



DEVON & SOMERSET FIRE & RESCUE AUTHORITY

REPORT REFERENCE NO.	RC/11/13
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	19 OCTOBER 2011
SUBJECT OF REPORT	CONSULTATION ON THE PROPOSALS FOR BUSINESS RATES RETENTION
LEAD OFFICER	TREASURER
RECOMMENDATIONS	<i>That, subject to incorporation of any comments made at the meeting, the Treasurer be authorised to respond on behalf of the Authority to the Department for Communities and Local Government (CLG) consultation on local government resource review for business rates retention along the lines as set out in Appendix A to this report.</i>
EXECUTIVE SUMMARY	The Department for Communities and Local Government issued a consultation document entitled "Local Government Resource Review for Business Rates Retention".
RESOURCE IMPLICATIONS	As indicated.
EQUALITY IMPACT ASSESSMENT	Not applicable.
APPENDICES	Appendix A – DSFRA draft letter of response to the consultation on the proposals for business rates retention. Annex A to this letter covers responses to the more detailed questions included in the technical papers and this document is TO FOLLOW in due course.
LIST OF BACKGROUND PAPERS	Minute DSFRA/34 – meeting held on 29 September 2011 – refers.

Joel Winstone
Department for Communities and Local Government
Zone 5/D1, Eland House
Bressenden Place
LONDON SW1E 5DU

Dear Sir,

PROPOSALS FOR BUSINESS RATES RETENTION - RESPONSE FROM DEVON AND SOMERSET FIRE AND RESCUE AUTHORITY

I refer to the recent consultation document *Local Government Resource Review for Business Rates Retention* and submit a response to the proposals outlined in that document on behalf of Devon and Somerset Fire and Rescue Authority.

I include as Annex A to this letter responses to the more detailed questions included in the technical papers, and provide below more general comments relating to the key proposals and how they may impact on a fire and rescue authority,

General Comments

Firstly, the Authority welcomes the fact that the government is taking the opportunity to replace the current system of formula grant distribution, which is seen as too complex, lacking in transparency and in many parts subject to challenge as being inequitable and unfair. The Authority also supports the main concept of the new proposals, in that it will provide much more of an incentive for authorities to stimulate local business growth.

As a fire and rescue authority however our position is different to that of a principal authority as we do not collect business rates, and have very little influence in terms of stimulating local growth. We are therefore particularly interested in responding to *Technical Paper 3 - Non-billing Authorities*, which outlines proposals on how fire and rescue authorities will be funded under the new system.

The key question being asked of fire and rescue authorities within Technical Paper 3 is:

TP3 Q4: Do you think that single purpose fire and rescue authorities should be funded:

- a) *Through a percentage share of each district council's billing authority business rates baseline (pre-tier split), subject to any tariff or top up required to bring them to their baseline funding level; or*
- b) *Through fixed funding allocations for 2013-14 and 2014-15, through an adjustment to the forecast national business rates?*

Authority Response to TP3 Q4.

It is the view of this Authority that, on balance, single purpose fire and rescue authorities should be funded by the option outlined in b) above, i.e. that they are excluded from the percentage sharing and have their funding fixed for 2013-14 and 2014-15. The reasons behind this response are:

- 1) As is highlighted in the consultation document fire and rescue authorities, like police authorities, have more limited levers to promote economic than the principal authorities, and it is therefore questionable whether they should share in any increased business rates. Given that the government has already decided that police authorities are to be outside of the new system we believe that this should also be applied to single purpose fire and rescue authorities.
- 2) The CSR 2010 announcement has back-loaded the 25% reductions to fire formula grant to years 2013-14 and 2014-15. This puts fire and rescue authorities in a different place when compared to the principal authorities in terms of planning for the delivery of savings. Whilst we do not know the impact at FRA level of the grant reductions still to come, planning is well advanced based upon the percentage reductions included in CSR 2010. We believe that to include single purpose fire and rescue authorities in the new business rates system will add another layer of uncertainty into financial planning which would be unhelpful.
- 3) The 8 technical papers included in the consultation provide the more detailed information on how the new system will operate and asks authorities for views on a range of questions including **Establishing the Baseline, Measuring Business Rates, Tariff, Top Up and Levy Options, and Volatility**. It is evident from reading these details, which in many cases are extremely complex, that it is impossible for the Authority to assess what the financial impact will be if it is included in the new system. This is exacerbated by the fact that business rates are collected by a number of billing authorities (15 for Devon and Somerset FRA) in their area, which creates a further complexity as no doubt those billing authorities will include a mix of **tariff** and **top up** authorities, which will need to be consolidated.
- 4) The consultation document indicates that if single purpose FRAs are not to be included in the new system from 2013-14, then it may be considered for inclusion from 2015-16, as part of a government review of how fire and rescue authorities are to be funded from 2015-16. With this in mind we believe that it would be helpful for FRAs to consider joining the system from 2015-16, when a more informed decision can be made as to the impact at authority level.

Other General Comments

Whilst we recognise that whilst the early years will include safeguards to protect those areas that have low growth and therefore low increase in business rates, we are concerned that in future years those areas could become the significant “losers” from the system, to the benefit of the more affluent areas with much more ability to stimulate growth. As those areas are likely to also be more associated with higher levels of deprivation this could lead to an increase in demand in fire and rescue services.

We are concerned as to the impact of the new arrangements on Fire Revenue Grants such as that paid to fund New Dimensions. We would want assurances that this funding remains in the Fire Sector to continue to fund the national resilience programme.

We are concerned that entry into the system will bring about increased exposure to risk around the collection of business rate income. Currently the risk of “bad payers” is borne by the government and the deficit has in the past been up to £2bn. We would want to seek assurances that this risk is not passed onto local government at a time when they are already facing serious financial challenges.

Summary

The Authority welcomes the opportunity to respond to the consultation document and asks that the views expressed within this response are considered in your final deliberations of how single purpose fire and rescue authorities are to be treated in the new system.

Yours faithfully

Kevin Woodward
Treasurer to Devon and Somerset Fire and Rescue Authority