

APPENDIX C TO REPORT DSFRA/19/3

REPORT REFERENCE NO.	RC/18/16
MEETING	RESOURCES COMMITTEE
DATE OF MEETING	5 SEPTEMBER 2018
SUBJECT OF REPORT	LOCAL GOVERNMENT FINANCE SETTLEMENT 2019-20: TECHNICAL CONSULTATION
LEAD OFFICER	Director of Finance (Treasurer)
RECOMMENDATIONS	<i>That the proposed Consultation response outlined is approved by the Committee for submission to the Ministry of Housing, Communities and Local Government.</i>
EXECUTIVE SUMMARY	<p>The Ministry of Housing, Communities and Local Government have issued a technical consultation on the Local Government Finance Settlement 2019-20 (the Consultation) which asks for responses to be submitted by 18 September 2018.</p> <p>The Consultation covers five questions which are addressed in the paper below. The Committee is asked to review the questions and proposed responses and form a view on the draft response. The Committee can then agree a response to be submitted on behalf of the Fire Authority.</p>
RESOURCE IMPLICATIONS	As indicated in the report.
EQUALITY IMPACT ASSESSMENT	An initial assessment has not identified any equality issues emanating from this report.
APPENDICES	Appendix A – Local Government Finance Settlement 2019-20: Technical Consultation
LIST OF BACKGROUND PAPERS	None

1. **INTRODUCTION**

1.1 The Ministry of Housing, Communities and Local Government have issued a technical consultation on the Local Government Finance Settlement 2019-20 (the Consultation) which asks for responses to be submitted by 18 September 2018.

1.2 Each of the topics in the consultation document below will be addressed in turn below with a suggested response. The Committee is asked to review the questions and proposed responses prior to submission.

2. **MULTI YEAR SETTLEMENT OFFER**

2.1 Page 5 of Appendix A confirms the Government's intention to adhere to the four year settlement, which commenced in 2016-17, for the final year 2019-20. The Authority accepted the four year settlement in October 2016 as did 97% of Councils so agreement with the principal of adhering to the settlement is consistent with this.

2.2 The proposal is cost neutral to this Authority as the proposal was already factored in to the Medium Term Financial Plan.

2.3 **Question 1: Do you agree that the Government should confirm the final year of the 4-year offer as set out in 2016-17?**

Suggested response: YES

The four year settlement offer was accepted by Devon & Somerset Fire & Rescue Authority and represents an opportunity to gain certainty over funding in the medium term, which has been most welcome for planning purposes.

3. **NEW HOMES BONUS**

3.1 Pages 8 and 9 of the Consultation document outline the proposal for payments of New Homes Bonus. The Authority is not eligible for this payment and it does not have an impact on the precept income that we receive from billing authorities.

4. **COUNCIL TAX REFERENDUM PRINCIPLES**

4.1 Pages 10 and 11 of the Consultation document outline the proposed referendum principles for the various types of Local Government body which are summarised below:

- A precept flexibility threshold of 3% for local authorities to include Fire and Rescue Authorities
- Continuation of the Adult Social Care precept (an additional 2% flexibility)
- Shire district councils in two-tier areas the higher of 3% or £5
- Police and Crime Commissioners to be allowed up to £12 increase if they can evidence improved service delivery
- No referendum principles for Mayoral Combined Authorities
- No referendum principles for town and parish council but an expectation of restraint in increases by the sector

- 4.2 The Fire Authority is impacted by the proposal to limit precept increases to 3% before a referendum would need to be held, the limit was 2% up to and including 2017-18. With forecast council tax base increases, each 1% rise on council tax is equivalent to £0.508m additional funding for this Authority. A 3% increase is equivalent to £1.524m in 2019-20.
- 4.3 The forecast savings requirement for the next three years is between £7.7m and £12.4m depending on council tax decisions and therefore the ability to increase council tax will be crucial to the financial stability and development potential of the Authority.
- 4.4 Greater flexibility in council tax precept increases would narrow the funding gap for the Authority and allow for greater investment in the change programme to improve service delivery in our communities.
- 4.5 The Consultation response should be mindful of the Government position on Fire Authority Reserves, namely that these are too high, and that only evidence of diminishing reserves and increased demand on services will result in precept flexibility. Year end reserves for 2017-18 were £31.9m and whilst these are currently forecast to reduce to £25.5m by the end of the year, low expenditure or in year revenue budget savings could result in a small net increase to reserves.
- 4.6 Additionally, the technical notes regarding the £12 precept flexibility for Police and Crime Commissioners are ambiguous and it would be in the interests of the Fire sector to receive greater clarity on the method of testing to be used.
- 4.7 **Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?**

Suggested response: NO

Devon & Somerset Fire & Rescue Authority would welcome greater precept flexibility over fire precept to support the sector at a time of increasing risk and pressure on services.

By imposing a referendum threshold, central government are effectively controlling the fire sector's ability to raise precepts beyond 3%. For this Authority, consisting of fifteen billing authorities, referendum costs are likely to be in excess of £2.3m, which prohibits increasing precepts above the trigger point. Due to the variety of governance models which complicate the funding situation across the sector, precept levels should be determined locally to enable individual Authorities to establish value for money for their communities. Affordability of council tax referendums also varies widely depending on the make-up of local authorities.

When setting its annual budget and level of council tax for the coming year the Authority will review risk and short to medium term resourcing requirements to set an appropriate level of council tax.

The risk within our communities is changing due to demographics including an exponential increase in the number of elderly citizens which requires investment in further prevention activity. New workloads have been generated as a result of the Hackett review and it is anticipated that further sector wide improvements will be required through the Governments Fire Reform programme.

The statutory duty to collaborate with other blue light services means the Service contributing more to the work of our partners. Whilst there are societal benefits many of these schemes require investment by the Fire and Rescue Authority for which no current funding is available.

Alongside those cost pressures, the sector needs to invest heavily in reform, particularly investing in our people and digital processes which will require significant financial resources over a sustained period.

A referendum threshold of the higher of 3% or £5 for Fire and Rescue Authorities, in line with that offered to Shire district councils, would allow the sector opportunity to invest to support the reform programme and determine a local approach to setting council tax levels.

Suggested additional comment:

The method of granting precept flexibility should be made transparent so that organisations have a clear understanding of the underpinning sector issues behind those decisions.

For the Police and Crime Commissioner's £12 precept flexibility, more information on the method of evaluating "clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement" would be welcome so that the impact on funding of good/poor performance against objectives can be better understood. This appears to break the link between demand for services and precept flexibility.

5. NEGATIVE REVENUE SUPPORT GRANT

- 5.1 Pages 12 to 17 of the Consultation document outline the options for dealing with negative Revenue Support Grant (where business rates income collected by an Authority exceeds the baseline set by the settlement, funds are owed back to central government). The government proposal is that they will write off the negative grant, at a cost of £158m, to be funded centrally. The Authority is not affected by negative Revenue Support Grant.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

Suggested response: NO COMMENT

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express your preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

Suggested response: NO COMMENT

6. EQUALITIES IMPACT

- 6.1 Page 18 of the Consultation document requests further information from respondents where they feel that the financial settlement may have an impact on people with protected characteristics.

6.2

Due to the way that funding is made available to the Fire Authority and the way that services are delivered to communities, it is not anticipated that the Settlement will have an adverse impact on those with protected characteristics.

Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic?

Suggested response: NO COMMENT

AMY WEBB
Director of Finance (Treasurer)