

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Response to the 2018-19 Local Government Finance Settlement – Technical Consultation Paper

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?

The Authority agrees that the government should maintain the certainty provided by the four-year offer as set out in 2016-17. However additional funding should be considered for both 2018/19 and 2019/20 to address the significant cost pressures that will be faced by the fire service. Inflation is significantly above the government's 2% target which is having an impact on the cost of goods and services. There is upward pressure on public sector and firefighter pay, which also needs to be recognized in future years settlements as only 1% was included in the 4 year settlement for pay awards. Any additional cost pressures above those used in drawing up the 4 year settlement requires increased funding from the government, including additional responsibilities and duties for the fire service.

Question 2: Do you agree with the New Homes Bonus allocations mechanism set out above?

No comment as this has no direct impact on the Authority.

Question 3: Do you agree that the approach should be based on data collected by the Planning Inspectorate? If you disagree, what other data could be used?

No comment as this has no direct impact on the Authority.

Question 4: Do you agree with the proposed appeal/challenge procedure for the dataset collated by Planning Inspectorate? If you disagree, what alternative procedure should be put in place?

No comment as this has no direct impact on the Authority.

Question 5: Are there alternative mechanisms that could be employed to reflect the quality of decision making on planning applications which should be put in place?

No comment as this has no direct impact on the Authority.

Question 6: Which of the two mechanisms referenced above do you think would be more effective at ensuring the Bonus was focussed on those developments that the local authority has approved?

No comment as this has no direct impact on the Authority.

Question 7: Do you think that that the same adjustments as elsewhere should apply in areas covered by National Park Authorities, the Broads Authority and development corporations?

No comment as this has no direct impact on the Authority.

Question 8: Do you think that county councils should be included in the calculation of any adjustments to the New Homes Bonus allocations?

No comment as this has no direct impact on the Authority.

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

The Authority recommends that additional flexibilities are required for all Fire and Rescue Authorities (see Question 10 below for further detail).

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?

The Authority recommends that all Fire and Rescue Authorities should be allowed increases in Council Tax of either; Less than 2% or up to and including a Flat rate £10 increase at Band D, whichever is the higher.

There are a significant number of pressures on the finances of Fire and Rescue Authorities, these include:

- Although there has been a long term downward trend in the number of incidents attended, there has been an increase in the last two years, largely driven by the increase in non-fire incidents the service is required to attend.
- Between 2015-16 and 2016-17 the total incidents attended nationally increased by 6%. Underlying these figures was an increase in non-fire incidents of 14%. 2016-17 was the first year that FRA's attended more non-fire incidents than fires.
- It is of critical importance that Fire and Rescue Authorities need to be resourced based on risk, not just demand. Recent terrorist incidents and large scale fires such as the Grenfell fire demonstrate that authorities need to be able to respond to a range of incidents and risks that can occur anytime and anywhere in the country. During the current year the UK national threat level has been raised to critical on two occasions to date. It is also anticipated that a number of recommendations will come from the Grenfell enquiry that will place additional financial burdens on Fire and Rescue Authorities, at a time when funding is still being significantly reduced.
- There is a recruitment and retention issue with retained / on-call firefighters and additional resources are needed to help address this issue.
- The amount of Revenue Support Grant provided to Fire and Rescue Authorities has decreased continually since 2010-11 but more significantly since 2015-16. For Tyne and Wear Fire and Rescue Authority (TWFR) the reduction between 2015-16 and 2019-20 is over 41%. Beyond 2019-20 the Authority has no certainty over the level of grant it will receive, or clarity upon which funding mechanism it will be included within (either inside the 100%

Business Rates Retention system or outside of this with funding arrangements similar to that of the Police service).

- The government produces an analysis of Core Spending Power to measure the impact of funding reductions on authorities. However, these figures ignore the fact that capital grant funding previously provided to Fire and Rescue Authorities was removed after 2014-15. The total amount provided to the sector in 2014-15 (and also 2013-14) was £70m. The amount relating to TWFRAs was £1.1m per annum. This equates to over 2.3% of TWFRAs' budget and this amount now has to be found from its own resources each year in order to provide essential property, fleet, equipment and IT infrastructure. This clearly is not considered to be a long term sustainable position for the fire service which must replace specialised vehicles and essential equipment and also maintain and replace its fire stations to ensure they are all fit for purpose and appropriate to the community risks faced.
- The current level of inflation at 3% (September 2017 CPI) is creating increased cost pressures on budgets. This is well above the government's target of 2% inflation which the four year settlement was predicated.
- TWFRAs have only budgeted for pay awards of 1% per annum for the duration of the four-year settlement offer in line with government guidance and on the grounds of affordability. However, the most recent offer to firefighters is 2% for 2017-18 and a further 3% in April 2018 (subject to funding being available). For TWFRAs a 2% pay award costs almost £0.8m which is the equivalent to a Council Tax increase of (£2.85 at Band D) or 3.7%. This will mean that there is a Council Tax shortfall, with before having to deal the many other cost pressures the Authority faces annually. The cumulative effect of the proposed pay award (i.e. 5%) would require a significant (and well above the referendum limit) increase in Council Tax of £7.13 (over 9%), even before other cost pressures are taken into account.

Other considerations:

- Although the 2% referendum limit is not a 'cap' the cost of holding a referendum is prohibitive for most, if not all, Fire and Rescue Authorities. The one referendum held so far, by Bedfordshire's Police and Crime Commissioner, is estimated to have cost them in the region of £600,000. TWFRAs have been given an estimated cost of holding a referendum across Tyne and Wear of approx. £1m with the consequence that the Authority would have to increase its Council Tax at Band D by £3.65 (4.6%) just to cover the cost of the referendum. This is clearly a cost prohibitive position.
- A number of other types of Authority currently have significant additional flexibility with Council Tax which is not available to single tier, stand-alone Fire and Rescue Authorities such as Tyne and Wear.
- All shire districts are able to raise Council Tax by less than 2% or up to and including £5 at Band D, whichever is the higher. Since 2010-11 shire districts

have on average increased their band D equivalent by £10.33.

