

To: All Members of the Policy and Resources Committee  
(and any other Members who may wish to attend)



J. Henshaw  
LLB (Hons)  
Clerk to the Authority

Tel: 0151 296 4000  
Extn: 4112 Helen Peek

Your ref:

Our ref HP/NP

Date: 14 January 2014

Dear Sir/Madam,

Further to my invitation to attend a meeting of the **POLICY AND RESOURCES COMMITTEE** to be held at **1.00 pm** on **TUESDAY, 14TH JANUARY, 2014** in the Wirral Suite;

Please find attached:

AGENDA ITEM	REPORT
7.	<b><u>Government Consultation on the Bidding Process for 2015/16 Transformation Funds</u></b> (Pages 1 - 48) To consider the Urgent report CFO/008/14 of the Deputy Chief Executive concerning the Government Consultation on the Bidding process for the 2015/16 Transformation Funds.
8.	<b><u>Local Government Finance Settlement 2014/15</u></b> (Pages 49 - 68) To consider the Urgent Report CFO/009/14 concerning the Local Government finance settlement for the year 2014/15.

Yours faithfully,

Clerk to the Authority

Encl.

This page is intentionally left blank

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>		
<b>DATE:</b>	<b>14 JANUARY 2014</b>	<b>REPORT NO:</b>	<b>CFO/008/14</b>
<b>PRESENTING OFFICER</b>	<b>DEPUTY CHIEF EXECUTIVE</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>KIERAN TIMMINS</b>	<b>REPORT AUTHOR:</b>	<b>KIERAN TIMMINS</b>
<b>OFFICERS CONSULTED:</b>			
<b>TITLE OF REPORT:</b>	<b>GOVERNMENT CONSULTATION ON THE BIDDING PROCESS FOR 2015/16 TRANSFORMATION FUNDS</b>		

<b>APPENDICES:</b>	<b>APPENDIX A1: LETTER FROM DCLG RE: GOVERNMENT CONSULTATION</b> <b>APPENDIX A2: CONSULTATION ON BIDDING FOR TRANSFORMATION FUNDS</b> <b>APPENDIX A3: DRAFT APPLICATION FORM FOR TRANSFORMATION FUNDS</b> <b>APPENDIX B: MFRA RESPONSE TO CONSULTATION</b>
--------------------	---

### **Purpose of Report**

1. To present to Members, the Government consultation on the bidding process for 2015/16 Transformation Funds and the proposed response from the Authority for approval.

### **Recommendation**

2. It is recommended that :-
  - a. Members note the report.
  - b. Members approve the proposed response.

### **Introduction and Background**

3. Members will recall that the Government had previously announced that there would be some "Transformation" funds available for Fire & Rescue Authorities in 2015/16.
4. Specifically :-

- a. £30m of resource funding to encourage working between Fire & Rescue Authorities, collaboration with other blue lights services and to help meet the up-front costs of service transformation.
  - b. £45m of capital to help secure efficiencies and ensure that assets, such as fire stations are appropriately located to ensure efficient and effective service delivery.
5. The Government announced on 3<sup>rd</sup> December 2013 that a 6 week consultation on the bidding process would be undertaken The consultation document is attached as Appendix A. The consultation closes on 14<sup>th</sup> January 2014.
6. It is proposed that:-
  - a. There will be one bidding process for both funds.
  - b. There will be a lot based system, to avoid a small number of high savings projects monopolising the grant bid. At first sight, this appears complex.
  - c. Bids will be assessed on Treasury Green Book criteria, and also how bids meet the broader transformation programme of the Fire Authority. (Draft forms are attached as part of Appendix A).
  - d. The key dates are :-  
  
Bid process closes April 2014  
Successful Bids announced Autumn 2014  
Funding paid April 2015
7. Members will recall that it is proposed (subject to the final guidance), to submit a bid based on the station mergers at Wirral and St. Helens.
8. A proposed response to the consultation is attached to this report at Appendix B.

---

**Equality and Diversity Implications**

---

9. None immediately arising from this report.

---

**Staff Implications**

---

10. None immediately arising from this report.

---

**Legal Implications**

---

11. None immediately arising from this report.

---

**Financial Implications & Value for Money**

---

12. £75m will be available nationally, that the Authority might bid against.

---

**Risk Management, Health & Safety, and Environmental Implications**

---

13. None immediately arising from this report.

---

Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters*

---

14. Potentially, additional resources to support the mission.

---

**BACKGROUND PAPERS**

---

---

**GLOSSARY OF TERMS**

---

This page is intentionally left blank



## Department for Communities and Local Government

**To All Chairs, Chief Fire Officers and  
Chief Executives of Fire and Rescue  
Authorities**

3 December 2013

Dear Colleague,

### **Consultation on Bidding Process for 2015/16 Transformation Funds**

The Department is today opening a six-week consultation for fire and rescue authorities on the bidding process for £75 million fire and rescue service transformation funding for 2015-16 announced through the Spending Round 2013. The bid process itself will be announced and launched in spring 2014.

The consultation, which will close on 14 January 2014 aims to both familiarise fire and rescue authorities with the single bidding process being developed for this funding and to gather opinion and feedback to make sure the bidding process operates as effectively as possible to deliver the types of transformative change identified by the Government in its Spending Round document, as well as opportunities identified by Sir Ken Knight in his recent independent review of efficiencies in the fire and rescue sector.

We would, in particular, welcome responses from the Sector and authority Treasurers. The consultation and related documents are attached. They will also be available on our web-site in due course (<https://www.gov.uk/government/organisations/department-for-communities-and-local-government>) and we will e-mail you the direct web address for the consultation.

The bid process will be for funds previously announced by the Spending Round 2013:

£30 million of resource funding to encourage joint working between fire and rescue authorities, collaboration with other blue lights services, and help to meet up-front costs of service transformation; and

£45 million of capital to help secure efficiencies and ensure assets such as fire stations are appropriately located to ensure efficient and effective service delivery.

The proposed bid process will cover both these funds.

If you have any initial queries, please contact [FireTransformation@communities.gsi.gov.uk](mailto:FireTransformation@communities.gsi.gov.uk) , Chris Sewell on 0303 444 3807 or Helen Richman on 0303 444 2884.

