

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item 6

MEETING: 20th JANUARY 2014

**SUBJECT: PROVISIONAL GRANT SETTLEMENT 2014/2015 AND DRAFT
REVENUE BUDGET**

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE FINANCE OFFICER

Executive Summary

1. PURPOSE OF THE REPORT

- 1.1 This executive summary
- updates Members on the Draft Revenue Budget for 2014/2015 taking into account the implications of the Provisional Grant settlement for 2014/2015 and indicative position for 2015/2016 announced on 18th December 2013, further detail is set out in Appendix 1 of this report for information.
 - sets out in Appendix 2 the comments made on the Authority's behalf by the Chief Fire Officer and Finance Officer in respect of the Government's consultation on the Provisional Grant settlement for 2014/2015 as the deadline for responses to the CLG were required by 15th January 2014.

2. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/2015 and INDICATIVE SETTLEMENT

- 2.1 The Draft Revenue Budget for 2014/2015 now takes full account of the detail within the Provisional Local Government Finance Settlement for 2014/2015. Summary key headline figures for the Authority are set out in Appendix 1A.
- 2.2 The main conclusions from the settlement, in overall terms, is that the impact of reductions in grant funding for 2014/2015 and 2015/2016 are marginally worse than those forecast in the Budget Planning Framework 2014/2015 reported in October (£215k more in 2014/2015 and £85k more in 2015/2016).
- 2.3 The Authority's Revenue Spending Power reductions (which take into account all government funding sources outlined in the settlement) are

Creating the Safest Community

disproportionately greater than other Authorities at £2.081m (3.8%) in 2014/15 and a further £2.348m (4.5%) in 2015/16. The analysis set out in Appendix 1B shows that, in summary, the more deprived areas of the country, mainly the Metropolitan Fire Authorities, continue to see the highest level of overall cuts in funding and in 2015/2016, a marginal increase in grant has actually been allocated across Shire County Authorities with Fire services.

- 2.4 The Settlement Funding Assessment (SFA) allocation, which makes up a large part of the Revenue Spending Power measure shows that general revenue grant funding is being cut more deeply than the overall funding settlement implies. Appendix 1C shows the cuts across all Fire Authorities in percentage terms. Although the government has applied a flat rate cut in both years, the impact on cash funding differs significantly between authorities. The higher the grant funding level the higher the actual cash cut, which applies to all of the Metropolitan Fire Authorities, and helps to explain why their Revenue Spending Power figures vary so much in cash terms between certain types of authority.
- 2.5 The Authority's SFA has been cut by £2.577m (7.5%) in 2014/2015 and by a further £2.676m (8.5%) in 2015/2016. These figures exclude a new grant of £0.147m to compensate for the Government capping business rates at 2% rather than applying RPI of 3.2%. Once this and spending pressures, currently assessed at approximately £1.193m are added the estimated budget gap for the next 2 years amounts to £6.152m.
- 2.6 It should also be noted that these figures may change to reflect increased risks around business rates income projections included in the SFA for 2014/15 following the implementation of the new business rates retention scheme introduced in April 2013. The Authority is reliant on business rate income from all of its district councils within Tyne and Wear and any reduction in business rates, because of failing businesses and/or the impact of backdated business rating appeals, are now met equally by the government and local authorities (previously all business rates changes were absorbed by the government). As a consequence the Authority will not know its business rates income position until February once all councils have determined their estimated business rates income for 2014/15,
- 2.7 In summary, the Provisional Settlement has confirmed that it will be necessary to move forward with the proposed further IRMP actions planned as the Authority seeks to address the funding shortfalls in its

budgets for both 2014/2015 and 2015/2016. The actions will also help to lay the foundations to help manage further cuts indicated by the Government in future years.

- 2.8 The Authority's response to the Government's consultation on the settlement is attached at Appendix 2.

3. SUMMARY OF RESOURCES AND SPENDING PRESSURES

- 3.1 The table below summarises the overall resource position at this stage.

