



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	DSFRA/13/20
MEETING	DEVON & SOMERSET FIRE & RESCUE AUTHORITY
DATE OF MEETING	30 SEPTEMBER 2013
SUBJECT OF REPORT	LOCAL GOVERNMENT FINANCE SETTLEMENT 2014-15 AND 2015-16: TECHNICAL CONSULTATION – DRAFT RESPONSE
LEAD OFFICER	Treasurer
RECOMMENDATIONS	<i>That, subject to incorporation of any amendments agreed at the meeting, the draft response to the technical consultation document on the Local Government Finance Settlement 2014-15 to 2015-16, as attached as Appendix A to this report, be approved and the Treasurer authorised to submit it on behalf of the Authority.</i>
EXECUTIVE SUMMARY	<p>This report seeks approval for the attached draft response to the Technical Consultation issued by the Department for Communities and Local Government (CLG) on the Local Government Finance Settlement 2014-15 and 2015-16.</p> <p>The consultation itself invites local authorities to seek views on a range of detailed and technical issues, which aim to implement the additional policy and spending announcements for 2014-15 and 2015-16.</p>
RESOURCE IMPLICATIONS	As indicated in the report and draft response
EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)	Not applicable
APPENDICES	<p>A. Draft response to the Department for Communities and Local Government (CLG) Technical Consultation on the Local Government Finance Settlement 2014-15 to 2015-16.</p> <p>B. CIPFA report (commissioned May 2013) “Impact of Government Funding on Rural Fire and Rescue Authorities”.</p>
LIST OF BACKGROUND PAPERS	Department for Communities and Local Government (CLG) Technical Consultation on the Local Government Finance Settlement 2014-15 to 2015-16.

1. INTRODUCTION

- 1.1 Since the CSR 2010 announcement in October 2010 further government announcements have been made that have provided greater clarity on the future levels of local government funding, including:
- Autumn Statement 2012;
 - Budget 2013; and
 - Spending Round 2013.
- 1.2 A combination of these announcements has resulted in a 36% real terms reduction in fire and rescue funding since 2010-11. This level of reduction has been reflected in the authority Medium Term Financial Plan which has forecast a reduction in grant funding of £8m by 2015-16, over 2010-11. As has previously been reported to this Authority, these figures are significant and have led to the approval of the Corporate Plan proposals in July 2013 which, when fully implemented, will deliver on-going savings of over £7m.
- 1.3 While the absolute savings target for this Authority will not be known until the Local Government Finance Settlement announcement in late 2014, the Department for Communities and Local Government (CLG) issued in the summer a technical consultation on the Local Government Finance Settlement 2014-15 and 2015-16 seeking views on the government's proposals for implementing the funding reductions announced over the two years 2014-15 and 2015-16.
- 1.4 A copy of the full consultation document can be found on the CLG website by following the link below and is also published, together with the agenda for this meeting, on this Authority's website. Alternatively, a hard-copy of the consultation document can be made available on request.
- www.gov.uk/government/uploads/system/uploads/attachment_data/file/225390/130724_LGFS_2014-15_and_2015-16_Technical_Consultation_FINAL.pdf

2. DSFRA RESPONSE TO CONSULTATION

- 2.1 Attached to this report, at Appendix A, is a proposed response from this Authority to the consultation. The deadline for a response is 2 October. The proposals in the technical consultation are exceedingly detailed and complex, reflecting, in part, the dynamic interplay between the newly introduced business rates retention scheme and the overall levels of local government funding, as determined by Government.
- 2.2 The proposed response, which focuses primarily on the impact of the proposals as they impact on fire and rescue authorities, is now commended for approval subject to any amendments the Authority may wish to make at the meeting.
- 2.3 As well as responding to the technical questions included in the document, the submission again highlights our concerns on the unfairness of previous settlements and the inequitable distribution of grant between urban and rural fire and rescue authorities. It is disappointing that we have not received any feedback from the CLG in relation to previous representations made on this.

- 2.4 As previously advised, in support of these concerns the Service commissioned CIPFA to provide further analysis of the impact of government funding on rural fire and rescue authorities. A copy of the resultant CIPFA report is attached as Appendix B. Whilst the Minister has been provided with a copy of this report, again no response or any other feedback has been received to give us any confidence that our concerns will be taken into account when considering future settlements.
- 2.5 Our response to the consultation document also requests a meeting with the Minister to discuss our concerns of the current grant distribution methodology and the conclusions of the CIPFA report.