Yours sincerely,



**NEIL O'CONNOR**  
**Director**  
**Fire, Resilience & Emergencies**

Department for Communities and Local Government  
Zone 3/B5  
Eland House Bressenden Place London SW1E 5DU

Tel 0303 444 1367  
Neil.O'Connor@communities.gsi.gov.uk





Department for  
Communities and  
Local Government

# Fire and Rescue Authority Transformation Funds for 2015-16 Bidding Process

Consultation

© Crown copyright, 2013

*Copyright in the typographical arrangement rests with the Crown.*

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, [www.nationalarchives.gov.uk/doc/open-government-licence/](http://www.nationalarchives.gov.uk/doc/open-government-licence/) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

This document/publication is also available on our website at [www.gov.uk/dclg](http://www.gov.uk/dclg)

If you have any enquiries regarding this document/publication, email [contactus@communities.gov.uk](mailto:contactus@communities.gov.uk) or write to us at:

Department for Communities and Local Government  
Eland House  
Bressenden Place  
London  
SW1E 5DU  
Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

December 2013

ISBN: 978-1-4098-4037-4

# Contents

Chapter 1	Introduction	p.7
Chapter 2	Aims of the transformation funds	p.9
Chapter 3	A lot-based system	p.10
Chapter 4	Bid criteria and evaluation	p.12
Chapter 5	Bidding process and (draft) forms	p.14
Chapter 6	Timetable	p.15
Chapter 7	Related Government funds	p.16
Chapter 8	List of consultation questions	p.18
Appendix A	Frequently asked questions	p.19
ANNEX A	<b>Supplied as separate attachments: DRAFT Bid application forms</b>	

# The Consultation Process and How to Respond

## Scope of the consultation

<p>Topic of this Consultation:</p>	<p><b>The principal sections are:</b></p> <p><b>Chapter 2 – Aims of the transformation funds</b>  <b>Chapter 3 - A lot-based system</b>  <b>Chapter 4 - Bid criteria and evaluation</b>  <b>Chapter 5 - Bidding process and (draft) forms</b>  <b>Chapter 6 - Timetable</b></p> <p><b>The topic of the consultation is the bidding process through which the transformation funds for fire and rescue authorities announced as part of the Spending Round 2013 will be administered.</b></p>
<p><b>Scope of this consultation:</b></p>	<p>This consultation aims to test and get feedback on the bidding process for administering the funds.</p>
<p><b>Geographical Scope:</b></p>	<p>England.</p>
<p><b>Impact assessment:</b></p>	<p>This policy proposal does not require an impact assessment as part of the policy clearance process.</p>
<p><b>Body responsible for the consultation:</b></p>	<p>This consultation is being run by the National Fire Policy Division within the Department for Communities and Local Government.</p>
<p><b>Duration:</b></p>	<p>This consultation will run for six weeks to the <b>14th of January 2014.</b></p>
<p><b>Enquiries:</b></p>	<p>For enquiries, please contact:</p> <p><a href="mailto:FireTransformation@communities.gsi.gov.uk">FireTransformation@communities.gsi.gov.uk</a>  0303 444 2884</p>
<p><b>How to respond:</b></p>	<p>By email to:  <a href="mailto:FireTransformation@communities.gsi.gov.uk">FireTransformation@communities.gsi.gov.uk</a></p> <p>Or by post to:</p> <p>Fire Finance Team  National Fire Policy Team</p>

	Department for Communities and Local Government Zone 3/A6, Eland House Bressenden Place London SW1E 5DU
<b>After the consultation:</b>	The Government intends to launch the bidding process in the spring and will publish the outcome of the consultation alongside this.
<b>Compliance with the <i>Code of Practice on Consultation</i>:</b>	This will be a six week consultation. In this consultation we are seeking views from local fire authorities and believe that this will provide sufficient time for considered responses.

## Confidentiality and data protection

Representative groups are asked to give a summary of the people and organisations they represent and, where relevant, who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.

The Department for Communities and Local Government will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

## Additional copies

This consultation paper is available on the Department for Communities and Local Government website at <https://www.gov.uk/government/organisations/department-for-communities-and-local-government>. You may obtain a hard copy of this consultation paper from the address given above.

If you require this publication in an alternative format please:

Email [Asset.Receipts@communities.gsi.gov.uk](mailto:Asset.Receipts@communities.gsi.gov.uk) stating the title of this consultation documents  
or

See online via the website at [www.gov.uk/government/organisations/department-for-communities-and-local-government](http://www.gov.uk/government/organisations/department-for-communities-and-local-government).

## Help with queries

Questions about the policy issues raised in the document can be sent to the address given above.

A copy of the consultation criteria from the Code of Practice on Consultation is at <http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>. Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please email: [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)

or write to:  
DCLG Consultation Co-ordinator  
Zone 8/J6  
Eland House, Bressenden Place  
London  
SW1E 5DU

# Chapter 1

## Introduction:

- 1.1 In the recent 2013 Spending Round<sup>1</sup> the Government announced **£30 million of resource funding** to be made available for return to the fire sector for 2015-16 to support transformational change and deliver sensible savings, and:

*‘opportunities identified by the Knight Review, such as creating more emergency centres to accommodate the three blue light services, sharing back office functions and running joint response systems...’ (p.23).*

- 1.2 A **£45 million capital fire efficiency incentive fund** was also announced to further assist fire and rescue authorities in achieving efficient and effective service delivery. This will:

*“encourage greater collaboration between the Fire Service and other emergency services” (p.36)*

and encourage fire services to

*“invest capital in ensuring that fire service assets such as fire stations are appropriately located to ensure efficient and effective service delivery” (p.37)*

