

# Fire and rescue spending round submission



April 2013

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## 1. Summary of key proposals

**Firefighter Pensions** - The Government should ensure that the savings from the reformed scheme stay within the sector; and should work with the sector now to release those savings by accelerating the valuation and agreeing a contribution rate profile that brings savings to the employers. Of particular concern are the costs associated with the retained firefighters' retrospective access to the pension scheme which needs to be funded in full by government.

**A system for incentivising prevention and community safety work** - through a community budgets approach with appropriate levers which will provide Fire and Rescue Authorities with more local influence over public resources at a local level.

**Fair funding based on risk** - unlike many other public services, Fire and Rescue Services plan on the basis of risk rather than demand.

**Council tax flexibilities for all FRAs** – removal of the restrictions on council tax.

**Removal of barriers** – particularly around mergers of FRAs.

Fire authorities need support to innovate and reduce costs. Net current expenditure for the Fire and Rescue Service in 2011/12 stood at £2.118 million. When inflation and pay pressures are taken into account and adjusted for a level of on-going efficiencies based very optimistically on the trajectory of efficiencies to date, we would expect expenditure to increase to at least £2.4 million by 2017/18. This is an increase of around 13 per cent. In the absence of additional funding, FRAs need the maximum local flexibility to transform services.

## 2. Pensions

Around 80 per cent of FRA expenditure is on wages and pensions. There are potentially significant cost pressures for Fire and Rescue Services around firefighter pensions. The Government has introduced pension reforms which will reduce the cost of the pension scheme in the longer term. We believe that the Government should, in line with aspirations to tackle the underlying deficit and not just short term issues, commit to allowing savings from scheme reform to be fed back into the sector as soon as practical. Reinvesting savings will help mitigate the financial pressures.

There are a number of other issues including the cost of retained pensions that might impact on the cost of the scheme. The costs associated with the retrospective admittance of retained firefighters to the pension scheme remains a major concern, with the total number of eligible retained firefighters standing at 21,200 (Government Actuary Department estimates). The LGA believes that liability for these pension costs should be met in full by central government. However, should the fire service have to pick up these costs, a strategic view should be taken so that all costs and benefits would be smoothed over the longer term in line with the general principles of the scheme funding arrangements in order to avoid short term spikes that are passed on to FRAs. Firefighters' pension schemes are administered locally by individual fire and rescue services, but policy is set by central government.

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### 3. Prevention and community safety work

Fire fatalities continue to fall. In 2011/12 there were 380 fatalities in all fires – lower than any year in the last 50 years. Much of this is as a result of the service's investment in prevention work. The Audit Commission highlighted in its report 'Rising to the Challenge', a 50 per cent increase in community fire safety budgets between 2004 and 2008 and this remained fairly constant up to 2010. However, in 2011/12 this work saw the largest percentage decline, at -6 per cent. These schemes are cost effective and are estimated to save £1.85 for every £1 spent. A system of incentivising and rewarding FRAs for this work through a community budget approach will enable this work to continue.

The Fire and Rescue Service has transformed itself into an all-encompassing emergency responder. It is leading the way in attending road traffic collisions, dealing with flooding, counter-terrorism, working with young people, assisting our ageing population and ensuring businesses can flourish. **The recent report from Chief Fire Officers Association, 'Fighting Fires or Firefighting', highlighted the extent to which the Fire and Rescue Service contributes to a wide range of priorities including economic and social outcomes. This value added needs to be recognised across government and reflected in the funding for the fire sector. Prevention is the front line.**

### 4. Fair funding based on risk

The fire service is not just a local service but is also part of delivering critical national resilience. It is not clear what level of risk assessment took place in the 2010 spending review of the impact on national resilience. If a risk approach is not applied centrally, this throws up a potential disjuncture between national funding and local risk assessments. The application of the fire funding formula and the different levels of reliance on grant/council tax between authorities has meant that the impact of the reductions to date is variable across services. Whilst the overall reductions for fire have been backloaded, the picture in individual fire services is much more variable with many having extensive grant reductions in the early years of the spending review. Fire services delivered by county councils have felt the reductions since year one of the 2010 spending review. FRAs have a track record of significant efficiency savings, and are keen to see the conclusions of Sir Ken Knight's Efficiencies Review this spring. **The Government should ensure that the Fire and Rescue Service is funded fairly and based on risk.**

### 5. Council tax flexibilities

The council tax level for all FRAs is relatively low with nearly all lying within plus/minus 20 per cent of the national average council tax of £64.12 (a 1 per cent increase is only about 1p per week for a band D householder). The decision to grant flexibilities to the lower quartile of authorities has introduced very large differences in the ability to raise income between FRAs in absolute terms and in particular because of the different funding splits between grant/council tax for individual authorities. **The LGA therefore requests this flexibility for all FRAs.**

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## 6. Removal of barriers

Although there is an example of successful merger in the fire sector, recent attempts have not been successful and the barriers need to be addressed. Issues such as the difference in council tax levels across a merged area and lack of clarity about business rates still need resolution. New governance and collaborative arrangements are being explored and driven at the local level, such as working with Police and Crime Commissioners, sharing senior staff and these need to be encouraged and facilitated. Further efficiencies can be made through more incentives and levers for community budgets, particularly for county fire. There may also be opportunities for efficiencies through the fire service working more closely together with other emergency services, both strategically and operationally. The work of the Joint Emergency Services Interoperability Programme is primarily focussed on providing a foundation for closer working arrangements between the blue light services, but it may also result in some savings being generated. **The LGA is calling for removal of barriers to achieve efficiencies, particularly around mergers of FRAs.**

## 7. Conclusion

Continuing funding reductions will be challenging for the fire service. However the combination of greater local flexibilities and longer term reform of the sector will be important mitigating factors in delivering the level of service which the public expect and deserve.

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