MTFS 2013/2014 to 2015/2016	2013/14 Actual	2014/15 Provisional	2015/16 Indicative	2016/17 Projected	Total
December 2013 Provisional Settlement - Government cuts	£3.154m	*£2.430m	*£2.529m	£2.765m	£10.878m
Spending pressures	£1.055m	£0.655m	£0.538m	£0.548m	£2.796m
Total	£4.209m	£3.085m	£3.067m	£3.313m	£13.674m
Less approved IRMP savings	(£4.209m)	(£0.632m)	?	?	(£4.841m)
Funding Gap	Nil	£2.453m	£3.067m	£3.313m	£8.833m

*Note that SFA for 2014/15 of £2.577m and £2.676m for 2015/16 are both reduced by the new (SFA Adjustment) grant of £0.147m to compensate for the Government capping business rates at 2% (as opposed to applying a 3.2% RPI increase) as set out in the Autumn Statement.

4. ADDRESSING THE FUNDING GAP

In addressing the budget gap the following continue to be considered;

- 4.1 **Base Budget Review**
The Chief Fire Officer has undertaken a base budget review of all delegated budgets. Whilst the overall intention is to ensure that resources are directed to address key strategic priorities as informed by the Strategic Plan, this review has identified savings which have been built into the budget.

4.2 Integrated Risk Management Plan (IRMP)

The current IRMP contains five actions which will assist in addressing the funding gap identified by the Authority including the fire cover response model which is the subject of a separate report on this agenda. The implications of this will be reflected in the updated budget and MTFS reported in February.

5. REVIEW OF GENERAL BALANCES AND RESERVES

5.1 As reported in the Third Revenue Review Report savings have been identified in 2013/2014. Any savings generated however will be required to fund one off spending pressures and additional costs associated with implementing the budget proposals as part of a prudent and robust approach to budget setting. The new funding system also adds new risks to the Authority in that it must meet any deficit on the business rates collected by its district councils for the first time in 2013/14 and this is along with any net deficit on the council tax collection fund and any further budget variations.

5.2 As in previous years, a full financial risk analysis of general balances and major reserves will be undertaken prior to the submission of the final budget proposals to the Authority in February. As part of this analysis, the level of uncommitted general balances will be reviewed in light of the latest Authority decisions and the final budget proposals.

6. RECOMMENDATIONS

6.1 The Authority is requested to note:

- a) the contents of the report which includes the updated Draft Revenue Budget position for 2014/2015 taking into account the implications of the provisional local government finance settlement for 2014/2015 and the indicative settlement for 2015/2016;
- b) the comments made on the Authority's behalf to the government's consultation on the Provisional Grant Settlement for 2014/2015;
- c) that the final Revenue Budget and Precept for 2014/2015 will be presented to the Authority at its meeting in February together with an updated MTFS.

Appendix 1

DRAFT REVENUE BUDGET 2014/2015

1. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/2015 AND INDICATIVE SETTLEMENT 2015/2016

- 1.1 On 18th December 2013, the Parliamentary Under Secretary of State for Communities and Local Government announced a two year settlement covering 2014/2015 (provisional) and 2015/2016 (indicative), and launched a consultation on the proposed settlement ending on 15th January 2014.
- 1.2 The Provisional Settlement follows the new funding format introduced for 2013/2014. The Government Revenue Spending Power (a combination of grant and other income) for 2014/2015 will see a reduction overall nationally of 2.9% with no authority incurring more than a 6.9% reduction using this measure.
- 1.3 Under the Retained Business Rates funding arrangements for Local Government implemented from April 2013, 50% of the Business Rates collected will be retained by local authorities. As indicated in the Autumn Statement the government has capped business rates at a 2% increase rather than using RPI of 3.2%.
- 1.4 The Government has retained the safety net threshold for each authority to limit the losses on Business Rates income collected in any one year. This has been increased to £12.806m based on the Authority's local share funding baseline figure of £13.845m. It is very unlikely however that activation of the Safety net will be called upon for most top up authorities in 2014/2015.
- 1.5 The Localism Act provides for the provision of referendums to veto excessive council tax increases. This effectively places a limit on council tax increases and if authorities exceed Government limits then the public must be able to vote to agree or veto any considered 'excessive' increase. In the Provisional Settlement the minister announced that the referendum threshold principles would not be announced until the New Year and has also indicated that it is receptive to lowering the current limit of 2% for 2014/2015 to 'all or some categories of authorities'.