- 1.3 We are proposing a competitive bidding process with fire and rescue service transformation at its heart. In his independent report **FACING THE FUTURE: Findings from the review of efficiencies and operations in fire and rescue authorities in England**<sup>2</sup>, Sir Ken Knight found that a significant element of future efficiencies could be found through greater collaboration and integration between fire, police and ambulance services to deliver better outcomes for the public. ‘Facing the Future’ also found that there were efficiencies to be released by increasing the proportion of retained (or ‘on call’) fire fighters. Therefore, whilst some ‘tried and tested’ sector efficiencies (such as crewing reforms and fire estate modernisation) may be considered as part of the assessment process we would particularly welcome high quality bids that seek to achieve transformation through greater collaboration across fire and rescue authorities or with other emergency services, and from those wishing to increase their ‘on call’ work force.
- 1.4 Capital bids may be for capital elements of a transformation project for which a resource is also being bid, or they may be purely associated with a capital project to optimise the authority’s asset base to generate revenue savings for future years –

---

<sup>1</sup> *Spending Round 2013*, HM Treasury, 26 June 2013 available at [www.gov.uk/government/publications/spending-round-2013-documents](http://www.gov.uk/government/publications/spending-round-2013-documents)

<sup>2</sup> *FACING THE FUTURE: Findings from the review of efficiencies and operations in fire and rescue authorities in England*, 17 May 2013, available at [www.gov.uk/government/publications/facing-the-future](http://www.gov.uk/government/publications/facing-the-future)

for example, through a sale of land to release value to invest in a new fire station which will allow collaboration with other emergency services. It is normally to be expected that any capital spend will have around five per cent of revenue spend associated with it. We do not necessarily expect this to be included in the bid, but we will look at whether the fire and rescue authority bidding has provisioned for this. Where capital bids will also require resource expenditure (for example to manage the project) these costs should be included within the spreadsheet showing total project costs (submitted as part of the bid application), though we would not necessarily expect fire and rescue authorities to bid for funding for this if this would form part of their normal running costs.

- 1.5 This consultation aims to both familiarise fire and rescue authorities with the single bidding process being developed for these funds and to gather opinions and feedback to make sure the bidding process operates as smoothly and effectively as possible. The funds are aimed at delivering transformative change and we want to make sure that the bidding process supports this.
- 1.6 In particular, we are seeking views on
  - a. the funds being allocated on a 'lot based' system (so that the funds do not all go to a few high-performing projects), and
  - b. the proposed criteria to be used in assessing and weighting bids.
- 1.7 We also wish to gather feedback on the forms and supporting documents in development.



# Chapter 2

## Aims of the transformation funds:

- 2.1 Building on the key themes in 'Facing the Future' the aims of the Transformation Funds are to support schemes that
- encourage greater collaboration;
  - improve local accountability;
  - prioritise prevention and protection; and
  - promote asset transformation/ other efficiencies.
- 2.2 Despite the need to tackle the inherited budget deficit, the Government has protected fire and rescue authority funding, including through the recent 2013 Spending Round. In setting a fire and rescue local government funding reduction for 2015-16 that is less than for local government as a whole – the Government has made clear that it is asking fire and rescue authorities to continue to make efficiencies, and adopt further innovations and transformations, including further collaboration across blue light services.
- 2.3 The proposed single competitive bidding process is for the distribution of both the £30 million of resource funding and the £45 million capital fire efficiency incentive fund. The funds will be targeted at efficiencies that have a good strategic fit with the four themes set out in para 2.1 (above) and the Spending Round documents, and that have the potential to deliver the greatest savings, particularly through greater collaboration with other emergency services combined with optimisation of an authority's existing asset base.
- 2.4 To provide further impetus, transparency and good-practice sharing on transformative change associated with the funds, the Department proposes to publish summaries of winning projects and encourages successful authorities to regularly place brief updates on progress on their own websites.

**Q1. The bidding process has been designed to support transformation in the delivery of fire and rescue services. Taking that into account, is there anything further you think should be taken into consideration to help drive transformative change and greater efficiency?**

# Chapter 3

## A lot-based system:

- 3.1 To make sure the funds positively impact on a range of different transformative measures, we propose to run a lot-based bidding system. This is aimed at reducing the likelihood of preventing a scenario whereby the transformation funds are monopolised by a small number of high-value, high savings, or major transformation bids.
- 3.2 We propose that there will be three different sized 'lots'. The lots will act as an approximate guide to the size and type of funding and project that may be bid for and allocated. The Department for Communities and Local Government will reserve the right to allocate winning bids to a range of sizes of lot, or to a particular type of lot, depending on the type and quality of bids received.
- 3.3 We are seeking views on the suggestion that authorities put in no more than one bid per lot (with an authority being limited to three bids overall (one bid per lot) or one bid with three lots). A single bid may contain multiple elements, and must be identified by the authority as a single bid based on its strategic coherence. For large-scale bids that can be broken down into one or more elements and which lend themselves to this, the Department for Communities and Local Government will reserve the right to fund part of a bid. This could require authorities applying for large scale bids to consider what part of the bid would be most important to them if the whole bid could not be funded.
- 3.4 If the sector came forward with a multiple fire and rescue authority proposal involving more than two fire and rescue authorities, the Department for Communities and Local Government would be open to considering it as exempt from the bid limits set out above. That is, participation in such a 'syndicated' bid would not necessarily form one of the three bids (one bid per lot, or one bid with three lots) permitted per fire and rescue authority. All participating fire and rescue authorities (and any other partner organisation) would need to sign off on the proposal.
- 3.5 No pro-rata funding (for example, per capita) distribution is proposed and it is possible that if bids are not of a sufficient quality, funding will not be allocated.
- 3.6 To give an illustration of how this might work and the type of schemes that might fall into each lot:
  - Funds in the lot for larger sized schemes (for example £5 million plus) might be directed towards large-scale emergency services (blue lights) collaboration transformation projects. For example, for fire and rescue authorities that wish to make a major operational change towards working closely with another emergency service and/or a major programme of joint working;

- Funds in the lot for medium-sized schemes (for example £2 million to £5 million) might cover a wider variety of projects and transformational outcomes. Bids might be, for example, to effect operational co-responding. Bids might include better asset and property management to cater for improved prevention and protection work or collaboration with other emergency services which will deliver significant savings, or for re-modelling crewing arrangements to deliver better value for money;
- Funds in the lot for small-scale lots schemes (for example up to £2 million) might cover estates and infrastructure projects and collaboration delivering smaller-scale efficiency savings, such as through joint procurement or small-scale mobilisation savings or co-location projects. Clear value for money criteria will need to be demonstrated.