KEVIN WOODWARD
Treasurer

APPENDIX A TO REPORT DSFRA/13/20

L T Howell MBA BEng(Hons) FIFireE FRSA
Chief Fire Officer

A Locke Esq.
Communities and Local Government
Zone 5/D52
Eland House
Bressington Place
LONDON SW1E 5DU

Service Headquarters
The Knowle
Clyst St George
Exeter
Devon
EX3 0NW

Your ref :
Our ref :
Website : www.dsfire.gov.uk

Date : 30 September 2013
Please ask for : Kevin Woodward
Email : kwoodward@dsfire.gov.uk

Telephone : 01392 872200
Fax : 01392 872300
Direct Telephone : 01392 872317

Dear Mr. Lock,

**LOCAL GOVERNMENT FINANCE SETTLEMENT 2014-15 AND 2015-16 -
TECHNICAL CONSULTATION DOCUMENT - RESPONSE FROM DEVON AND
SOMERSET FIRE AND RESCUE AUTHORITY**

I am writing to you on behalf of Devon and Somerset Fire and Rescue Authority in response to the above consultation.

Firstly, the Authority welcomes the opportunity to comment on the governments proposed technical changes relating to the 2014-15 and 2015-16 Local Government Finance Settlements. I provide below responses to the six specific questions included in the document but would ask that you also consider the following general comments related to the overall settlement.

- a) Whilst we acknowledge the government strategic goal of deficit reduction we are very concerned that local government as a whole is again to suffer a disproportionate contribution to the deficit. The fire and rescue service has already suffered a 25% real terms reduction in funding over the four year period covered by SR 2010, compared with an average 8% for all other central government departments. This consultation document confirms a further 1% reduction in 2014-15, and a further 10% in 2015-16, compared to an average 2.2% across all other Whitehall departments.
- b) The SR 2013 announcement in June set out a 10% real terms reduction in local government Department Expenditure Limit (DEL) for 2015-16. This document now reveals that the Settlement Funding Assessments (SFA) will be cut by 15% in real terms. This difference equates to approximately £1bn of local government funding that is not to be distributed through the mainstream settlement but is to be set aside to fund other grants and allocations e.g. £335m to fund Social Care new burdens (Dilnot), and £30m towards Fire Transformation. An amount of £200m is also to be held back to fund New Homes Bonus Payments and safety net payments.

At the same time the governments headline message to the public is that local government will suffer a 2.3% real terms reduction in funding in 2015-16 when including other funding streams e.g. council tax precept. We feel that it is very unhelpful for different figures to be used which only serves to undermine the relationship between central and local government. It is important that there is absolute clarity around the savings targets to be achieved to improve transparency and ensure that local residents are aware of the scale of savings to be achieved by their local authorities.

- c) Whilst not specifically dealt with as part of this consultation your department will be well aware of previous representations made by this authority relating to the disproportionate impact that the cuts are having on the more rural fire and rescue services. It is disappointing that we have not received any feedback from the CLG in relation to our previous representations, which does not provide us with any confidence that our concerns are being taken into account.

It is evident that for the fire and rescue service to deliver savings of the scale expected that a different approach to front line fire and rescue provision is required including a redesign of current crewing arrangements and shift patterns for frontline firefighters. For a rural fire and rescue service with predominantly RDS cover the scope for savings is significantly limited when compared to a more urban area. As a rule of thumb a fire station with 24 hour full time cover costs ten times more than one that is covered by RDS. We ask that future distribution of cuts within the fire and rescue service recognises the more limited scope for savings within a rural area.

The Fire Minister will be aware that this authority recently commissioned CIPFA to carry out a piece of work to provide some further analysis of the impact of government funding on rural fire and rescue authorities. A copy of the CIPFA report, which highlighted the disparities in funding between urban and rural fire and rescue authorities, was made available to the Minister for consideration.

We would welcome a meeting with the Minister to discuss the conclusions from this report and how it may be used to influence future settlements.

Responses to Questions

We provide below our responses to the specific questions raised in the consultation document.

Question 1: Do you agree with the Government's proposal on how to implement the 1% reduction to the Local Government Departmental Expenditure Limit (LG DEL)?

Response – We are disappointed that local authorities, including fire and rescue authorities (FRAs), are to suffer a further 1% reduction in funding from 2014-15.

As the consultation document identifies, due to the fact that the local share of business rates element of Total Settlement Funding is fixed until 2020, the 1% reduction can only be applied to the Revenue Support Grant (RSG) element meaning that the actual reduction in RSG will be 1.78%. A 1.78% reduction equates to a total reduction in RSG of £11m for FRAs which if applied evenly across all FRAs will result in a further loss of funding of £300k for Devon and Somerset FRA.