Impact on Tyne and Wear Fire and Rescue Authority

- 1.6 The Government's Revenue Spending Power for Tyne and Wear Fire and Rescue Authority will reduce by £2.081m or 3.8% in 2014/2015 to £52.298m compared to an adjusted £54.378m in 2013/2014.
- 1.7 The breakdown of the total Revenue Spending Power is shown in Appendix 1A. This is the overall funding available to the Authority including Council Tax, locally retained business rates and other government grants. This may have to be reviewed once the final Local Government Settlement has been announced in late January or early February.

Settlement 2015/2016

- 1.8 The Authority's indicative Revenue Spending Power in 2015/2016 will reduce by a further 4.5%, or £2.348m in cash terms, to £49.949m.

Changes in Revenue Spending Power in 2014/2015

- 1.9 The changes include:
- Revenue grants have increased slightly in 2014/2015 by £27,916 to a total of £1,164,000. This funding relates to New Dimensions and Fire Link initiatives and will help with transparency of this funding moving forward, which is welcomed.
 - Council Tax Freeze Grant for 2013/2014 has been built in to the funding base for 2014/2015, as expected.
 - The government figures assume a council tax freeze in both 2014/2015 and 2015/2016 with a Council Tax Freeze Grant projected of £241,492 for 2014/2015 and £242,501 for 2015/2016 (based on a 1% increase) which has been included in the Government's Revenue Spending Power figures. The 2014/2015 allocation will be built into baseline funding in 2015/2016.
 - The Start Up Funding Assessment or Settlement Funding Assessment (SFA) has been reduced by 7.5%, a cash reduction of £2.577m in 2014/2015 and by a further £2.676m indicative reduction or 8.5% in 2015/2016. These cuts are slightly worse than those forecast in the Budget Planning Framework 2014/2015 reported in October by £202k in total.

- The Government has allocated the Authority an additional grant of £0.147m to fund the 1.2% gap between the capped business rates and RPI – this is referred to as the SFA Adjustment by the government and helps offset the SFA cut in each year.
- The proposed total net reduction in SFA funding of £4.959 over the next two years is significant for the Authority to meet. However this figure excludes spending pressures faced by the Authority over this period of almost £1.2m. These continue to be refined and will be updated to show the final position for both 2014/2015 and 2015/2016.

Settlement Funding Assessment (SFA) for 2014/2015

- 1.10 The Start Up Funding Assessment (SUFA) has been renamed the Settlement Funding Assessment (SFA) but is still made up of the same three elements as indicated below:

Retained Business Rates - reliant on a 2% share of each district council's local share

Revenue Support Grant - determined by central government and the funding reductions are routed through this allocation

Top Up Grant - fixed and uprated by RPI until 2020 (however it has been capped at 2% for 2014/2015)

- 1.11 The SFA total of £31.657m is, in summary, made up of:

Retained Business Rates (Govt assessment)	£4.051m
Revenue Support Grant	£17.812m
Top Up Grant	£9.793m

Retained Business Rates

- 1.12 According to the government's funding assessment, the forecast income from Business Rates for 2014/2015 for the Fire Authority is £4.051m. This represents the amount of business rates the Authority can expect, according to the government, in total from the five constituent councils in Tyne and Wear. Any variation to this figure has to be met by the Authority if it is short, but will gain from any additional income above the level assessed by the government. The risk, however, is that with business rates appeals, both backdated and current year, government business rate projections could be overly optimistic. The Authority has no influence over this and is considered unfair that the government who has benefited in the past with higher business rates income should not be sharing the

cost of appeals with Local Authorities under the new system. The Authority, in common with Local Government, generally has supported the fact that the Government should be meeting the full cost of backdated appeals. The Authority will not be notified of its business rates income until each district council has determined its total business rates for 2014/2015 which it must do by no later than 31st January 2014.

- 1.13 Consequently, the Authority's local share of business rates will be reported in February when the final budget is set; this may incur a risk to the Authority if their actual share is significantly different from the government assessed amount, as indicated above.