**Q2. Do you agree with the concept of a 'lot based' funding system, to ensure that projects bids get assessed on a like for like basis?**

**Q3. Do you agree that the Government should be able to limit bids, depending on the quality and number of bids received?**

**Q4. Do you think an authority should be able to identify a preferred part of a large scale bid to fund?**

**Q5. Do you agree that a fire and rescue authority (or authorities) should be able to submit an additional bid that was potentially exempt from any bid limit per fire and rescue authority if more than two fire and rescue authorities have formally signed up to the proposal?**

# Chapter 4

## Bid criteria and evaluation:

- 4.1 We expect bids to set out a clear, well-reasoned narrative rationale as guided by the final bidding guidance and the application forms and their associated spreadsheet at Annex A, which takes into account Treasury Green Book criteria (see below).
- 4.2 To maximise impact of the funds, bids will need to demonstrate how the project for which funding is sought fits with the broader transformation programme of the fire and rescue authority (and any partner organisation(s), where relevant).
- 4.3 We will want to understand why transformation funds are needed, and plan to ask applicants to set out other types of funding the project has access to, including other grants received or applied for or reserves/ prudential borrowing to be leveraged, and any other government funding applied for. Fire and rescue authorities should not bid on the expectation of further financial support being available, so financial sustainability and affordability will be an important consideration.
- 4.4 It is also important that authorities have a strong financial commitment to the projects for which they are seeking support. Other sources of funding will not, therefore, be a bar to support and we will welcome projects which can show part, or match-funding by authorities and their partners. This will not impact negatively on value for money, since it will simply increase overall costs/ spend on the project, which will be set against the funding which is to be provided.
- 4.5 All projects will be required to demonstrate they will provide value for money in line with Treasury Green Book criteria. This means projects need to demonstrate real savings in future years that are greater than the total costs (not just the level of grant applied for) of the project.
- 4.6 We also propose to use a weighting system. Projects will be assessed against high-level assessment criteria of value for money, but also in terms of alignment of bid with policy objectives for the transformation funds and project deliverability, focusing on good project management. Within the policy objectives criteria, further weightings will be applied to prioritise some of the more innovative projects identified as having potential for sector transformation and efficiency. These will be for:
  - encouraging greater collaboration;
  - improving local accountability;
  - prioritising prevention and protection; and
  - asset transformation/ other efficiencies.

Areas that already have some form of provision, or access to such, for example training facilities where a range of products are available, or the element of council tax equalisation adjustment for a merger, where this can be achieved by equalisation over

a number of years, would be unlikely to be seen as innovative, and should be avoided unless genuine transformation and savings can be demonstrated.

**Q.6 Do you agree in principle with a weighting system that would help direct funds towards the more innovative transformative change projects?**

**Q.7 If you disagree with a weighting system, please outline, in no more than 500 words, what your alternative would be.**

# Chapter 5

## Bidding process and (draft) forms

- 5.1 This consultation aims to familiarise bidders with the process and gather feedback and further suggestions to improve it.
- 5.2 Bids will need to be signed off by the relevant elected member with responsibility for fire and rescue and by the senior responsible financial officer (chief finance officer or Treasurer). Where collaboration with other emergency services is involved, bids will also need to be signed off by the elected member with responsibility for the other collaborating organisation(s) and their chief finance officer or Treasurer(s).
- 5.3 It is proposed that authorities should be asked to clearly demonstrate:
- business case/ value for money (in line with the Treasury Green Book criteria);
  - alignment with transformation objectives set out in these documents; and
  - sound plans for project management to ensure delivery of intended outcomes.
- 5.4 Evaluation will be application-based.
- 5.5 The Department's bid management team will be available to assist with clarifications required during the bidding process, and reserves the right to request further information from bidders as required (for example, proof of obtaining any planning permission required).

**Q8: Do you agree with the bidding process as set out above and on the attached draft application forms?**

**Q9: Do you have any suggestions to improve the draft forms/ application process?**

# Chapter 6

## Timetable

6.1 The Department's proposed timetable for the bidding process is as follows, subject to agreement to implement following this consultation:

Event	Timing
Consultation issued	3 December 2013
Consultation closes	14 January 2014
Response to consultation published	February 2014
<b>Below is subject to consultation outcome</b>	
Bid process commences	February 2014
Bid process closes	April 2014
Bid evaluation	Summer 2014
Successful bidders announced	Autumn 2014
Funding paid out	April 2015

6.2 Before we finalise the timetable for the bidding process we would welcome the views of the sector as to whether it is realistic in terms of delivery. For example, has long enough been allowed for the bids to be developed (bearing in mind bidders will be able to begin to familiarise with the bidding process through the consultation itself).

**Q10: Do you feel the proposed timetable is realistic to allow for the bidding process to be implemented?**

**Q11: If you have concerns about the timetable, what changes would you make to make it more realistic?**

# Chapter 7

## Related Government funds

- 7.1 This chapter outlines how the fire and rescue authority transformation funds relate to other funds supporting transformation in 2015-16.

### The Police Innovation Fund

- 7.2 In the recent 2013 Spending Round<sup>1</sup>, the Government announced it will create an Innovation Fund of up to £50 million a year from 2014-15 for Police and Crime Commissioners (PCCs) to work jointly with each other and with local authorities on approaches that have the potential to improve policing, deliver efficiency and prevent crime. In November 2013 Government also announced<sup>2</sup> that ahead of its first full year it is making a £20 million Precursor Fund available to PCCs in 2013/14, to enable them to press ahead now with transformation in their forces.
- 7.3 Where applications are made in respect of emergency service collaboration involving police and fire, it is Government's intention that these will be considered by both Departments to maximise efficient use of available funds .

### The Local Authority Transformation Funds

- 7.4 In March 2013 the Government invited bids from local authorities to access a £9 million Transformation Challenge Award scheme for funding in 2013-14. A number of fire and rescue authorities applied for the scheme, and those that were successful have now been notified and relevant funds allocated<sup>3</sup>. The aim of the scheme is to support local authorities (including fire and rescue authorities) that are at the cutting edge of innovation for service transformation, so that they go further and faster in re-engineering service delivery and achieving efficiency savings.

