

Item 6

The 2010 Spending Review

Summary

This paper sets out the LG Group's strategic approach to the 2010 spending review and the progress that has been made with the local government and fire submissions.

Recommendations

Members are asked to note the strategy.

Members are asked to agree the fire submission.

Action

As determined by members.

Contact Officer: Clive Harris
Phone No: 020 7664 3207
Email: Clive.Harris@local.gov.uk

The 2010 Spending Review

Background

1. The LG Group Executive has agreed a strategic approach to the 2010 Spending Review and for service areas, including fire, to develop service specific submissions. The fire submission has been prepared by Treasurers and Finance Directors, led by Bill Wilkinson of South Yorkshire. The fire submission sets out the factors that are driving costs in the service and where savings could be achieved.

Context

2. Because of the fiscal position, the coalition government now needs to reverse the recent trend of growth in public expenditure. The June Budget confirmed that the bulk of deficit reduction would be achieved through major reductions in spending rather than an increase in taxes. With the commitment to increase health spending in real terms every year and meet the overseas aid target, other departments, including CLG, face spending reductions of between 25 and 40 per cent. The spending review is confirmed for 20 October when Departmental allocations should be public.
3. Localism and radical devolution have been set out as key themes of the government's spending review. We have been working with the Secretary of State for CLG and the Chief Secretary to the Treasury to ensure that this commitment is threaded into departments' spending plans. The Chief Secretary has encouraged departments to engage with the LGA on exploring place-based budgets, which is a welcome endorsement of our approach.
4. The coalition agreement also committed to a review of local government finance and our spending review submission will provide an early opportunity to argue the case for local government finance reform.

Strategy for the Review

5. Local government has positioned itself well through our comprehensive offer as a mature partner in the endeavour to restore public finances to sounder footing while mitigating impacts on frontline services. Therefore, our strategy for the 2010 spending review is to position local government as being key to reshaping the public sector in more efficient, effective and accountable form by highlighting the sector's record on efficiency and improvement.
6. The submission will have three building blocks:
 - to quantify spending pressures through to 2014-15, so that the true cost of providing services as we now do is fully understood – only with that

information can rational and responsible decisions about reducing public spending be taken

- to identify where savings can be achieved by eliminating waste or redesigning services across the public sector
- to identify and lobby for the changes to local authorities' powers, freedoms and flexibilities that would enable public services to be delivered more cheaply – in other words, to press for councils and FRAs to be given the tools to do the job, including options to raise income.

7. Our submission outlines implications for the fire service of reduced funding. However, our overall pitch remains that area-based budgets are the most effective way to manage demands for local public services in the current fiscal climate.
8. Pay and pensions comprise over half of the costs of public service delivery. We will be providing input on how these costs could be better-managed in future to the two independent commissions looking at public sector pay and pensions, and this input will be reflected in our submission.

The fire submission

9. The submission has an overview and 9 annexes setting out:
 - The role of the Fire & Rescue Service nationally and within local communities
 - The social and economic developments which have shaped the FRS in the last decade
 - The service's performance record
 - Looking ahead: current and future developments which will continue to determine the demands and expectations of the service
 - How the service is funded
 - Managing the FRS within a reduced financial framework
 - The risks of under-resourcing the FRS
 - Working with the Government to implement the changes in strategy for the future
 - Transferring resources into the FRS
10. Some of the key points of the submission are as follows:
 - Unlike other services the FRS is a service led by risk, rather than demand, that needs to deliver 100% of the time. There is a point of resource reduction beyond which public and firefighter safety is put at risk and this will vary in each FRS. National resilience also demands a level of planning and preparedness to support an effective response;
 - Although a small service by comparison with the rest of local government the economic cost of fire means that it is one of the few public services with

- a direct and substantial financial impact on both the national economy and the business sector;
- Cost effectiveness and Value for Money is paramount, and the FRS is working to maintain the flow of efficiency and productivity savings that have been identified since the Bain report, while at the same time seeking new income streams and funding models. However the widely differing structure and funding patterns which exist across the service will mean that a “one size fits all” solution will be difficult to achieve;
 - There is room for further efficiency in the service and radical solutions should be planned for now as they will unlikely have any impact until year 3 or 4 of the spending review period;
 - The service demonstrates features which are central to the Big Society concept: a strong local community presence with active volunteer involvement; a service which is consistently valued and respected by the public; and a can-do ethos and willingness to provide the catalyst for other local services, by getting things moving, particularly in the partnership area. This approach has given the service a standing with the public that it is consistently reliable, valued and respected (as the LGA’s latest surveys confirm). It is effectively an insurance policy for communities and, for what it costs the average household, extremely good value for money.
 - The Government has a potentially important role to play in facilitating the process by removing or relaxing non-essential reporting requirements and by supporting legislative changes which would open up new opportunities for the service. These might provide a more supportive national infrastructure for the service to enhance its role in improving standards of safety environmental protection. Defining the linkages across the public sector is also crucial – the Fire and Rescue Service is dependent on other sectors for both moral and financial support, and those other sectors often look to the FRS to make things happen for them.

Conclusions and Next steps

11. The final Group submission will be presented for sign-off at the 16 September LG Group Executive meeting, with a publicity campaign and formal launch to be scheduled for shortly afterwards. The fire submission will also be sent to CLG.
12. We are in the process of developing a communications strategy that will be more aggressive in expanding the understanding about what constitutes a “frontline service” and the totality of pressures facing the public sector. In the media, the debate has tended to centre on health and schools, and we will want to raise the profile of the key frontline services that councils and FRAs deliver and that local people value.

Financial/Resource Implications

13. This is core work for the LG Group and all work is contained within existing budgets.

Contact Officer: Clive Harris

Phone No: 020 7664 3207

Email: clive.harris@local.gov.uk