- Lower quartile PCCs are also able to raise Council Tax by less than 2% or up to and including £5 at Band D, whichever is the higher. Since 2010-11 PCCs have on average increased their Band D equivalent by £18.61.
- Authorities with social care responsibility are able to raise Council Tax by up to 6% between 2017-18 and 2019-20, in addition to increases allowed in previous years. This has resulted in an average Band D equivalent increase of £31.77.
- Parish councils currently have no referendum limit. Since 2010-11, parish councils have on average increased their band D equivalent by £16.10, which is a 36% increase.
- By way of comparison, Fire and Rescue Authorities have increased their average band D equivalent over the same period by between £5.95 and £8.11 (depending on the type of Fire and Rescue Authority).
- TWFRA has shown considerable restraint regarding the level of council tax, increasing its Band D equivalent by only £4.46 over the same period (an increase of approximately only 56p per year). Even if TWFRA was to increase Council Tax by £10 in 2018-19, the Band D equivalent amount will still be significantly below the precept payable had it increased by the level of inflation each year since 2010/11.
- The Authority also froze Council Tax for four years from 2011/12 to 2014/15 in line with government guidance and it seems inequitable that this financial prudence means the Authority is being restricted and penalised in the future, at a time when the Authority needs the additional resources the most. A flat rate increase of £10 for 2018/19 will significantly assist but will not fully address the financial pressures the Authority currently faces but it will help to re-balance financial resources with community risk, the key issue for the fire service.
- TWFRA has already achieved significant savings over a number of years without closing a single fire station, although it has had to significantly reduce both the number of firefighters and fire appliances. The work of transforming the service continues but it is very difficult to find more efficiencies once every part of the Authority has already been reviewed. The Authority has a budget gap up to 2019/20 of £3.8m which has to be addressed and this situation cannot be addressed without additional funding that could be generated from an increase in Council Tax.
- Also, restricting rises in council tax to percentage terms disproportionately disadvantages those with smaller precepts. If TWFRA was to increase their precept by £10 the cost to the tax payer would average less than 20p per week at Band D. In TWFRA, roughly 75% of its households will pay even less than this, as most of our tax base is made up from predominantly properties in Band A (12p per week) and Band B (17p per week).

- The Council Tax Base for TWFRA is currently 280,399 from a total number of households totalling 517,802. We have the highest Metropolitan FRA Council Tax Band D at £77.62 however this is purely due to the low Tax base position of the Authority. The majority of our households (almost 75%) are in Bands A, B and C. The amount of Council Tax income generated by the Authority (£21.765m) for 2017/18 however is the lowest amount of all of the Metropolitan Fire and Rescue Authorities by some margin. This is a very important point as a high Council Tax needs to be put into context with numbers of properties, the numbers in each Banding along with the number of benefit claimants that also impact on the tax base calculations. It is a fact that TWFRA needs more flexibility to increase its Council Tax by relatively higher increase than most other FRA's as it clearly cannot generate the required level of resources under the present regime to adequately fund its services.
- If Council Tax levels are compared per household then Tyne and Wear at £42.03 per household at Band D is seventh lowest amongst all FRA's. Only the 5 other Metropolitan FRA's and Lancashire FRA are lower. The lower quartile basis for awarding a flat rate increase is flawed and the Council Tax criteria for additional flexibility should be based more fairly on what resources can be generated by the increase in value not specifically the percentage increase itself which clearly produces very different outcomes depending upon the size and buoyancy of the Tax Base. Being a low tax base area relatively more deprived than most means TWFRA has difficulty in raising Council Tax income and the current low percentage increase means a much lower level of income can be generated than its peer group. In the table below there are a few examples that help illustrate these points.

FRA	Number households H/hold	H'hold to C/tax Base %	Council Tax Base	Council Tax Income	Council Tax Band D	Council Tax per H/hold
TWFRA	517,802	54%	280,399	£21.765m	£77.62	£42.03
Avon	486,898	73%	356,060	£24.669m	£69.28	£50.66
Cheshire	472,524	76%	360,876	£26.449m	£73.29	£55.95
East Sussex	378,211	75%	283,211	£25.036m	£88.40	£66.20

- From the table TWFRA raises significantly less Council Tax income despite having more households / properties in its area than those included in the table. There are many other examples.
- TWFRA has one of the highest Council Tax levels so would not trigger the low quartile criteria used for a flat rate increase, this needs to be addressed and could reflect levels of income generated as an alternative.

- The conversion of properties into the Tax Base indicates a relatively low value property portfolio (54%) for TWFRAs as compared to more affluent areas of the country where conversion rates can be seen to be much higher (above 70%).
 - The value of Council Tax yield and not percentage increase in Council Tax is seen as a much fairer and more appropriate criteria. The Authority therefore requests an increase to TWFRAs' Council Tax flexibility with a flat rate increase of up to £10 at Band D for 2018-19. This would help remove some of the restrictions that the current 2% referendum limit imposes on the finances of the Authority.
- **Question 11:** What factors should be taken into account in determining an Alternative Notional Amount for Combined Authority mayors?

No comment.

Question 12: Do you agree with the proposed approach to correcting the reduction in relevant county councils' income from the Adult Social Care precept?

No comment.

Question 13: Do you have any comments on the impact of the proposals for the 2018-19 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comment.