---

<sup>1</sup> *Spending Round 2013*, HM Treasury, 26 June 2013 available at [www.gov.uk/government/publications/spending-round-2013-documents](http://www.gov.uk/government/publications/spending-round-2013-documents)

<sup>2</sup> [www.gov.uk/government/news/policing-minister-announces-20-million-funding-for-pccs](http://www.gov.uk/government/news/policing-minister-announces-20-million-funding-for-pccs)

<sup>3</sup> Local Government Minister Brandon Lewis announcement of 9 October 2013 [www.gov.uk/government/news/can-do-councils-leading-transformation-of-local-government](http://www.gov.uk/government/news/can-do-councils-leading-transformation-of-local-government)



7.5 The recent 2013 Spending Round announced that in 2015<sup>1</sup> there will be a £100 million Transformation Fund on offer to help in setting up shared services and combining service delivery operations across public and private sector providers. We expect further details to be announced in due course.

7.6 In all cases, the Government will be mindful of the different funds an authority has applied for and the purposes to which it intends to put them, in order to prevent double-funding.

### **Proposals for the use of capital receipts from asset sales to invest in reforming services**

7.7 The Government has also recently consulted on proposals that would allow part or all of receipts from new asset sales to be used for one-off revenue purposes in order to stimulate organisational change:

*<https://www.gov.uk/government/consultations/proposals-for-the-use-of-capital-receipts-from-asset-sales-to-invest-in-reforming-services>*

7.8 Currently, the capital finance system restricts the ways in which local authorities can spend their capital receipts.<sup>2</sup> The rule is, broadly, that capital receipts may only be used for capital spending, but not revenue spending (whereas fire authorities can allocate revenue to capital spending).

7.9 This is to ensure assets and one-off receipts do not get used inefficiently to support recurrent revenue spending that cannot be sustained. The main use of capital receipts is to finance the acquisition or construction of new assets (providing an alternative to borrowing) or to repay the principal on any new borrowing undertaken. Therefore, authorities may have a surplus capital asset, but be unable to use receipts from its sale to fund one-off revenue costs required to achieve restructuring or service transformation to reduce ongoing revenue costs.

---

<sup>1</sup> Secretary of State for Department for Communities and Local Government press release of 26 June 2013 [www.gov.uk/government/news/eric-pickles-hails-council-tax-5-year-freeze-and-38-billion-for-social-care](http://www.gov.uk/government/news/eric-pickles-hails-council-tax-5-year-freeze-and-38-billion-for-social-care)

<sup>2</sup> Regulation 23 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146).

# Chapter 8

## List of consultation questions

**Q1. The bidding process has been designed to support the transformation in the delivery of fire and rescue services. Taking that into account, is there anything further you think should be taken into consideration to help drive transformative change and greater efficiency?**

**Q2. Do you agree with the concept of a 'lot based' funding system, to ensure that projects bids get assessed on a like for like basis?**

**Q3. Do you agree that the Government should be able to limit bids, depending on the quality and number of bids received?**

**Q4. Do you think an authority should be able to identify a preferred part of a large scale bid to fund?**

**Q5. Do you agree that a fire and rescue authority (or authorities) should be able to submit an additional bid that was potentially exempt from any bid limit per fire and rescue authority if more than two fire and rescue authorities have formally signed up to the proposal?**

**Q.6 Do you agree in principle with a weighting system that would help direct funds towards the more innovative transformative change projects?**

**Q7. If you disagree with a weighting system, please outline, in no more than 500 words, what your alternative would be.**

**Q8. Do you agree with the bidding process as set out above and on the attached draft application forms?**

**Q9. Do you have any suggestions to improve the draft forms/ application process?**

**Q10. Do you feel the proposed timetable is realistic to allow for the bidding process to be implemented?**

**Q11. If you have concerns about the timetable, what changes would you make to make it more realistic?**

## Appendix A

### Frequently asked questions:

**Q: Are the funds ring-fenced?**

**A:** The funds are not ring-fenced, outside of normal capital arrangements for the capital element of the funding. But we will be asking bidders to agree to publication of winning bid summaries to share best practise, and to publish regular follow up reports on their websites for successful projects.

**Q: Can I bid for both capital and resource?**

**A:** Yes - the process encourages bidders to relate their capital and resource bids. Bids can of course be submitted for only resource or capital.

**Q: Will there be an appeals process?**

**A:** We do not plan to hold a formal appeals process, which would delay us in issuing funding.

This page is intentionally left blank



# Application Form and Guidance for Fire and Rescue Authority Transformation Funding for 2015/16

## Introduction

The development of a well-considered and robust application will be key to bidding for the Fire and Rescue Authority Transformation Funding Scheme.

This form and the accompanying '**Annex A**' spreadsheet, alongside the bidding prospectus, aim to guide and assist applicants through the steps needed to ensure sufficient and robust information is provided in response to the questions listed.

Applicants should use their judgement in deciding what information to submit in support of any given question, but the summaries requested must be completed in the word limits provided.

As a general rule of thumb for completing an application, the amount and detail of supporting information provided should be proportional to the size and complexity of the proposed project.

A single authority may put in no more than three grant application bids overall, and no more than one bid for a particular size of lot. One bid may contain multiple elements. The Department of Communities and Local Government reserves the right to part-fund bids with multiple parts and bidders are asked to consider identifying cases which lend themselves to this and which elements should be prioritised.

If you have any questions on the application form, please contact:

[FireTransformation@communities.gsi.gov.uk](mailto:FireTransformation@communities.gsi.gov.uk)



## A. Identification

The first table, shaded in grey will be completed by the Department for Communities and Local Government upon receipt of the application. The Department will check that all required documents have been submitted, and that the application meets the minimum required terms and conditions for an application for Transformation Funding. Any queries will be referred back to the applicant.

The applicant fire and rescue authority must complete the remaining tables in the section.

## B. Applicant declaration and certification

The application **must** be signed by the elected member with responsibility for fire and rescue and the chief finance officer/ Treasurer, and where applicable, counter-signed by the elected member with responsibility for the partner organisation and their chief finance officer/ Treasurer.

