

CLEVELAND FIRE AUTHORITY SUBMISSION TO 2020 SPENDING REVIEW

Introduction

This document sets out the requests of Cleveland Fire Authority (the Authority) of the issues to be addressed in the 2020-21 Spending Review. The Authority recognises that some of these issue will be addressed through reforms of the Local Government finance system and the overall grant settlement for the sector. However, the Authority believes the Spending Review needs to recognise the impact of these issues.

The Authority supports the key issues detailed in the “Collaborative Local Government Association (LGA) and the National Fire Chiefs Council (NFCC)” submission to the Spending Review.

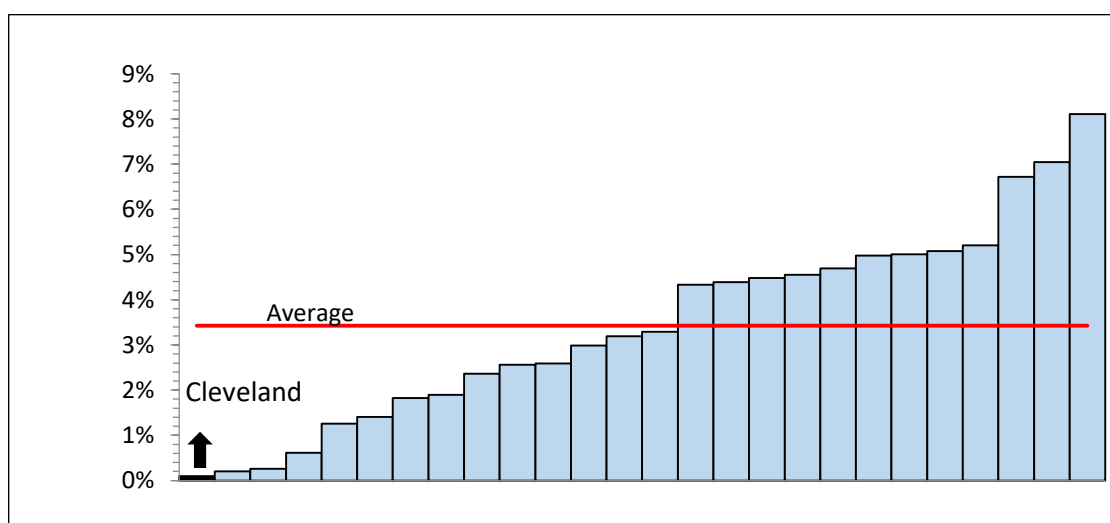
The following sections highlight the key issues the Authority would request are addressed in the Spending Review 2020-21.

The base case for Fire and Rescue funding

As highlighted in the LGA and NFCC submission Her Majesty’s Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) State of Fire Report identified the funding position and pressures for Fire and Rescue Services (FRS) vary widely.

Our own analysis shows that over the period 2015/16 to 2020/21 there has been a significant divergence in cumulative Spending Power increases for FRS. This position is highlighted in the table below, which shows that this difference was 8.0% (i.e. highest increase 8.1% less lowest increase 0.1% - which is Cleveland FRA).

Percentage Changes in Spending Power from 2015/16 to 2020/21



The same divergences in Spending Power existed before 2015/16 and reflected the different ability of individual FRS to offset Government grant reductions with increased Council Tax income. This meant that FRS with a low council tax base (i.e. higher than average proportion of properties in council tax bands A and B) had less ability to offset Government grant reductions and therefore had to manage higher Spending Power reductions.

As pay costs are the largest element of all FRS budgets all FRS have faced the same basic expenditure pressures, but have had different changes in Spending Power. Over the period 2010/11 to 2018/19 this result in a national fall in firefighter numbers of approximately **22%** - the reduction for this Authority was **34%**.

The Authority understands the rationale put forward by the LGA and NFCC for increased Council Tax precept flexibility of £5 for all FRS. However, this proposals will have a differential impact and provide less financial benefit for FRS with a low Council Tax base.