Revenue Support Grant

- 1.14 The amount of Revenue Support grant to be received by the Authority is £17.812m. This includes core revenue grant funding allocations of Formula Grant and Council Tax Freeze Grant. The Authority, as expected, is seeing this level of funding being scaled back to achieve the Government's funding reduction requirements in future years as this element is totally under the control of Central Government.

Top Up Grant

- 1.15 The amount of Top Up Grant to be received as part of the Local Government Finance Settlement is £9.793m. As this element of the funding is fixed until 2020 and increases by RPI each year, this is one of the more certain elements within the funding regime. The level of fixed funding at just under £10m, however, is very low in comparison to the total funding the Authority will receive. Also the government has increased the grant by only 2% as opposed to RPI which was 3.2%. It is difficult to assess whether this shortfall has been properly compensated for within the SFA adjustment and this will be clarified with central government. If not, the Authority would press for the full RPI increase in line with government guidelines.

SFA Adjustment Grant

- 1.16 The Government has allocated the Authority an additional grant of £0.147m in both 2014/15 and 2015/16 to fund the 1.2% gap between the capped business rates at 2% and RPI which would have seen business rates increase by 3.2% – this is referred to as the SFA Adjustment by the government and helps offset the SFA cut in each year. The funding in

2015/16 however should be further uprated by RPI (September 2014) to ensure the funding does not diminish in real terms.

Other Core Grant and Revenue Funding not in SFA

- 1.17 The core and revenue grants of £1,163,549 included in the finance settlement for 2014/2015 include New Dimensions Grant and Fire Link Grant. At this stage the PFI funding has not been released but the allocation for the Authority is not expected to change from previous year's grant allocations.

Council Tax Income (Precept)

- 1.18 The Authority continues to set its precept each year and relies on each district council within Tyne and Wear to collect the council tax income on its behalf. The Authority is awaiting the council tax base information from each council to be able to assess if this will have an impact on the precept collectable in 2014/2015.
- 1.19 The localisation of council tax arrangements introduced from 2013/2014 poses an additional risk each year for the Authority as the individual council tax schemes determined annually by each district council could impact on the Authority's collectable income. The extent of this will be clarified by the end of January 2014 when the district councils are obliged to advise the Authority of their surplus/deficit position on their Collection Funds and projections of council tax for 2014/2015. This will be reported as part of the final revenue budget in February.

1.20 Council Tax Freeze Grant

The settlement confirms that the 2011/2012 Council Tax Freeze grant for the Authority of £0.598m and funding of the 2013/2014 Council Tax Freeze of £0.241m have, as expected, been built into the baseline funding position for 2014/2015.

- 1.21 The Government has announced further Council Tax Freeze grant funding for 2014/2015 and 2015/2016 for local authorities who freeze council tax in both of these years (based on a 1% council tax increase). This grant for the Authority is worth approximately £0.242m in each year and the funding will be baselined into future grant settlements.

- 1.22 The table below summaries the 2014/2015 provisional estimated resources position for Tyne and Wear Fire and Rescue Authority.

Summary of resources position 2014/2015	Amount £m
Projected Income from Council Tax Precepts	19.089
Top Up Grant	9.793
Revenue Support Grant	17.812
Business Rates (government assessed)	4.051
SFA Adjustment	0.147
*Other Revenue Grants	1.164
Potential Council Tax Freeze Grant 2014/2015	0.241
Potential Total Estimated Resources	52.297
Potential Resources (Net Budget Requirement *)	51.133

**The Net Budget Requirement excludes other revenue grants which are used to meet specific service related revenue expenditure in the budget which effectively produces a net budget cost. Costs are matched to the grant allocated.*

It should be noted that Members will need to consider whether to accept the Council Tax freeze grant and agree the precept level in light of final information on resources as part of the budget setting process in February.

- 1.23 Comments on the Settlement which formed part of the Authority's consultation response are set out in Appendix 2 for Members information and were agreed with the Chairman and Chief Fire Officer because of the timing of the response deadline of 15th January 2014.

2. SERVICE PRESSURES

- 2.1 A number of spending pressures were identified within the Budget Planning Framework and have been incorporated into the draft budget for 2014/2015. They include:
- Pay awards
 - Inflation
 - Impact of external funding ending
 - Fire fighters pay (trainees to competent grading)

These will continue to be refined in order to finalise the revenue budget position.