The four green-shaded sections of text enclosed within the brackets should be replaced with the name of the applicant fire and rescue authority.

## C. Project summary

Project narrative summary: **No more than 750 words** should be used to complete this section. The project summary should be a succinct description of the proposed project, and summarise the information supplied within the application. The project summary of successful applications will be published by DCLG on its website.

Project financial summary: This narrative description should demonstrate in **up to 750 words:**

- all costs associated with the project have been identified;
- an explanation of why you believe the costs to be reasonable;
- an explanation of how you have quantified the benefits;
- the rationale underpinning assumptions and estimates;
- the level of commitment where funding is contributed from other sources, including any dependencies;
- that financial risks have been identified and mitigation plans are in place; and
- the sustainability of savings in future years.

## D. High level project details

### Project sound bite

Explain briefly (**up to 50 words**) what the proposed project will do and what it aims to achieve.



<b>Project location</b>	The location of the beneficiaries of the project and / or the address of the site of the proposed development.
<b>Project start date</b>	The date the project is scheduled to start (if part of a wider programme, explain briefly how this relates to the wider programme).
<b>Practical completion date</b>	The date at which the proposed project concludes (again, if part of a wider programme, explain briefly how this relates to that programme).
<b>Project funding summary</b>	Provide details of the total amount of Transformation Funding requested in the bid, and all other funding secured. If the bid is for a mix of capital and revenue expenditure, these must be identified separately. (Itemised funding should also include other grant funding; part- or match-funding by authorities and their partners).

## **E. Bid assessment questions**

This section sets out a series of more detailed questions about the proposed project and its management which will be used to assess the bids. The questions must be completed in conjunction with the **Annex A spreadsheet**, which provides further prompts and support for calculating financial value, including 'value for money' returns.



# Application for Fire and Rescue Authority Transformation Funding for 2015/16

## Disclaimer

There shall be no expectation of grant until Authorities have been formally notified in writing by the Department. All the Applicant's costs and charges incurred as a result of making this application shall be for the Applicant's account and cannot be claimed as part of the project.

Applicants should be aware that the following conditions will also apply to all successful bid applications:

- The Department will publish summaries of all successful bids
- The Department reserves the right to limit the number of successful applications from a fire and rescue authority to one per lot size, depending on the nature, volume and quality of all successful bids. One bid may contain multiple elements. The Department reserves the right to part-fund bids with multiple parts.
- Applications must be signed off by the elected member who has responsibility for fire and rescue and the chief finance officer/ Treasurer and in the same way for all other bid partners (where applicable).
- If the bid scores zero for any of the assessed criteria, it will automatically be rejected.
- We propose to include light touch monitoring by the department utilising publicly available information. We would encourage applicants to regularly publicise progress on their websites and disseminate good practice.

Please return the completed application form, together with all required documents, in electronic format to the Transformation Funding Team at:

[FireTransformation@communities.gsi.gov.uk](mailto:FireTransformation@communities.gsi.gov.uk)





## A. Identification

Department for Communities and Local Government use only	
Policy Objective(s)	
Date Received	
Project Name	

Fire and rescue authority details	
Fire and rescue authority address including post code	
Contact person for bid	
Position in organisation	
Email:	
Telephone Number:	

Will you be working with other organisations to deliver this project?	YES	<input type="checkbox"/>	NO	<input type="checkbox"/>
---	-----	--------------------------	----	--------------------------

If YES, complete a separate table below for each delivery partner (*note – drop down boxes will be allowed*)

Delivery partner organisation details (where bidding for collaboration with other emergency services – <i>please extend this table where more than one delivery partner is identified.</i> )	
Organisation	
Address of applicant organisation including post code	
Contact Person	
Position in organisation	
Email:	
Telephone Number	
Outline the relationship with this delivery partner	



## B. Applicant declaration and certification

### **The Data Protection Act: Freedom of Information Act 2000**

The Data Protection Act puts obligations on users of personal information and lays down principles for its use. One principle states that the information has to be processed fairly and lawfully. This means you are entitled to know how we intend to use any information you provide. You can then decide whether to proceed with your application and to give your information to us.

The Department for Communities and Local Government undertakes to use its best endeavours to hold confidential any information provided in any application form submitted, subject to our contracting obligations under law, including the Freedom of Information Act 2000. If you consider that any of the information submitted in the application form should not be disclosed because of its sensitivity then this should be stated with the reason for considering it sensitive. The Department will then consult with you in considering any request received under the Freedom of Information Act 2000 before replying to such a request.

### **Use of Your Personal Information**

Our main use for your personal information is to process and assess your application for Transformation Funding. The Department will publish details about this application on the Department's website. This may include all or some of the project and applicant details.

We may use your information for the purposes of statistical analysis and may share anonymised information with other government departments, agencies or third parties for statistical analysis and reporting purposes.

Our policies and procedures in relation to the application and evaluation of grants are subject to audit and review by both internal and external auditors. Your information may be subject to such audit and review.

If your application anticipates collaboration with another delivery partner, they are required to countersign this application.

We will not hold your information for longer than is necessary. We will hold the majority of your information for a minimum of three years after project closure, currently expected to be 2018, unless we have a legitimate reason to keep this for longer, for instance defending any legal proceedings that may be brought against us by any person or body in relation to your application or the services we have provided or as is required by law or any regulatory body or recommended by any relevant code of practice.

If you believe that any information that we hold about you is inaccurate or incorrect, please tell us and we will correct it.



**Applicant Certification – Elected Member with responsibility for fire and rescue, the Chief Finance Officer/ Treasurer and, where applicable, counter signed by the Elected Member with responsibility for the partner organisation and their own chief finance officer/ Treasurer.**

I declare that I have the authority to represent **[insert name of organisation]** in making this application.

I am aware that if the information given in this application turns out to be false or misleading, the Department for Communities and Local Government may demand the repayment of funding and/or terminate a funding agreement pertaining to this Application.

On behalf of **[insert name of organisation]** and having carried out full and proper inquiry, I confirm to the Department:

- **[insert name of organisation]** has the legal authority to carry out the project; and
- That the information provided in this application is accurate.