Therefore, any additional Council Tax precept flexibility needs to be matched with a commitment to target Government grant funding to FRS with a low council tax base, otherwise differences in Spending Power will continue and disadvantage FRS serving the most deprived communities, with the highest fire risks.

Spending Review Action to address this issue

The Spending Review needs to provide sufficient funding in 2021/22 to 2023/24 to provide the same increase in Spending Power for all FRS in recognition that all FRS will face the same pay pressures from national pay awards.

Pensions Funding

The LGA and NFCC submission highlights the impact of the 2016 GAD revaluation and the resulting increase in employer pension costs. The Authority fully supports the view that the existing funding of £115m needs to continue. Withdrawal of this funding would be a significant challenge for all FRS, but the impact on this Authority will be significantly greater owing to the higher cuts in Spending Power and services over the period 2010/11 to 2019/20.

Additionally the McCloud / Sargeant remedies will increase administration costs and increase employer contributions.

Spending Review Action to address this issue

The Spending Review should continue to provide a specific grant for the increased pension costs and associated administrative costs to avoid FRS having to cut services if this funding does not continue.

Collection Fund Deficits

The LGA and NFCC submission highlights the impact of losses in Business Rates and Council Tax income as a result of the Covid-19 pandemic. Our forecasts suggest the Council Tax impact will be higher than the national forecast of 2.88% as the local economic impact will be greater. A reduction in Council Tax income of between 3% and 5% is anticipated which reflects a higher forecast increase in households eligible for Local Council Tax Support. The financial impact of the pandemic is the first time Council Tax income has been adversely affected by an economic shock, as prior to 2013/14 Treasury funded higher Council Tax support costs.

We anticipate that the local impact will take a number of years to recover and this means Council Tax income in 2020/21, 2021/22 and 2022/23 will be less than forecast.

The proposals to enable authorities to spread 2020/21 Collection Fund deficits over three years will help manage the cash flow impact of these income reductions. However, as these reductions are permanent in the year they occur, the Spending Review needs to provide additional one off funding to meet these deficits and protect services.

Spending Review Action to address this issue

The Spending Review Government should provide funding to fully address Collection Fund deficits arising from the impact of Covid-19 as these issues are outside the control of FRS;

Business Rates

This income only makes up a small proportion of overall funding, but exposes FRS to significant potential financial risks. For example, the Authority receives annual Business Rates income of £1.8m, but has suffered a Business Rate Collection fund deficit in a single year of £0.6m when a major steel works closed.

It is proposed that FRS should be removed from the Business Rates funding system and the funding replaced with additional grant based on needs and risk. This would put FRS on the same basis as the Police Service which does not receive a share of Business Rates income. Neither organisations have a direct role in securing economic development, which is a council responsibility, although they make a significant contribution to community wellbeing and safety.

Spending Review Action to address this issue

Remove FRS from the Business Retention system and replace this income with additional grant funding.

Other service and funding pressures

The Spending Review needs to recognise a range of potential service and funding pressures which may fall on FRS as a result of national decisions, as highlighted below:

- **Pay**

Sir Tom Winsor's State of the Nation Report recommendation to redefine / reform firefighters' roles would increase costs and require an increase in central FRS funding. Estimations at the moment have been in the region of 15% pay increase to achieve reform.

- **National Resilience**

These assets are coming to the end of their life and funding will be required for replacement to maintain operational capacity and effectiveness.

- **Emergency Services Network**

Government delays in implementing the improved digital capability is creating an additional cost burden.

- **Focus on Building Risk (Fire Engineering)**

The Authority is investing in building capacity and capability to meet the increased demand/legislative requirements. The 'pump-priming' grant has been provided but this is not a sustainable solution. Estimated cost burden for the Authority is £200,000 per annum.

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Chair of Cleveland Fire Authority

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Chief Fire Officer