3. OVERALL POSITION

- 3.1 The implications of the provisional settlement are marginally worse than those forecast in the Budget Planning Framework report presented to the Authority in October. The table below has been updated to show the funding shortfall that needs to be addressed by the Authority after taking in to account details of the provisional settlement.

MTFS 2013/2014 to 2015/2016	2013/14 Actual	2014/15 Provisional	2015/16 Indicative	2016/17 Projected	Total
Provisional Finance Settlement -					
Government cuts	£3.154m	£2.430m	£2.529m	£2.765m	£10.878m
Spending pressures	£1.055m	£0.655m	£0.538m	£0.548m	£2.796m
Total	£4.209m	£3.085m	£3.067m	£3.313m	£13.674m
Less approved IRMP savings	(£4.209m)	(£0.632m)	?	?	(£4.841m)
Funding Gap	Nil	£2.453m	£3.067m	£3.313m	£8.833m

- 3.2 The total amount the Authority will need to address over the four year period is £13.673m. This compares to £13.347m reported in October, an additional funding gap of £0.326m. IRMP savings are currently estimated to meet approximately £4.8m of this figure, leaving a shortfall of over £8.8m.

4. ADDRESSING THE FUNDING GAP

Base Budget Review

- 4.1 The Chief Fire Officer has undertaken a base budget review of all delegated budgets. Whilst the overall intention is to ensure that resources are directed to address key strategic priorities as informed by the Strategic Plan, this review has identified efficiency savings on delegated budgets which have been built into the MTFS.

Integrated Risk Management Plan 2013-2016

- 4.2 The IRMP was brought in line with the MTFS in order to assist with the management of the cuts in government funding set out in Spending Review 2010 (SR10). Since then a number of reviews have been

implemented generating significant savings to allow the Authority to achieve a balanced budget during 2011 to 2014.

In view of the prospect of prolonged funding cuts, a review of frontline appliances and diversionary activities was considered unavoidable and a set of new actions were built into the IRMP for 2013 to 2016. These include:

- Review the fire cover response model
- Review Diversionary activities
- Build on staffing flexibility
- Review cleaning and catering
- Consider business case for setting up a trading company

The current IRMP therefore contains five actions as set out above which will assist in addressing the funding gap identified by the Authority including the fire cover response model which is the subject of a separate report on this agenda. The implications of this and other reviews will be reflected in the updated budget and MTFS reported in February where appropriate.

National and Regional Initiatives

- 4.3 Following installation of the Firelink radio system, the Government continue to meet some of the costs of the new system, however it is expected that the ongoing revenue costs will place an additional net overall burden on FRAs. This has not been quantified at this stage as the final stage of the project is yet to be completed. For budget purposes, prudent estimates of both cost and Grant income have been assumed, and the position will continue to be monitored to ensure that there is no adverse impact for this Authority.
- 4.4 The detailed Revenue budget for 2014/2015 and updated MTFS will be reported to the meeting of the Authority on 17th February 2014.

5. GENERAL FUND BALANCES, EARMARKED RESERVES AND PROVISIONS

- 5.1 As reported in the Third Revenue Review Report savings have been identified in 2013/2014. Any savings generated however will be required to fund one off spending pressures and additional costs associated with implementing the budget proposals as part of a prudent and robust approach to budget setting. The new funding system also adds new risks

to the Authority in that it must meet any deficit on the business rates collected by its district councils for the first time in 2013/14 and this is along with any net deficit on the council tax collection fund and any further budget variations.

- 5.2 As in previous years, a full financial risk analysis of general balances and major reserves will be undertaken prior to the submission of the final budget proposals to the Authority in February. As part of this analysis, the level of uncommitted general balances will be reviewed in light of the latest Authority decisions and the final budget proposals.

6. CAPITAL PROGRAMME

Capital Grant Funding

- 6.1 As part of the Local Government Finance Settlement 2013/2014, the Authority was allocated a two year capital grant funding settlement, based on population, of £1,094,917 for 2014/2015. In addition, following a successful bid in 2013/2014 for capital funding for the 'day crew initiative', the Authority was also awarded two payments of £524,000 and will receive the second of these in 2014/2015.