I confirm to the Department:

- I have informed all persons in relation to whom I have provided personal information of the information I have provided to you and of the purposes for which this will be used. I have the consent of the individuals concerned to pass this information to you for these purposes;
- I authorise the Department to process my personal information for the purposes stated in this form;
- That I shall inform the Department if, prior to any Transformation Funding being legally committed to **[insert name of organisation]**, I become aware of any further information which might reasonably be considered as material to the Department in deciding whether to fund the application.

Signed for and on behalf of the applicant fire and rescue authority	_____		
Name (Print)			
Position		Date	
Countersigned by chief finance officer/ Treasurer			
Name (Print)		Date	
Position			



Signed for and on behalf of the partner organisation	_____		
Partner Organisation			
Name (Print)			
Position		Date	

Counter-Signed by chief finance officer/ Treasurer on behalf of the partner organisation

\_\_\_\_\_

Name (Print)			
Position		Date	

## C. Project summary

### C1. Project summary

Expand box for response – (no more than 750 words)

--

### C2. Project financial summary

Expand box for response – (no more than 750 words)

--



## D. High level project details

Project Sound Bite (up to 50 words):

Project Location

Project Start Date

Practical Completion Date

### Project Funding Summary

	Transformation Funding Bid	Other Funding (see #)	Grand Totals
<b>Capital</b>	<b>£0,000</b>	<b>£0,000</b>	<b>£0,000</b>
<b>Revenue</b>	<b>£0,000</b>	<b>£0,000</b>	<b>£0,000</b>
<b>Totals</b>	<b>£0,000</b>	<b>£0,000</b>	<b>£0,000</b>
		<b>Overall Project Value</b>	<b>£0,000</b>

# Other Funding itemised should include other grant funding; part- or match-funding obtained or applied for by authorities and their partners.



## E. Bid Assessment Questions

The applicant must submit sufficient information to answer all of the questions below, and complete and submit the relevant tables in the financial **Annex A** spreadsheet. Your answers to these questions will be the basis for assessing your bid for Transformation Funding. Please refer to the Guidance when formulating responses to the questions. You must ensure that all completed documents are signed off by the relevant personnel and sent together to the email address provided at the front of this application form.

You must structure your answers following the ordering of the questions, and it must be clear to the assessors which question is being answered.

Any relevant supporting documents (for example, project plans) may be appended to this Application Form, but the summaries requested must be provided.

The work that will be required in completing the bid should reflect the size and complexity of the proposed project. Lengthy and complex projects that involve several delivery partners and span all of the Department's policy objectives for transformation funding will require more detail to be provided than smaller, more limited projects.



## Section 1 – value for money

(1.1) **Annex A** must be completed for all bids – please see the associated guidance notes.

(1.2) What (if any) other sources of funding are there for the project? Please list the source, type and extent of funding. Please include grants applied for/ already obtained and funding that the applicant organisation(s) are putting in.

<b>Funding source</b>	<b>Type of funding (e.g. revenue, capital)</b>	<b>Value (£)</b>	<b>Is funding secured?</b>	<b>From when will the funding be available?</b>	<b>What will this other aspect of funding deliver?</b>

(1.3) We appreciate that there may be wider benefits that are not possible to quantify in monetary terms but which do provide added value to project. Details of any wider / qualitative benefits and any assumptions that underpin them should be described in Section 2 of Annex A (the guidance for completing this Annex provides more detail).

For example, where wider benefits might accrue from releasing land it would be helpful for your bid to include some specific details, namely:

- to help us determine a notional value of any wider benefit arising from releasing land please ensure you specify the location of land and hectares as set out in Annex A.

(1.4) Over what timeframe will the project expenditure be spread: .....years ..... months?

(1.5) Over what timeframe will the project savings be delivered: .....years ..... months?



## Section 2 – Transformation funds policy objective alignment

*This section of the bid document focuses on alignment of the bid with the policy objectives below.*

*Bidders should identify the policy objectives under which their bid sits, and answer all related questions. Please note that more than one policy objective can be linked with any one bid.*

(2.1) The bid delivers improved efficiency and effectiveness through the following criteria:

- A. Encouraging greater collaboration with other emergency services
- B. Improving local accountability
- C. Promoting asset transformation/ other efficiencies
- D. Prioritising prevention and protection

*(Please answer the related questions below for all criteria through which the project is assessed as delivering improved efficiency and effectiveness)*

### Question Topic A: Encouraging greater collaboration with other fire and rescue and/or emergency services

(A.1) Which service(s) are involved? (please note that other emergency services are partner organisations for the purposes of applicant certification and will need to have signed off on a bid):

- One or more police service
- One or more ambulance service
- One or more fire and rescue authority

(A.2) What form will the collaboration take?

Expand box for response – (no more than 500 words)

(A.3) Does the bid improve emergency services interoperability? (Y/N)





(A.4) If the answer to the above question was yes, explain how.

Expand box for response – **(no more than 300 words)**

(A.5) Is the bid a new collaborative/ interoperability enterprise? **(Y/N)**

(A.6) Does the bid build on existing collaborative/ interoperability activity? **(Y/N)**

(A.7) If the answer to the above is 'yes', please describe this existing activity below.

Expand box for response – **(no more than 300 words)**

#### Question Topic B: Improving and promoting local accountability

(B.1) Please identify the way(s) in which improved local accountability will be delivered:

- Closer co-operation between fire and rescue authority and a Police and Crime Commissioner
- Closer co-operation or merger between a stand-alone fire authority and a local authority
- Closer co-operation between two or more fire authorities
- Other

(B.2) Does any of the above involve delivery of improved efficiency and effectiveness through plans to share senior management teams and/or other staff resources? **(Y/N)**

(B.3) If the answer to the question above is yes, please summarise what these plans are.

Expand box for response – **(no more than 300 words)**



(B.4) If the answer to (B.2) is no, please describe how the project will deliver improved efficiency and effectiveness.

Expand box for response – (no more than 300 words)

Question Topic C: Promoting asset transformation/ other efficiencies:

(C.1) How does the intended investment deliver improved efficiency and effectiveness (please tick those that are relevant):

- replacing and/or rationalising existing fire estate
- replacing and/or rationalising existing firefighting equipment
- repairing or refreshing existing fire estate
- investing in assets to deliver new or rationalised crewing
- delivering a new procurement system
- delivering a new staffing / crewing system
- other (please explain briefly)

.....  
.....  
.....  
.....

