

The Spending Review

Purpose

For discussion and direction.

Summary

This paper summarises the key points of the Spending Review announcement made by the Chancellor for Fire and Rescue Authorities (FRAs), and seeks members' view on how FRAs can deliver further savings.

Recommendations

Members are asked to:

- a) Note the Spending Review announcement; and
- b) Discuss the areas identified by DCLG for potential savings going forward and set out in paragraph 7, and identify any other areas that could assist FRAs achieve reductions in spending.

Action

Officers to action as appropriate.

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The Spending Review

Background

1. On 25 November the Chancellor set out the Spending Review and Autumn Statement to Parliament. The Spending Review determines how the government will spend public money over the course of this parliament, while the Autumn Statement updated the government's plans for the economy.
2. In July, in order to inform the decisions to be announced in the Spending Review, the Government invited representative bodies, interest groups and individuals to submit written representations to HM Treasury by 4 September 2015.
3. In response the LGA delivered 5 submissions to the Treasury, one of which was a joint submission with the Chief Fire Officers Association (CFOA) covering the Fire and Rescue Service. This submission set out what the Fire and Rescue Service (FRS) has achieved over the last five years, emphasising the success of its prevention agenda and its programme of collaboration with the other blue light services, children's and adults services, public health and the wider NHS.

The Spending Review and FRAs

4. Unlike the 2010 Spending Review, where specific mention was made of the reductions being made to funding available to Fire and Rescue Authorities (FRAs) – 25 per cent over that spending review period – the 2015 Spending Review documentation made no specific reference to central government funding of FRAs. There were however three specific announcements related to the FRS in the Spending Review papers. These were:
 - 4.1. The government's intention to introduce a new statutory duty for the emergency services to collaborate by early 2017, subject to parliamentary approval, on areas such as procurement, new stations and vehicle maintenance.
 - 4.2. The government's intention to bring forward legislation to enable PCCs to take on responsibility for fire and rescue services, subject to a clear business case and local support, with local fire services providing the necessary information for PCCs to develop the business case.
 - 4.3. The provisions of at least £74 million of funding for the Emergency Services Mobile Communications Programme, to ensure fire and rescue services can benefit from the latest mobile digital technology.
5. It therefore has to be assumed that FRA funding will reduce in broadly the same way that it is for local authorities over this spending review period. The LGA's assessment on the day of the Spending Review concluded that core central government spending to local government will reduce by 24 per cent or £4.1 billion over the Spending Review period. Once the Office of Budget responsibility forecast of other income raised by councils is taken into account the overall position is a 6.7 per cent real terms reduction. This compares with the National Audit Office's (NAO) calculation that funding to stand-alone FRAs reduced by 28 per cent between 2010/11 and 2015/16 or 17 per cent in real terms.

The LGA's current estimate is that there will be a just under a 10 per cent reduction in local government funding in 2016/17. An initial assessment by Kieran Timmins on behalf of CFOA suggests these changes could mean a £150 million reduction in funding for stand-alone FRAs over the Spending Review.

6. Within this broad picture it is difficult at this stage to work out what this means for the FRS as a whole and individual FRAs as there are a number of details that have yet to be confirmed by the government. It is reasonable to assume, based on the figures in the Spending Review documentation that the referendum cap on council tax will remain at 2 per cent a year over the Spending Review period, but it is not clear at this stage if this will apply to FRAs. Unless there are exemptions from the apprenticeship levy in the Spending Review this will also have an impact on FRA budgets. In addition the government announced that local authorities will be able to use capital receipts to fund the revenue costs of reform/transformation projects, and there will also be a consultation on changes to the local government finance system to rebalance support to those authorities with social care responsibilities. Again it is unclear what the implications of this might be for FRAs, or what the impact of the government's decision to implement 100 per cent business rate retention by the end of the Spending Review will be. However the scale of the funding reductions means there will inevitably be implications for the delivery of frontline fire services.

Delivering the savings

7. It is not clear at this stage where the government see FRAs making the further savings they need to over the Spending Review period. However a paper published as part of the Spending Review on the responses to the public sector efficiency challenge issued by the government in the summer stated greater collaboration between blue light services was one area being taken forward. The evidence given to the Public Accounts Select Committee the day after the Spending Review by Melanie Dawes, the Permanent Secretary at the Department of Communities and Local Government (DCLG), along with Neil O'Connor and Peter Holland also indicated a range of areas which they thought offered further potentials for savings within the Fire and Rescue Service. These included:
 - 7.1. Collaboration projects – between FRAs and also between the blue-light services and others;
 - 7.2. Transformation projects – using the learning from the transformation projects to drive changes for example around collaboration with other blue-light services;
 - 7.3. Mergers – between FRAs;
 - 7.4. Procurement – more joint procurement between FRAs and also with other services;
 - 7.5. Delivery of services – continuing with changes in how incidents are responded to with for example the use of different types of vehicles and changes in the numbers of crew with each vehicle;
 - 7.6. Changes in terms and conditions; and
 - 7.7. Greater use of retained firefighters.

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8. Many of these suggestions will be familiar to members from 'Facing the Future', Sir Ken Knight's review of the FRS. From comments made by the Permanent Secretary in the evidence suggestion it seems that DCLG's modelling of what individual FRAs receive in the local government settlement due later this month will be based on their assessment to further deliver on the efficiencies identified in the Knight Review.
9. Members are asked to comment on the scope for delivering savings through the areas identified by above, and whether there are other areas where FRAs could look to achieve reductions in funding.

Next steps

10. As members will recall the priorities considered by FSMC in September included a small number of strategic priorities including around FRA funding and FRS service transformation. We will therefore continue to focus on assisting FRAs with further and wider blue light collaboration, continuing to promote collaboration with health partners, and examine how better value can be gleaned from procurement. The LGA's workforce team and the work programme of the National Joint Council for FRAs also contribute to the agenda and FSMC and Fire Commission have already responded to the discussion paper put to them at their last meetings on the role of the FRS and firefighters in the future. Any other areas identified by members where the LGA can assist FRAs in delivering savings will be incorporated into the FSMC work programme.
11. Members are asked to
 - 11.1. Note the Spending Review announcement; and
 - 11.2. Discuss the areas identified by DCLG for potential savings going forward and set out in paragraph 7, and identify any other areas that could assist FRAs achieve reductions in spending.

Financial Implications

12. Financial implications for the FSMC work programme will need to be determined if additional areas of key work are identified.