Prudential Indicators

- 6.2 Members will be aware that Government support for capital expenditure has previously been provided by supported revenue allocations through Formula Grant that allow authorities to control the amount that they borrow without seeking government approval. The basic principle is that authorities are free to borrow as long as their capital plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs, all authorities must follow a prudential code. This involves the setting of various prudential limits that must be decided upon by the Authority as part of the budget process. Prudential indicators must be set covering the following areas:
- Affordability;
 - Prudence;
 - Capital Expenditure and Capital Commitments;
 - External Debt;
 - Treasury Management.

As part of the budget process, these prudential indicators will be updated and reported to the Authority in February for approval.

Capital Financing

- 6.3 The Capital Programme for 2014/2015 is still under consideration, and will be reported to Members in February. Given the financial pressures facing the Authority over, at least the medium term, consideration will be given to the financing arrangements of the Capital Programme in the context of balancing the overall revenue budget position for the Authority and achieving, as far as possible, the agreed objectives of setting a sustainable budget.
- 6.4 The various options available for financing the Capital Programme will be kept under review until the Revenue and Capital Budgets are finalised to ensure that the optimum use is made of the available resources. These options include:
- Revenue Contribution to Capital Outlay;
 - Use of Fire Capital Grant;
 - Use of General Fund Balances and Reserves;
 - External Borrowing;
 - Leasing.
- 6.5 As reported in paragraph 4.2, the Authority has consulted on the IRMP Initiatives, including the fire cover response model and diversionary activities. Depending on the outcome and decisions made, there may be an impact on both the revenue budget for 2014/2015 and the Capital Programme for 2014/2015, which will need to be updated to accommodate the decisions resulting from the final agreed actions resulting from the consultation process. This will be reported as part of the Revenue Budget for 2014/2015 and the Capital Programme reports in February.

Revenue Implications Arising from the Capital Programme

- 6.6 The Estates Development Strategy outlines a number of proposals for future development of the Authority's estate portfolio. These are included in the Capital Programme and will be funded from the Development Reserve on a phased basis. It is possible that there will be revenue implications arising from these developments, which will become clearer as individual proposals are developed. At this stage, the planning

assumption is that the revenue implications will, in overall terms, be resource neutral.

7. OUTSTANDING ISSUES

7.1 It must be stressed that the figures presented are indicative only at this stage and there are a number of outstanding issues that will need to be clarified prior to the submission of the final budget proposals to the meeting of the Authority in February 2014.

7.2 The outstanding issues are as follows:

- final preparation of the budget requirement for 2014/2015 is still ongoing at this stage, and may be subject to variation;
- update of the MTFS is ongoing following announcement of the provisional finance settlement and will be further updated as necessary to reflect any changes that the government may make within the final 2014/15 settlement;
- awaiting notification of the Council Tax Bases of Billing Authorities for 2014/15, this will impact on the Precept total;
- awaiting notification of any net surplus/deficit on the collection fund of the Billing Authorities for council tax;
- awaiting notification of business rates income from each council for 2014/2015;
- awaiting notification of any net surplus/deficit on the collection fund of the Billing Authorities for business rates for 2013/14; and
- the decision of the Authority to accept or reject a Council Tax Freeze for 2014/2015.

Government's Measure of Spending Power

	2014/2015 Provisional £	2013/2014 Adjusted £	Change £	Change %	2015/2016 Indicative £	Change £	Change %
Council tax Requirement (precept total) need actuals	19,088,825	18,768,863			19,168,526		
Council Tax Freeze Grant 2013/2014	0	240,592			0		
RSG	17,812,281				14,754,119		
Top up	9,793,223				10,063,524		
Business Rates - govt assessed	<u>4,051,399</u>				<u>4,163,222</u>		
Start Up Funding Assessment	31,656,903	34,233,604			28,980,865		
		0					
SFA Adjustment	146,970				146,970		
Revenue Grants - Fire	1,163,549	1,135,633			1,169,044		
Council Tax Freeze Grant 2014/2015	241,492				241,492		
Council Tax Freeze Grant 2015/2016					242,501		
Spending Power Totals	52,297,739	54,378,692	-2,080,953	3.8%	49,949,398	-2,348,341	4.5%

