates baseline at 2%. This has the effect of making all single purpose fire and rescue authorities top-up authorities. FSMC recognises that the aim of this approach is to provide some protection for fire authority funding. However, we are not as confident as the government on this point. We understand that funding will not be uprated by RPI in the short-term. Further the fire and rescue service will still have significant cash cuts applied in years 3 and 4 of the current spending review period as government sticks to its spending control totals.

12. FSMC, on behalf of fire authorities would like to have further assurances from government that the application of the scheme as it is currently formed will not lead to an erosion of fire funding.

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