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Autumn Statement and preparation for the next Comprehensive Spending Review

Purpose of report

For discussion and direction.

Summary

This paper sets out a set of issues faced by Fire and Rescue Authorities as a result of the funding settlement and other related issues such as the cap on council tax increases and the financial implications of council tax benefit localisation. Fire Authorities already know the overall expected changes to the fire control total for years 2013-2015 and this is unlikely to change in the Autumn Statement. However, there are a number of related issues which compound the reduction in government funding. These issues which are marginal in overall public funding terms could, if addressed provide some relief for fire authorities that are facing funding gaps even after the substantial efficiency savings that are underway or planned are realised.

It is proposed that FSMC write to Brandon Lewis MP outlining these issues in advance of the Autumn Statement and a draft letter is appended to this report.

The paper also sets out a proposal for taking forward work in support of the next CSR submission.

Recommendation

Members to agree the content of a letter to Brandon Lewis set in **Appendix A** and to consider the proposal to take forward work on the next CSR set out in **paragraphs 18-24**.

Action

Officers to draft letter for endorsement by the Lead Members of FSMC.

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Autumn Statement and Preparation for the Next Comprehensive Spending Review

Background

1. The Autumn Statement will be on 5 December 2012. The announcement is later than usual and gives Fire Authorities little time to prepare budgets for 2013-14.
2. The Autumn Statement will cover the period 2013-2015. However, the funding in 2013-14 will form the baseline for the new retained business rate scheme and will therefore influence fire authorities funding into the next spending review and beyond.
3. We already know the overall levels of cuts that fire authorities will face in the next two years, -9.1% in 2013/14 and -5.5% 2014/15.
4. The total cash cut for the fire and rescues service in this spending review period is £207m or 19.6%.
5. CFOA has estimated that this equates to 4,050 firefighters, 60 fire stations and 150 fire appliances.
6. The method by which the reductions are applied in the remainder of the spending review period will make a big difference to individual authorities. This has been the subject of intensive lobbying by different groups of authorities including the Association of Metropolitan Fire and Rescue Authorities. There are at least two positions held by the sector on this issue. The two most prominent views are to rerun the formula as for 2012/13, which is likely to generate the same pattern of funding in the next two years, or to implement a single percentage reduction to apply across all fire authorities. The two approaches would have very different outcomes, with authorities benefiting or losing depending on the approach taken. The LGA has called for fairness in funding.
7. As well as the implementation of funding cuts, fire authorities will be dealing with the implications of the introduction of the retained business rate scheme, the localisation of the council tax benefit scheme and strict rules covering council tax increases.
8. The remainder of this paper sets out issues that FSMC might wish to include in correspondence with Ministers in advance of the Autumn Statement.

Context for fire funding

9. In its report, *Fighting Fires or Firefighting - The Impact of Austerity on English Fire and Rescue Services*, CFOA noted that the fire sector did not receive the same levels of expansionary public funding as other sections of the public sector including the police, education and national health. In the period from 2000/01 to 2009/10 its funding increased by just over 45% in contrast to increases of over 55% for the police, nearly 80% for education and almost 100% for health. Yet, in this current spending period, along

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with the rest of local government, fire has endured some of the largest reductions in grant funding.

10. It is also important to note that fire authorities depend to varying degrees on formula grant funding. In 2010/11 Cleveland Fire authority received 69% of its funding through the formula grant. In contrast Devon and Somerset fire authority received just 28% of its funding from this source. County services will have been affected by the overall reductions to local government funding and in contrast to metropolitan authorities and combined authorities, will have faced front-loaded cuts.
11. Nevertheless, the service overall has delivered substantial reductions in the number of fires directly as a result of its work. In 2000/01 total fires were 445,000. This figure had fallen to 287,000 by 2010/11. (CLG, Fire Statistics 2010/11, Table 1.1). Fire fatalities have also declined substantially. In the year to March 2012 fire fatalities stood at 304. This is 34% fewer than in 2001/02.

Key issues in advance of the Autumn Statement

12. We do not expect that the Autumn Statement to have an impact on the overall spending totals for fire beyond what we already know. However, within this broad confine there are still issues that could be addressed by government that would have a beneficial impact for the fire sector.
13. The impact of the recent austerity on the capabilities of fire authorities to keep generating these successful outcomes is unknown. This in part is because the cuts for fire authorities (other than county authorities) have been back loaded. It is imperative that government engages fully with fire authorities in understanding the risk implications of proceeding with the proposed level of cuts and sets out clearly that it is comfortable with any new levels of risk arising from funding decisions. This issue is also picked up below in proposals for taking forward work in advance of the next CSR.
14. Fire authorities are potentially going to be affected by the localisation of Council Tax Benefit (CTB) schemes. Depending on how local authorities construct their schemes to account for the overall reduction of 10% for CTB, there could be less funding available for services including fire. It is not clear that fire authorities were intended to be impacted in this way and the government must consider how it can mitigate the effects of this development on fire.
15. In October 2012 the government announced the third round of its council tax freeze grant and a new cap on council tax increases. This means that proposed increases above 2% must now be ratified by referendum. There are two issues. Firstly a 2% increase in council tax represents a relatively small amount of income for fire authorities and actually a small monetary amount for individual tax payers. The second issue is that referenda are expensive. CFA has estimated that to increase council tax amongst all precepting fire authorities by just 5% would cost an estimated £41 million in referenda costs and yet would raise just £38 million in extra income. We will want to urge the government to consider how it can vary the referendum limit for fire authorities.