Appendix 1B

Revenue Spending Power Reductions - 2014/15 and 2015/16

	Change in 2014/15 %	Change in 2015/16 %
England excluding GLA	-2.9	-1.8
Metropolitan Fire Authorities	-4.0	-4.6
Combined Fire Authorities	-2.4	-2.9
Shire unitaries with fire	-2.8	-1.3
Shire counties with fire	-1.2	+0.9

Authority Analysis

Metropolitan Authorities

Greater Manchester	-4.0	-4.7
Merseyside	-4.2	-5.0
South Yorkshire	-3.8	-4.5
Tyne and Wear	-3.8	-4.5
West Midlands	-4.3	-5.0
West Yorkshire	-3.5	-4.1

Other Authorities

Avon	-2.7	-3.2
Bedfordshire	-1.8	-2.2
Berkshire	-2.1	-2.6
Buckinghamshire	-1.6	-2.0
Cambridgeshire	-1.9	-2.3
Cleveland	-4.3	-5.1
Devon / Somerset	-2.1	-2.5
Durham / Darlington	-2.7	-3.2
East Sussex	-2.0	-2.4
Essex	-2.4	-2.9
Hampshire	-2.2	-2.7
Hereford / Worcester	-1.6	-1.9
Humberside	-3.5	-4.1
Kent	-2.2	-2.6
Lancashire	-3.3	-3.9
Leicestershire	-2.8	-3.4
North Yorkshire	-2.0	-2.5
Nottinghamshire	-2.9	-3.4
Shropshire	-1.6	-1.9
Staffordshire	-1.6	-1.9
Wiltshire	-1.7	-2.1

	Adjusted 2013/14 £m	2014/15 prov £m	Change in 2014/15	2015/16 ind £m	Change in 2015/16
Total Fire Service	1,274.552	1,178.893	-7.51%	1,079.513	-8.43%
Mets					
Greater Manchester	70.055	64.732	-7.60%	59.203	-8.54%
Merseyside	44.032	40.687	-7.60%	37.214	-8.54%
South Yorkshire	34.275	31.676	-7.58%	28.975	-8.53%
Tyne and Wear	34.233	31.657	-7.52%	28.981	-8.45%
West Midlands	73.762	68.146	-7.61%	62.313	-8.56%
West Yorkshire	54.09	49.986	-7.59%	45.724	-8.53%
SHIRE FIRE AUTHORITIES					
Avon Fire	23.851	22.053	-7.54%	20.186	-8.47%
Bedfordshire Fire	12.993	12.023	-7.47%	11.016	-8.38%
Berkshire Fire	15.585	14.418	-7.49%	13.206	-8.41%
Buckinghamshire Fire	11.429	10.594	-7.31%	9.727	-8.18%
Cambridgeshire Fire	13.373	12.371	-7.49%	11.332	-8.40%
Cheshire Fire	20.706	19.156	-7.49%	17.547	-8.40%
Cleveland Fire	20.479	18.920	-7.61%	17.301	-8.56%
Derbyshire Fire	19.867	18.394	-7.42%	16.864	-8.32%
Devon and Somerset Fire	34.877	32.279	-7.45%	29.575	-8.38%
Dorset Fire	12.512	11.580	-7.45%	10.613	-8.35%
Durham Fire	15.750	14.580	-7.43%	13.365	-8.33%
East Sussex Fire	17.227	15.963	-7.33%	14.652	-8.22%
Essex Fire	36.555	33.850	-7.40%	31.040	-8.30%
Hampshire Fire	32.249	29.865	-7.39%	27.390	-8.29%
Hereford & Worcester Fire	12.660	11.739	-7.27%	10.784	-8.14%
Humberside Fire	28.180	26.066	-7.50%	23.871	-8.42%
Kent Fire	33.023	30.591	-7.37%	28.065	-8.26%
Lancashire Fire	34.591	32.002	-7.48%	29.314	-8.40%
Leicestershire Fire	19.697	18.210	-7.55%	16.665	-8.48%
North Yorkshire Fire	13.702	12.704	-7.28%	11.662	-8.20%
Nottinghamshire Fire	23.954	22.168	-7.45%	20.314	-8.36%
Shropshire Fire	8.606	7.976	-7.32%	7.316	-8.28%
Staffordshire Fire	21.278	19.701	-7.41%	18.064	-8.31%
Wiltshire Fire	10.516	9.743	-7.35%	8.945	-8.19%

