

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Response to the 2019-20 Local Government Finance Settlement – Technical Consultation Paper

Question 1: Do you agree that the government should confirm the final year of the 4-year offer as set out in 2016-17?

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 provided by the Government for 2019/20 to address the significant cost pressures that will be faced by the Authority, and the fire service more generally, over the next financial year.

This comes in the form of two main budget pressures.

The first is that Inflation continues to be well above the government's 2% target, which was the baseline position when grant funding targets were originally established in the 4-year settlement and the assumption in the 4 year efficiency plan. The additional cost of inflation (above 2%) should be fully reflected in grant funding allocations as these additional costs have had to be absorbed by the Authority over the past 3 years of the settlement. This is unfair and should be taken into account in the final year of the grant settlement with a compensating grant increase adjustment so that the Authority can manage the inevitable higher running costs it will face in 2019-20. Inflation could also significantly increase because of the unknown impact of Brexit and there should be some form of appropriate Contingency funding provided within the Settlement for 2019-20 to cover this unknown factor.

Secondly, with the relaxation of austerity towards public sector pay, the Government should recognize the additional cost of firefighter and corporate staff pay awards in excess of the 1% increase built into the 4-year settlement. The additional costs of the 2019-20 pay awards increase will be above 1% and therefore should be met by the government providing additional grant funding. This Authority estimates this will cost at least £0.5 million to its Revenue Budget unless more Government grant is provided and is a cost it has no real influence over. There have already been pay awards agreed for corporate staff for 2018/19 and 2019/20 in excess of this 1% ceiling which fire authorities have had to absorb.

In summary the Government asked authorities to sign up to a 4-year settlement in return for delivering more efficiencies which the Authority has duly delivered, however, the terms of the settlement have been adversely affected by higher costs of inflation and pay awards than those planned when the resources were first allocated. The Government should therefore consider providing additional funding in the last year of the settlement to recognize this and rebalance the resources it has provided.

Question 2: Do you agree with the council tax referendum principles proposed by the Government for 2019-20?

No the Authority would request that the Government reviews its stance for the fire service by providing additional flexibility to recognize that low Council Tax Base authorities such as Tyne and Wear Fire and Rescue Authority would benefit greatly by introducing a flat rate increase as well as retaining the core principle of up to 3%.

Fire and Rescue Authorities should be allowed increases in Council Tax of either; Less than 3% or up to and including a Flat rate £10 increase at Band D, whichever is the higher, very similar to the Settlement provided to the Police service last year.

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 a reversal of this in the last three years, largely driven by the increase in non-fire incidents the service is required to attend.
- It is critically important that Fire and Rescue Authorities are resourced based on risk, and not just on 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. 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 (TWFA) 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 impact of Brexit is another unknown factor that could adversely impact upon the Fire Authority's finances.

- The government produces an analysis of Core Spending Power to measure the overall impact of revenue budget 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, which equates to over 2.3% of TWFRAs's 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 position 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 and the statutory services provided.
- The current level of inflation at 3% (September 2018 CPI) is creating increased cost pressures on budgets. This is well above the government's target of 2% inflation upon 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 public sector staff of 2% for 2019-20, (with an expectation that firefighters will at least receive the same pay award increase in their July 2018 pay negotiations), means that TWFRAs face an additional 1% on the pay bill which will cost at least £0.5m. This is equivalent to a Council Tax increase of £1.76 at Band D (or a 2.2% increase). This factor alone will use up almost all of the 3% Council Tax increase proposed for 2019-20 whilst the Authority continues to face other significant cost pressures.

Other considerations:

- Although the 3% 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 £3.51 (4.4%) 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 regards to Council Tax increases which is not available to single tier, stand-alone Fire and Rescue Authorities such as Tyne and Wear. These include:
 - All shire districts are able to raise Council Tax by either; the lesser of up to 3% or up to and including £5 at Band D, whichever is the higher.
 - PCCs are able to raise Council Tax by either; the lesser of up to 3% or up to and including £12 at Band D, whichever is the higher.

- Authorities with social care responsibility are able to raise Council Tax by up to 6% between 2017-18 and 2019-20, in addition to the core principle Council Tax increase of up to 3%.
 - Parish councils currently have no referendum limit.
- TWFRA has shown considerable restraint regarding the level of council tax, increasing its Band D equivalent by only £6.78 since 2010-11 (an increase of approximately of only 75p per year at Band D). Even if TWFRA was to increase Council Tax by £10 in 2019-20, 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 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 2019/20 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 2020/21 of £3.6m which must be addressed. This cannot be done without the 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 its precept by £10 per annum, 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 our tax base is predominantly made up from properties in Band A (13p per week) and Band B (15p per week).
- The Council Tax Base for TWFRA is currently 284,551 from a total number of households of 503,614. We have the highest Metropolitan FRA Council Tax Band D at £79.94 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 (£22.747m) for 2018/19 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 viewed in the context of the number of properties, the number in each Banding, and the number of benefit claimants that also impact on Council Tax yields. It is a fact that TWFRA needs more flexibility to increase its Council Tax by relatively higher increases 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 £45.17 per household at Band D is one of the lowest amongst all Fire and Rescue Authorities. The lower quartile used in the past for awarding a flat rate increase is considered unfair and the Council Tax criteria for additional flexibility should be based more on the level of resources that can be generated by the flat rate increase and not specifically the existing level of Council Tax or restricted by the percentage increase itself. These 2 approaches clearly produce very different outcomes depending upon the size and buoyancy of the Tax Base. Being a low tax base area relatively more deprived than most fire authorities means TWFA has difficulty in raising Council Tax income based on the current core principle of up to a 3% increase which equates to a much lower level of income for the authority compared to its peer group. In the table below, there are a few examples that help illustrate these points.

FRA	Number households (H/hold)	Council Tax Base	H'hold to C/tax Base %	Council Tax Income	Council Tax Band D	Council Tax per H/hold
TWFA	503,614	284,551	57%	£22.747m	£79.94	£45.17
Avon	477,184	360,779	76%	£25.742m	£71.35	£53.95
Cheshire	469,666	367,442	78%	£27.735m	£75.48	£59.05
East Sussex	367,875	287,611	78%	£26.173m	£91.00	£71.15

- From the table TWFA 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.
- TWFA has one of the highest Council Tax levels so would not trigger the low quartile criteria used previously 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 (57%) for TWFA as compared to more affluent areas of the country where conversion rates of number of households equates to a much higher Council Tax Base as can be seen in the Table (above 75%). East Sussex has less households than Tyne and Wear and yet has a higher Council Tax Base which generates more Council Tax income.

The value of Council Tax yield and not percentage increase in Council Tax is seen as a much fairer and more appropriate criteria for low Council Tax Base authorities.

The Authority therefore requests an increase to TWFA's Council Tax flexibility with a flat rate increase of up to £10 at Band D for 2019-20. This would help remove some of the restrictions that the current 3% referendum limit imposes on the finances of the Authority.

Question 3: Do you agree with the Government's preferred approach that Negative RSG is eliminated in full via forgone business rates receipts in 2019-20?

Yes.

Question 4: If you disagree with the Government's preferred approach to Negative RSG please express your preference for an alternative option. If you believe there is an alternative mechanism for dealing with Negative RSG not explored in the consultation document please provide further detail.

Not applicable.

Question 5: Do you have any comments on the impact of the proposals for the 2019-20 settlement outlined in this consultation document on persons who share a protected characteristic? Please provide evidence to support your comments.

No comment.