

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 17 September 2018

THE 2019/20 LOCAL GOVERNMENT FINANCE SETTLEMENT – TECHNICAL CONSULTATION PAPER

Contact for further information:

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Executive Summary

The report sets out details of the Government's latest consultation document relating to 2019/20 Local Government Finance Settlement.

Recommendation

The Combined Fire Authority is asked to agree the proposed response.

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 Ministry of Housing, Communities and Local Government issued a consultation document titled "The 2019/20 local government finance settlement – technical consultation paper" on 24 July, with a deadline for a response of 18 September.

The proposed 2019-20 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 2019-20 settlement funding is therefore allocated in accordance with the agreed methodology announced by the Secretary of State at that time.

The fourth year of the multi-year settlement offer

The document confirms 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 2019-20 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 £24.0m of funding in 2019-20, a reduction of £0.4m.

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 confirm the final year of the 4-year offer as set out in 2016-17

Proposed 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 the impact of this on pay awards, in order to ensure that local government funding, and in our case Fire Authority funding, keeps pace with pay increases. As you are aware the Fire and Rescue Services National Employers had made an offer to the Fire Brigades Union of a 2% pay increase in 2018/19. Whilst this offer has been rejected, it is clear that any final agreement will exceed the funded 1% and as such we believe it is essential that additional funding is provided to meet the eventual pay award.

Similarly the next tri-annual review of the Fire Fighters Pension fund will include an adjustment relating to the Pension Discount Factor which is likely to see a significant increase in contribution rates, with current estimates ranging from a 2% to 5% increase in pay costs. We do not believe this was factored into the current four year settlement and hence should be reflected in future funding levels.

We also feel that the current funding settlement will need to be amended to take account of issues likely to come out of the Grenfell Tower tragedy. Within Lancashire we have managed to maintain our Fire Safety Inspectors broadly in line with pre-austerity numbers, however this element of the budget is coming under increasing pressure and may not be sufficient to meet issues around the Regulatory Reform Order in future years.

Lancashire has continued to invest in our workforce and specifically in the Retained Duty System (RDS), which we have funded by recycling savings despite the funding cuts seen in recent years. However despite this we are still faced with increasing

difficulties in recruiting and retaining RDS personnel and the additional financial pressures that this brings need to be recognised in future settlements.

Initiatives introduced by the Government place an increasing demand on the Service for which capacity simply doesn't exist within the current funding envelope, as an example the new inspection regime placed a greater onus on the Service in terms of preparing for, responding to and facilitating the process, as well as the additional workload that will undoubtedly arise once the final report is published.

The lack of a capital funding stream is increasingly significant as investment in our asset base has reduced leading to increasing backlog maintenance and limiting our ability to take advantage of new innovations in Fire Fighting techniques/equipment. Whilst we are able to borrow to meet these, this inevitably comes with a capital financing cost which places additional pressure on the revenue budget.

Council tax referendum principles

The document outlines the following council tax referendum principles, which are consistent with those adopted for 2018/19:-

- a core principle of up to 3%;
- a continuation of the Adult Social Care precept, with an additional 2% flexibility available. This is subject to total increases for the Adult Social Care precept not exceeding 6% between 2017-18 and 2019-20, and consideration of authorities' use of the Adult Social Care precept in the previous years;
- shire district councils would be allowed increase by up to 3% or up to and including £5, whichever is higher;
- Police and Crime Commissioners (PCCs) will be allowed increases of up to £12 in 2019-20, subject to the delivery of clear and substantial progress on productivity and efficiency which will be assessed in advance of the provisional settlement.

This means that Fire would be limited by the general principle i.e. a council tax increase of up to 3%.

Question: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

Proposed response

We believe greater flexibility should be provided to Fire Authorities to increase council tax by up to 3% or up to and including £5, whichever is higher, in line with flexibility provided to Shire District Councils, still significantly lower than the flexibility granted to Police. We believe this should be applied to all Fire Authorities as we all face the same financial pressures, but as a minimum we believe this should apply to all Fire precepts in the lower quartile, who have clearly demonstrated restraint in previous council tax levels.

The current policy of limiting increases for Fire Authorities seems unjust and penalises Fire Authorities compared with other classes of organisations, despite that fact that Fire Authorities have the lowest average precept of any principal authority (£75 compared with Shire Districts of £184 and PCCs of £190).

Lancashire Fire and Rescue Authority (FRA) has shown significant restraint regarding council tax increases, having the lowest increase of any FRA between 2011/12 and 2018/19, an increase of just £3.81 (6.0%), and if you look at increases over the period of the four year settlement the same restraint has been shown, with Lancashire increasing council tax by just 4.0% compared with the maximum permissible under the referendum principles of 7.0%. In order to put this into context for Lancashire each additional 1% increase in pay equates to £0.4m. Had we known that the pay cap would not be maintained throughout the four year settlement we would not have shown the restraint that we have demonstrated. As a result we feel that maintaining the referendum limit at 3% is inequitable, penalising those Authorities who have shown restraint. It is also worth noting that the Fire Authority precept makes up a very small percentage of the overall council tax bill, approx. 4% in Lancashire, therefore any increase in our element of council tax has a relatively low impact on the overall council tax bill. Despite making up such a low amount of the overall council tax bill the cost of holding a referendum is far more significant than for any of the local councils, including the Unitaries and Lancashire, as our referendum would need to cover the whole of the County, at a cost which is estimated in the region of £1.5m. This compares with a £5 increase in council tax generating £1.3m more funding than the proposed referendum limit of 3%, as such it is impossible to justify the cost of holding a referendum to the local public.

If the Government do not intend to revisit the overall funding level to take account of the various cost pressures, including removal of the pay cap, then the relaxation of the referendum level is even more important. Authorities simply do not have the scope to meet current and future cost pressures without additional funding or offsetting the pressure by increasing the precept.

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 2019-20 Local Government Finance Settlement – Technical Consultation Paper	July 2018	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		