We are concerned of the disproportionate impact that this approach of funding reductions is having on the most rural FRAs such as ourselves, and would like to see a different approach which would start to redress the current position which sees the most urban areas having 50% more grant funding per head than rural areas.

Question 2: Do you agree with the proposal for reducing the funding available for capitalisation for 2014-15 by £50m and using this revenue to reduce the amount required to be held back from Revenue Support Grant to fund the safety net?

Response – We do not believe that there is any requirement to top slice £100m to fund capitalisation in the first place. In approving a case for capitalisation the government does not provide any cash funding, it merely approves that costs can be capitalised and it is the local authority that pays for these costs through borrowing over a number of years. We do not understand therefore why the whole £100m cannot be released to fund the predicted shortfall on safety net payments, or even better, to be put back into mainstream local government funding to protect services.

It is very concerning that the government considers that the overall amount to be held back to fund safety net payments needs to be increased from £25m to £120m. We are not able to support this approach without any detail as to why this is required. It does suggest however that government are concerned that business rate revenues will not meet the original estimates leaving a shortfall of £95m. If this is the case then we feel that the government should be funding the shortfall rather than top slicing mainstream local government settlements.

Question 3: Do you agree with the way the Government proposes to hold back the funding that is necessary for New Homes Bonus and safety net support, and to return any surplus to authorities?

Response – As a fire and rescue authority we do not benefit from New Homes Bonus funding and would therefore not expect there to be any impact to our funding.

In relation to proposes relating to amounts to be held back for the purpose of safety net payments it is noted that £1m is to be held back from FRAs. We would have concerns that this amount is excessive which is taking money away unnecessarily from the RSG settlement. We would ask that the process for distributing any underspend against this £1m ensures that FRAs are informed as soon as is possible so as any such amounts can be built into financial planning.

Question 4: Do you agree with the proposed methodology for calculating control totals for each of the elements within the Settlement Funding Assessment?

Response – We do not believe that the proposed methodology provides the clarity needed to assist financial planning and decision making and would ask for further clarity and more detail of its impact at local level. *We ask that funding allocations be made available at local authority level as soon as possible.*

This latest consultation document confirms that the reduction in the local government Direct Expenditure Limit (DEL) in 2015-16 will be 10%, as announced within the Chancellors 2013 Spending Round announcement in June of this year. However the figures in the document suggest a larger reduction of 13.1% (15% in real terms) a difference of approximately £1bn.

It is not clear from the latest consultation document as to where this £1bn has gone, but it would appear that there are two main reasons, firstly funding set aside to fund other grants and allocations outside of the mainstream annual settlement (£0.800bn) e.g. Social Care new burdens (Dilnot) (£335m), and fire transformation fund (£30m), and secondly extra funding (0.200bn) held back to fund New Homes Bonus and safety net payments.

Given that only some authorities will benefit from the £1bn set aside many authorities will inevitably face reductions in excess of the 10% headline figure and closer to 15%.

Question 5a: Do you agree with the proposed methodology for transferring in the 2013-14 Council Tax Freeze Compensation?

Question 5b: Do you agree with the proposed revised methodology for transferring in the 2013-14 Council Tax Freeze Compensation?

Response – As an authority which decided to refuse the 2013-14 Council Tax Reward Grant and instead increase council tax we are very disappointed to now hear retrospectively that the grant will continue beyond 2014-15, when we were originally led to believe that it would only be paid in 2013-14 and 2014-15. If the government had indicated at the outset that the grant would continue into 2015-16 this may well have affected the Fire Authority decision to increase council tax. Given the pressure on future council tax setting we believe that any further offers of Council Tax Reward Grants should carry with it absolute certainty as to the number of years in which it will be paid.

Question 6: Do you agree with the proposed methodology for adjusting the 2015-16 settlement to take account of the loss of tax revenue due to the Exchequer from the local authorities who are too small to participate in the Carbon Reduction Commitment Energy Efficiency Scheme?

Response – Without any detail as to the impact of this proposed methodology we are not able to support this proposal.

In terms of principles, as an authority that does not utilise enough electricity to be part of the Carbon Reduction Scheme we do not feel that our funding should be impacted by changes imposed by government which result in a loss of tax revenues to the Exchequer. It is our view that this loss should be funded from the government new burdens funding already allocated.

Yours faithfully

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority