

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 19 February 2018

FAIR FUNDING REVIEW: A REVIEW OF RELATIVE NEEDS AND RESOURCES

Contact for further information:

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

Executive Summary

The report sets out details of the consultation paper on a review of Government Funding for Local Authorities.

Any response will look to build on the national one which will be submitted by National Fire Chiefs Council (NFCC) in due course.

Recommendation

To agree to delegate responsibility for agreeing a response to the Treasurer, in consultation with the Chairman and Chief Fire Officer.

Information

Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

The Government has identified a set of principles to guide the work of the fair funding review.

Simplicity – the overall number of formulas used within the current methodology, along with the layers of complexity contained within them, means that they are little understood and may no longer hold the same relevance as when they were first introduced. This is an opportunity to identify the most important factors that drive the 'need to spend' on local services, and we will aim to produce a relative needs assessment that is as simple as is practicable,

Transparency – it should be straightforward for those affected by the relative needs assessment to understand what factors have influenced the levels of funding received by a local authority so that they can hold their local representatives to account for the decisions that they make. To support this we will make the link between local circumstances and funding allocations more visible,

Contemporary – the new relative needs assessment will be based on the most up-to-date data that is available. To facilitate more frequent updates, as far as practicable the funding formula will be based on data that can be regularly updated at planned intervals. If the collection of data or other technical requirements means that desirable changes cannot be made at the point of implementation, the Government will consider whether and how to phase these in at a later date whilst providing councils with financial certainty,

Sustainability – an evidence-based approach will be deployed to identify the factors which drive costs for local authorities today *and* in the future. The new funding formula must, as far as is practicable, anticipate future demand for services,

Robustness - the new funding formula should take into account the best possible objective analysis, and

Stability – the funding formula should support predictable, long-term funding allocations, ideally as part of a multi-year settlement. Local authorities' long-term financial planning and service delivery will also be assisted by temporary transitional arrangements to their new relative needs baseline to ensure there are no undue year-on-year changes in funding.

Fire and Rescue Services

The cost of providing a fire and rescue service is driven by risk, rather than purely by demand. As a result many of the cost drivers are therefore unique to this service area.

The current fire and rescue services' formula consists of a basic allocation of funding per resident, with adjustments for coastline, population density and sparsity, deprivation, fire risk areas, community fire safety and other area costs. These elements include indicators of both the risk of requiring a fire service response, such as the risk of dwelling fires occurring, as well as indicators of the cost of providing fire service cover, for example as a result of population sparsity.

The indicators used in the current fire and rescue services relative needs formula are as follows:

1. **Projected population** – A basic amount of funding per resident,
2. **Adjustments:**
 - **Coastline** – The length of coastline. This is a measure of remoteness and reflects the extent to which an authority can receive mutual aid support from surrounding fire authorities;
 - **Population Density** – This is an indicator of risk reflecting the higher rate of incidents in more densely populated areas;
 - **Population Sparsity** – The cost of supplying fire and rescue services in sparsely-populated areas differs from that of more densely populated areas due to the increase in distances travelled to an incident;

- Risk index – A measure of deprivation, this takes into account the following factors which correlate with an increased risk of fire incidence in an area:
 - The proportion of working age adults with no qualifications,
 - The proportion of working age population not in employment,
 - The proportion of working age adults in receipt of income support, and
 - The authority's standardised mortality ratio;
- Control of Major Accident Hazards (COMAH) sites – COMAH sites contain dangerous substances of a particular quantity, such as oil or chemical refineries. These sites create a high-risk environment and therefore require appropriate resources and plans to be in place to deal with potential incidents;
- Property and Societal Risk - Property loss and societal risk frequency relate to the likelihood of a large number of people who would require assistance by the fire and rescue service to escape from a fire;
- Community Fire Safety – This indicator reflects those groups in greater need of fire safety education:
 - Pupils in maintained and independent schools aged five to ten, to encourage the education of all children in fire safety, which is recognised as a key long term prevention activity,
 - Residents living in areas with a greater need for fire safety education, based on ACORN classifications, and
 - Resident population aged 65 and over.

3. Area Cost Adjustment for Fire and Rescue - A factor calculated to reflect differences in the cost of providing fire and rescue services across the country.

Funding for national resilience capabilities, including urban search and rescue and high volume pumps, is distributed outside of the local government finance settlement.

Questions specific to Fire are:-

- Do you agree these remain the key drivers affecting the cost of delivering fire and rescue services?
- Do you have views on which other data sets might be more suitable to measure the cost drivers for fire and rescue services?

It is proposed that a response is agreed between the Treasurer, Chairman and Chief Fire officer, following publication of the NFCC response to the consultation.

Financial Implications

None

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 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
Fair funding review: a review of relative needs and resources	December 2017	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		