

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 September 2017

URGENT BUSINESS

**THE 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL
CONSULTATION PAPER**

Contact for further information:

Keith Mattinson - Director of Corporate Services – Telephone Number 01772 866804

Executive Summary

The report sets out details of the Government's latest consultation document relating to 2018/19 Local Government Finance Settlement.

Recommendation

To agree that any response is delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

Information

The Local Government Finance Settlement is the basis by which the Government allocates out funding to individual authorities, as part of the Local Government Finance Settlement.

The Department for Communities and Local Government issued a consultation document titled "The 2018/19 local government finance settlement – technical consultation paper" on 14th September 2017, with a deadline for a response of 26 October 2017.

The proposed 2018-19 settlement is framed in the context of the overall Spending Review package.

As Members are aware the 2016-17 settlement offered local authorities a four-year settlement, giving greater certainty over their funding. The Authority was amongst the 97% of local authorities who accepted this offer. The proposed 2018-19 settlement funding is therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time.

The National Fire Chiefs Council is drafting a response to the consultation document, and it is felt there is merit in utilising that response as a basis for an individual response by the Authority. As such it is proposed that any response is delegated to the Treasurer, in consultation with the Chief Fire Officer and the Chairman of the Resources Committee.

However in order to give Members an oversight of the issues within the consultation document, it is worth highlighting two particular areas that are relevant to the Fire Authority.

The third year of the multi-year settlement offer

The document conforms that “barring exceptional circumstances and subject to the normal statutory consultation process for the local government finance settlement, the Government intends to present these figures to parliament as part of the 2018-19 provisional local government finance settlement in due course.”

The four-year settlement showed the Authority’s funding being reduced by £5.5m (18%) over this period, although it should be noted that the majority of this reduction has occurred in the first two years of the settlement:-

		Reduction	
2015/16	£29.4m		
2016/17	£27.6m	£1.8m	6.4%
2017/18	£25.3m	£2.3m	8.2%
2018/19	£24.4m	£0.9m	3.7%
2019/20	£24.0m	£0.4m	1.4%
		£5.5m	

Hence, barring exceptional circumstances, we expect to receive £24.4m of funding in 2018/19, a reduction of £0.9m.

However, the four-year funding settlement was predicated on the Government maintaining its public sector pay cap at 1%. Any pay awards in excess of this would either require additional funding or would directly impact on future council tax levels.

Question 1: Do you agree that the government should continue to maintain the certainty provided by the 4-year offer as set out in 2016-17 and accepted by more than 97% of local authorities?

Issues to consider in any response

We welcome the certainty that the four year settlement provided, and support the principle that, other than in exceptional circumstances, this will not change. However we feel that the lifting of the 1% public sector pay cap qualifies as exceptional circumstances and therefore believe that the settlement needs to take account of both this and future years pay awards, in order to ensure that local government funding, and in our case Fire Authority funding, keeps pace with pay increases.

The Fire and Rescue Services National Employers had made an offer to the Fire Brigades Union of a 2% pay increase in 2017/18 followed by a further 3% increase in 2018/19, however the 3% offer in 2018/19 was conditional upon governments across the UK providing funding to enable authorities to meet this cost. In order to put this into context for Lancashire the 2% pay award equates to an increase of £0.7m compared with the 1% budgeted cost of £0.3m, a 3% increase equates to £1.0m compared with the 1% budgeted increase of £0.3m, potentially over £1million more cost than budgeted or allowed for in the funding settlement. If funding is not increased to meet these additional costs then the entire burden will have to be met by further savings, which would potentially mean revisiting the Emergency Cover Review, or from reserves, or from council tax increases.

Whilst this offer has been rejected, it appears highly likely that any final agreement will exceed the 1% pay cap and as such we believe it is essential that additional funding is provided to meet the eventual pay awards.

Council tax referendum principles

The document outlines the following council tax referendum principles:-

- a core principle of less than 2%;
- a continuation of the Adult Social Care precept of an additional 2% with additional flexibility to increase the precept by 1% to 3% in 2018-19, provided that increases do not exceed 6% between 2017-18 and 2019-20;
- shire district councils would be allowed increases of less than 2% or up to and including £5, whichever is higher;
- Police precepts in the lowest quartile would be allowed increases of less than 2% or up to and including £5, whichever is higher.

This means that Fire would be limited by the general principle i.e. a council tax increase of less than 2%.

Question 9: Do you have views on council tax referendum principles for 2018-19 for principal local authorities?

Question 10: Do you have views on whether additional flexibilities are required for particular categories of authority? What evidence is available to support this specific flexibility?

Issues to consider in any response

Should greater flexibility be provided to Fire Authorities to increase council tax by a margin greater than 2%? Should this be set at £5 as per the flexibility provided to all Shire District Councils and Police precepts in the lower quartile? This flexibility would seem to be particularly relevant given the uncertainty on pay awards and the breaking of the public sector pay cap referred to earlier.

It does seem to penalise Fire Authorities, who have the lowest average precept of any principal authority (£72 compared with Shire Districts of £176 and Police and Crime Commissioners of £172), by not allowing flexibility in line with other types of authorities. Whether the Authority then chooses to utilise that flexibility is a different issue, and one which would be debated as part of the budget setting process.

If greater flexibility was provided should this be limited to just those authorities who are in the lower quartile of council tax levels. Lancashire has the 8th lowest council tax out of 29 precepting authorities, is that in the lower quartile? However what is clear is that regardless of whether we are in the lower quartile our actual council tax increases have been the lowest of any authority for a number of years, only a 2.9% increase since 2011/12 and the only Fire Authority to freeze council tax for 2017/18. A similar flexibility was agreed in 2013/14, where 5 Fire Authorities increased council tax by the permitted £5, all of these Authorities still remain in the bottom quartile, but all of them have had the highest increase in council tax over the last 6 years, an average increase of 16% compared with 9% for all others. Is it right that the same flexibility is extended to the

same authorities, or should it be extended to all authorities? If all Authorities face similar pressures, with pay increases being the most notable, should the flexibility be extended to all Authorities similar to the model for Shire District Councils?

Financial Implications

None at this stage, although obviously the eventual settlement and council tax referendum principles impact on the final budget.

Human Resource Implications

None

Equality and Diversity Implications

None

Environmental Impact

None

Business Risk Implications

Clearly the outcome of the consultation will have an impact on our level of grant funding received in future years, and as such it is a major risk to the Authority. However, until the outcome of the consultation is known it is impossible to be more specific.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
The 2018/19 Local Government Finance Settlement – Technical Consultation Paper	September 2017	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		