Appendix 2

Draft Response to the Provisional Settlement

Comments on the Settlement which will form the basis of the Authority's response to government are set out below;

The lateness of the settlement data which was released just before Christmas, on 18th December 2013, has yet again given very little time to fully analyse the settlement. Information has been improved on the new website but information on specific and special grants was still not available. Analysis work is still ongoing but the main points to note at the time of writing this report are set out below.

- **Fairness of the Settlement**

The primary concern for the Authority is the cumulative impact of some of the formula and system changes which are hitting deprived areas hardest. The settlement is following an unwelcome trend of targeting the Metropolitan Fire Authorities the hardest with average cuts well above the average for England in both years and significantly above most other fire authorities where information has been provided.

This takes on even greater significance as the basis of the system is fixed until 2020 at the earliest if not addressed.

Appendix 1B shows the comparative summary position for each fire authority.

- **Resource Equalisation and needs based funding**

The way in which the new system and other funding streams are designed means that new system is gradually eroding away the main components of resource equalisation and needs based spending indicators (particularly deprivation measures) which were the key element of the previous formula grant mechanism. The impact of the change means that there is a redistribution of grant to less deprived areas. In 2015/16 shire counties with fire services are actually shown to see their resources grow by almost 1% compared to the 4% cut that this Authority is facing in the same year. The Authority therefore calls on the government to review the resource equalization elements within the system and update the funding allocations accordingly to reflect or protect the

position so that no erosion to this important factor is made in any future years.

- **New Sparsity Funding**

The government has found £9.5 million to help address the additional cost of sparsity for rural areas and this is an example of the dealing with cost pressures by providing funding for specific issues. It is therefore even more disappointing that resource equalization which has a much more profound impact has not been addressed in a similar way. The Authority urges the government to address this issue as a matter of urgency in the same way as it has responded to rural areas.

- **Business Rates – Baseline Funding Assessment and Safety Net Threshold**

The government's mechanism for calculating the baseline funding assessment uses a national apportionment which takes no account of the billing authorities actual business rates collection, which results in a baseline funding assessment lower than the business rates collectable. This means that the safety net threshold calculation is too low and increases the risk of income loss before government intervention is made.

- **Business Rate Revaluations**

The amount of funding included by the government in the national settlement, for businesses who appeal their rating valuations to the (independent) Valuation Office, may not be sufficient to fully address the implications of these appeals if successful and means that local government will be carrying a significant risk to the amount of business rates they will be able to collect in future years and are decisions they have no control over. As Fire Authorities continue to be reliant on a share of each billing authorities business rate income this issue also impacts on fire service funding although they have no control over this area. A fair modification to the system is suggested whereby the government reviews the cost of appeals annually to ensure that the full costs incurred by local government are fully funded by central government as a new burden this should be funded centrally.

- **Impact of cuts on front line services**

A provisional cut to RSG of 7.5% in 2014/15 and a further 8.5% indicative reduction in RSG for 2015/16 represents a significant and sustained period of funding reductions to this Authority. As the

Authority has in the past embraced the efficiency agenda and already made significant savings (most of those areas suggested in the Sir Ken Knight review had already been carried out). This inevitably means that cuts to front line services are now actually being consulted upon. This would include a new fire cover response model that will lead to significant cuts across the service by reducing the number of fire stations, appliances and the number of fire fighters. This consultation ends in January along with another review of Diversionary activities to help meet the cuts to funding.

- **Settlement Funding Assessment and Top Up Grant funding**
The Authority would also seek clarity on the Top Up Grant increase which has only been increased by 2% rather than the expected increase of 3.2% (RPI). In particular the amount of the SFA Adjustment has not been updated for likely RPI in 2015/16 and if not addressed properly then the net worth of the Adjustment grant is effectively being eroded year on year.

