

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No 9

MEETING: 23rd JANUARY 2012

SUBJECT: UPDATE ON LOCAL RESOURCE REVIEW

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

1 INTRODUCTION

- 1.1 This report provides Members with an overview of the key implication, for this fire and rescue authority, of the government's response to the recent consultation exercise on proposals for the retention of business rates by local authorities.

2 BACKGROUND

- 2.1 As Members will be aware, the government's Local Resource Review contained within it a proposal to change the way in which Business Rates were distributed. Under the current system business rates are collected by local authorities and the money raised is transferred into a central pool. This money, which forms part of Formula Grant, is then re-distributed using a complex formula which is not directly connected to the actual level of business rates that individual local authorities are able to collect.
- 2.2 The government's view of the existing approach is that it fails to provide an incentive to local authorities to promote business growth in their respective areas and, as a consequence, draft proposals were drawn up and put out for public consultation that would allow councils to keep a proportion of the business rates that they were able to raise rather than put the money into a central pool for subsequent re-distribution. This consultation exercise came to an end on the 24th October 2011 and the government's response was subsequently published on the 19th December 2011.

3. OUTCOME OF THE CONSULTATION EXERCISE

- 3.1 The consultation exercise, and the subsequent response to it, is both long and complex and the full implications of the published information will take some time to fully evaluate.
- 3.2 Nevertheless, in the case of Tyne and Wear Fire and Rescue Authority, which is a precepting rather than a billing authority, there is one key significant change which the government intends to introduce.
- 3.3 In Technical Paper Three of the consultation exercise, a question was asked as to whether single purpose fire authorities should be funded through either a

percentage share of each relevant local authority's business rate baseline or through fixed funding allocations for the years 2013/14 and 2014/15.

- 3.4 The response submitted on behalf of this authority favoured the latter option on the basis that such authorities have little influence over the growth or reduction in the business rates in their area and it would be wise, therefore, to fund them separately for the last two years of the spending review during which time sufficient empirical evidence would have accumulated to allow a more informed decision to be made on the most appropriate method of funding for future years.
- 3.5 Of those who responded to this specific question 58% favoured the position outlined above, whilst 22% favoured the move to fund fire authorities via a percentage share of the business rates.
- 3.6 Even though the majority of those responding to the questionnaire favoured the two year settlement option the government has chosen to adopt the proposal to fund through a percentage share of each relevant local authority's business rates on the grounds that this will ensure that single purpose fire authorities are funded on the same basis as county fire services.
- 3.7 In reaching this decision, the government has also stated that it recognises that single purpose fire authorities have relatively few direct levers for stimulating economic growth and, as such, they have stated that the actual percentage share of business rates allocated will reflect this fact and thereby provide some degree of protection. How this will work out in practical terms, however, remains to be seen.
- 3.8 The new funding proposals are due to come into effect in time for the 2013/2014 financial year.

4. CONCLUSION

- 4.1 The changes set out in the government's written response to the consultation on Business Rate Retention, are detailed and complex and it will take some time before the full implications of the changes can be properly assessed.
- 4.2 However, what is beyond doubt is that single purpose fire authorities will be incorporated into the new scheme, even though the majority expressed the view that it would be preferable to be funded by direct grant for a period of two years in order to allow time for the new scheme to be full tested.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications in respect of this specific report. However, the proposed changes in funding scheduled to take effect from 2013 will undoubtedly have some form of, as yet unknown, financial impact on this Authority.

6 RECOMMENDATIONS

6.1 The Authority is recommended to:

- a) Consider the content of this report;
- b) Receive further reports as appropriate.

BACKGROUND PAPERS

The under mentioned Background Papers refer to the subject matter of the above report:

- Local Government Resource Review : Response to Consultation. December 2011