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16. We know that some authorities are considering merger as one way of dealing with the severity of the funding reductions. Fire authorities have faced unnecessary barriers in their attempts to merge and we would like to see these removed. These include a lack of transparency in funding for county run services and requirements to equalise council tax.
17. These issues can be flagged with the Minister in advance of the CSR and a draft letter is set out in **Appendix A**.

Planning for the next CSR

18. More generally, in recent years, local government funding as a proportion of total public sector expenditure has been declining. This reflects the 2010 spending review, but also that it has been very difficult for central government to curtail its spending in the face of a flat line economy.
19. On the face of it this does not bode well for the next CSR and beyond. The austerity in public funding is now expected to last at least until 2020.
20. It should be noted that at this stage there is no confirmed date for the next CSR. If it were to conform strictly to the four year cycle then the outcomes of the next CSR should be announced in October 2014. However it is not clear what impact the general election in May 2015 will have on this timeframe.
21. A strong case will need to be made for fire in the run up to the next CSR. This cannot simply be a call for more money. Over the next few months the LGA and CFA, working with others including CLG, will need to develop a narrative for fire that includes:
- 21.1. The current benefits of the fire service in terms of:
 - Life and property saved.
 - Efficiencies/savings generated.
 - 21.2. The cost of the fire service's core role as an emergency responder (across fire, RTCs and other categories of response) at different levels of service.
 - 21.3. Public expectations of the fire service and whether the public has any appetite to accept a lower level of service.
 - 21.4. The wider economic benefits of the prevention work, not just in the area of fire but also in preventing young people entering the criminal justice system and in reducing recidivism.
 - 21.5. The cost of prevention work and what can be achieved at various levels of funding.
 - 21.6. The relationship between funding and the capacity of the service to meet its statutory duties.
 - 21.7. Current overarching risk assumptions and an assessment of aggregate risk at different levels of funding.

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- 21.8. National resilience expectations and how this will need to be funded.
22. The outcome of this work would be a carefully argued and evidence based submission which would set out a view on an appropriate level of funding, but is also very clear on the implications of lower levels of funding.
23. It is important to say that this is not about scaremongering. There are public policy choices to be made in the next CSR and the intention of this work is to ensure that there is transparency about the implications of those choices.
24. Developing a CSR submission will need Member oversight either in the form of a “commission” or through a Member chairing the work. Members are invited to consider the proposal and how it might be taken forward.

Next steps

25. Following the discussion of the issues above and other issues that Members raise a letter will be drafted and sent to Brandon Lewis MP.
26. Officers will develop the approach to preparing a CSR submission based on the decisions taken by FSMC.

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Appendix A

Brandon Lewis MP
Parliamentary Under Secretary of State
Department for Communities and Local Government
Eland House
Bressenden Place
London
SW1E 5DU

Dear Brandon

I am writing to you in advance of the Autumn Statement to raise with you our concerns about the proposed levels of funding for the fire sector and also to highlight some issues which, although marginal in total public finance terms, if implemented could have a large positive impact on fire authorities and the communities they serve.

In the period from 2000 to 2010 fire service funding did not keep pace with many other public services. Yet, in the 2010 Comprehensive Spending Review it was one of the public services that faced the severest reductions in government funding.

For fire authorities, other than counties, the 2010 CSR reductions have been backloaded and this has been welcomed. However, it also means that risk implications of the full force of the funding reductions have not yet been tested. Even with the efficiencies that have been implemented or are planned fire authorities are still projecting a funding gap of over £80 million.

Early in the new financial year we believe that it will be important to engage with you in a substantial piece of work to understand the implications of recent funding decisions in order to inform future government decisions on funding the fire service.

Other factors are compounding the funding issues that fire authorities are facing. These are: the effective cap on council tax increases, as they affect fire authorities; the implications for fire authorities of the localisation of council tax benefit; and the lack of transparency in county fire serviced funding.

The cap on council tax increases, where proposed increases above 2% must be ratified by referendum present particular difficulties for fire authorities. There are two issues. Firstly a 2% increase in council tax represents a relatively small amount of income for fire authorities and actually a small monetary amount for individual tax payers. The second issue is that referenda are expensive. CFA has estimated that to increase council tax amongst all precepting fire authorities by just 5% would cost an estimated £41 million in referenda costs and yet would raise just £38 million in extra income. We urge you to consider how government can vary the referendum limit for fire authorities.

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Fire authorities are potentially going to be affected by the localisation of Council Tax Benefit (CTB) schemes. Depending on how local authorities construct their schemes to account for the overall reduction of 10% for CTB, there could be less funding available for services including fire. It is not clear that fire authorities were intended to be impacted in this way and the government must consider how it can mitigate the effects of this development on the fire sector.

I know that some authorities are considering merger as one way of dealing with the severity of the funding reductions. Fire authorities have faced unnecessary barriers in their attempts to merge and we would like to see these removed. These include a lack of transparency in funding for county run services and requirements to equalise council tax.

The funding situation in combination with the impact of the effective council tax cap and the reduction in the overall level of council tax benefit present a substantial challenge to fire authorities. I hope that you are able to consider providing some relief through the implementation of the relatively small changes outlined above.

I am happy to meet with you to discuss these issues if you would find that helpful.

Yours sincerely

Cllr Kay Hammond
Chairman, LGA Fire Services Management Committee