

14 July 2008

---

## Public Spending Review Prospects

### Decisions

1. Members are invited to:
  - a) Note the contents of the report.
  - b) Consider the overall approach as set out in the paper and whether this should be progressed by the LGA.

### Actions

2. LGA to action as required.

Contact Officer: Bill Wilkinson, 01226 772803, [bwilkinson@syjs.gov.uk](mailto:bwilkinson@syjs.gov.uk)

14 July 2008

---

## Public Spending Review Prospects

### Introduction

1. CSR07 covers the 3 years to 2010/11. For the first time the Government fixed the grant figures for the whole period. Under the timetable which has applied for previous Spending Reviews, the next submission would be prepared over the next 6 months, and the new plans (covering the period to 2012/13, with 2010/11 as the overlap year) would be announced in July 2009.
2. No announcements have been made so far as to when the next review will take place, or whether it will be a 'Comprehensive' or normal Spending Review. A lot depends on the assumptions made about the next General Election. The approach to 2010/11 is significant – if the figures are fixed and not subject to any adjustment, it could mean that the next Spending Review extended from 2011/12 to 2013/14, in which case the whole process might be deferred till next year.
3. Formal announcements are expected in the autumn. The LGA believes there is a reasonable possibility of a review reporting to Government early in 2009 and completing in the summer. That will leave a very narrow window in the last few months of 2008, so the Expenditure Group is commencing preliminary work and information gathering so that a strong submission can be put together to meet whatever timetable is eventually announced.

### Economic and financial backdrop for the next submission

4. The planning guidelines for CSR07 were set in advance, and the Government did not relax its line despite robust submissions from local government. All the signs are that the next review will be even tighter.
5. The medium term economic forecasts are worsening. This is bound to affect the Government's public expenditure planning assumptions. The Treasury are unlikely to view public spending as a means of kick-starting the economy out of recession, and are more likely to want to hold spending down in order to reduce inflationary pressure.
6. In the short term, inflation is adding significantly to costs at a time when external grant funding levels are fixed. Depending on how long it continues, the current uncertainties on fuel and energy costs and pay strategies could throw medium term financial plans out of balance, or deplete reserves. There is no longer a safety valve in the form of Council Tax. Indeed, for the reasons referred to earlier, we

10 March 2008

---

may see a tightening of the capping limits; the decision to take action against a number of Police Authorities who exceeded the limits in 2008/9 demonstrates the Government's resolve.

7. The positive aspect to all this is that the Fire and Rescue Service has made substantial progress since 2003 with its modernisation agenda. Efficiency targets have been exceeded, and a momentum established. The Service has now adopted a culture of change and improvement, and this will assist it in reacting to future uncertainties.

### Future Strategy

8. Given the likely public spending trends for the next 5 years, the absolute first priority for the Service is to protect current funding levels. During CSR07 there were regular hints from the Government that Fire spending levels might be restricted to 'flat cash' i.e. a reduction in real terms. In the event, the Government were partially persuaded by the Services submissions, but as some Authorities at the grant floor have found, annual increases can still be well below inflation levels.
9. This means providing powerful and irrefutable evidence that funds are being used effectively, and that spare capacity has been, or is being, removed. The productivity and efficiency agenda is central to the next round of negotiations.
10. This is a very sensitive area. The Government has made no secret of its view that the Service could do more. Recent statements attributed to the Treasury suggest that they are not convinced that the modernisation agenda has been fully addressed.
11. In the background we have the current Audit Commission review of Fire Service effectiveness. This is testing out several hypotheses about the Fire and Rescue Service.
  - Do the current sizes, structures, forms and functions facilitate effective working, unilaterally and in partnership with FRSs and others
  - Do current duty systems and the composition of the workforce allow FRSs to meet current and future challenges efficiently and effectively?
  - What impact does the diversity, and diversity awareness, of the workforce have on FRSs ability to deliver an effective service to all sections of their local communities?

10 March 2008

---

- What steps have been, and can be further taken to improve equality and diversity in the workforce?
- How can funding and governance frameworks be improved to provide better incentives for the FRSs to improve performance?
- How can FRSs improve their financial performance management to deliver a more efficient and effective service?
- What impact does poor management or sickness absence and retirements have on the delivery of an efficient and effective service?
- How can they be managed more effectively
- Can FRSs change the profile and use of their assets to deliver a more efficient and effective service? If so, how?

12. The review is scheduled to complete in November. The timing is significant. Unless the Commission involves the Service in its developing conclusions, we will not know the outcome until shortly before the next CSR submission might need to be completed. Another possibility is that if the Commission and/or the Government remained unconvinced, there would be time to undertake a wider study on effectiveness before any Spending Review figures were announced in 2009. The Commission has been approached with a view to liaising with the Expenditure Group over the next few months.

13. Strengths to build on:

It is important not to be over defensive. Positive arguments we could draw on include:

- As a result of recent catastrophic incidents, both man made and environmental, the Service is closer to the top of the Government's agenda.
- The Service is playing a central role in delivering national priorities in areas such as youth engagement and protecting the environment.
- It is recognised as a service which opens doors and makes things happen; other programmes rely on it.
- The Service enjoys wide public support; local threats to its infrastructure tend to provoke an immediate reaction from the public.
- It is the only civilian service with the expertise and equipment to deal with major public incidents involving search, rescue and front line intervention.
- The Service has for many years been resourced according to risk; this is not the same with many other Services, which are resourced according to demand.
- It is now operating influentially at national, regional and local levels

10 March 2008

---

### **Making the case**

- 14 A criticism of previous Spending Review submissions has been that the Service has not always been able to provide strong evidence to support its arguments. This is a major weakness, as it leaves the Service vulnerable to Treasury/CLG counter arguments about the capacity to operate more cost effectively. In a situation where real cuts are a possibility, this weakness must be addressed as far as possible.
15. The lines of argument that we are aiming to evidence include:
- Demonstrating what has actually been achieved over the last 5 years (examples of local initiatives, costs and benefits, further plans)
  - Hard evidence about capacity improvements and, even more crucially, the extent to which they can still be delivered in the future before risk levels are compromised
  - The impact of other Government Strategies such as the New Dimensions programme
  - Powerful examples of collaborative gains and savings
  - Example of where the Service is contributing to local Partnerships, especially through LAAs (and the difficulties of managing in situations where the number of fire-related targets is minimal or nil)

### **Next steps**

16. This introductory paper is to invite the views of the Management Committee on the Strategy for the next Spending Review submission. In particular:
- Do members support the overall approach?
  - What are members' views on the strategic priorities?
  - Will the Committee give its formal support to requests made through CFOA and the Finance Network for submission of compelling evidence on achievements, outcomes, and constraints?
  - Does the Committee wish to engage in any lobbying or awareness programmes? [targeting for instance MPs, other public sector bodies; private sector (including insurance); voluntary sector]
  - Would the Committee consider supporting or sponsoring some research to help strengthen the case? (CSR strategy in the future will be much more about outcomes and optimum allocation of resources. The techniques of economic analysis will be as important as the traditional financial approach. Fire and Rescue Service activities lend themselves to this approach better

10 March 2008

---

than many Services, but we need to build a base of information and a framework to make the best of the approach).

Contact Officer: Bill Wilkinson, 01226 772803, [bwilkinson@syjs.gov.uk](mailto:bwilkinson@syjs.gov.uk)