(C.2) Please give details of any other further savings or efficiencies not listed above that will be delivered through implementation of the project below:

Expand box for response – (no more than 300 words)



Question Topic D: Prioritising prevention and protection:

(D.1) How does the project prioritise improved prevention and protection?

Expand box for response – **(no more than 500 words)**

(D.2) Please summarise clearly how savings has been calculated.

Expand box for response – **(no more than 300 words)**

(D.3) Does the project involve local authorities and/or other emergency services in delivering improved and transformed prevention and protection? **(Y/N)**

(D.4) If the answer to the above is yes, please explain briefly how local authorities and/or other emergency services are being involved in this work.

Expand box for response – **(no more than 300 words)**

### **Section 3 - Project Details**

#### Strategic requirements

3.1 Please describe what the project intends to do, who it will benefit and why it is appropriate to progress it at this time.

Expand box for response – **(no more than 500 words)**



3.2 Please describe any links to existing, previous or planned projects.

Expand box for response – (no more than 300 words)

3.3 Why is transformation funding (specifically) required?

Expand box for response – (no more than 300 words)

3.4 Please briefly summarise in bullet point form the project’s key objectives in terms of:

- deliverables/ outputs; and
- outcomes / longer term results - in particular, any improved efficiencies/ effectiveness delivered.

Project planning:

3.5 Please set out the key activities and dates for the project in the table below. Please add further lines to the table as required, highlighting those which are dependencies. If a separate project plan is appended, this summary table must still be completed.

*There should be a clear flow of logic from the project objectives to main activities, deliverables and anticipated results and impacts.*

Identifier	Key activities	Dates	Dependency with (identifier) – explain briefly
1			
2			
3			
4			



Identifier	Key activities	Dates	Dependency with (identifier) – explain briefly
5			
6			
7			
8			
9			

Project governance

3.6 Explain how the project will be managed and governed, including any relevant track-record of project delivery from those concerned.

Expand box for response – **(no more than 300 words)**

Project risks and mitigations:

3.7 Using the table below, please provide an assessment of key project risks in terms of delivery, management and control, mitigating actions (planned or already in place) and assessment of risks post-mitigation. Please consider, in particular, all dependencies critical to project success and the risks arising from these dependencies.

3.8 If a separate risk register is appended to the application, the summary table should still be completed.

	Risk	Red/ Amber/Green Status	Mitigation descriptor	Red/Amber/Green Status post- mitigation
1				
2				
3				



4				
5				
<i>etc...</i>				

DRAFT

## **Merseyside Fire and Rescue Authority Response to the Consultation on Fire and Rescue Authority Transformation Funds for 2015-16 Bidding Process**

Thank you for the opportunity to respond to the consultation on the Transformation Funds bidding process.

### **General Comments**

The Government made a very strong statement on the importance of operational independence in the Fire National Framework 2012. The then Minister, stated that:

“The National Framework will continue to provide an overall strategic direction to fire and rescue authorities, but will not seek to tell them how they should serve their communities. They are free to operate in a way that enables the most efficient delivery of their services. This may include working collaboratively with other fire and rescue authorities, or with other organisations, to improve public safety and cost effectiveness. Ultimately, it is to local communities, not Government, that fire and rescue authorities are accountable”.

The principle set out in this extract is one that was developed with the sector and one that the Merseyside supports. The creation of a directional bidding fund established by top-slicing fire and rescue funding is at odds with this principle. It is the Authority's view that Fire and Rescue Authorities are best placed to make decisions on how to organise and deliver local services and that resources ought to be allocated directly to Fire and Rescue Authorities to spend based on local needs.

The monies are one off in nature and cannot be relied upon in medium term financial plans so despite claims to the contrary the cut in funding for Fire and Rescue services is 10% and this large scale cut will impact on the service currently provided to the communities of Merseyside.

Fire and Rescue Authorities no longer receive any direct capital funding. Even the level of resources set out for the transformation fund at £75m p.a would be inadequate to maintain current asset bases of core infrastructure of fire stations and appliances. Government should adequately invest in the service so that it can maintain core assets to support service delivery.

The bidding process should be light touch and transparent. Before the government decides on whether to apply a weighting system to the bidding process, it should publish the detail of such an approach for consultation.

### **Timescales**

The timescales for development of bids is relatively short. On the other hand the timetable for the assessment and announcement of bids is too long. Fire and Rescue Authorities need to know at the earliest opportunity the funding that they can expect for 2015/16. This will be particularly important if capital asset projects that have a long lead-in and completion time are to have a positive impact on budgets in 15/16 and 16/17.

As a practical example of the difficulties: -to consult with the public, get planning permission, procure and build a new fire station or blue light centre takes at the very least two years.

Decisions in Autumn 2014 means any new arrangements are unlikely to deliver savings until perhaps 2017/18 budgets.

### **Mixture of Capital and Revenue**

It is noted that the capital and revenue monies have been included in a single pot and this flexibility is in general terms welcome. However, CLG should assure themselves that this does not cause any practical or accounting issues for local authorities as there have been Treasury concerns in the past about mixing revenue resource bids with PFI grant resources.

The answers to specific questions are set out below.

**Q1. The bidding process has been designed to support transformation in the delivery of fire and rescue services. Taking that into account, is there anything further you think should be taken into consideration to help drive transformative change and greater efficiency?**

Whilst recognising the need to invest in major transformation schemes to deliver efficiency government should note that the level of resources available just to maintain core asset bases is inadequate. This will inevitably cause issues and costs for the service in the longer term.

**Q2. Do you agree with the concept of a 'lot based' funding system, to ensure that projects bids get assessed on a like for like basis?**

The proposals seem confused between a system which is

- a) Designed to distribute funding to a wide range of fire and rescue authorities, rather than concentrating it in a few by the use of lots.
- b) Scored on treasury green book principles encouraging projects which deliver the biggest savings

A lot-based system makes the bidding process much more complicated. If the desire is to see more areas benefit from the funding, a simple system of allocation would be the best option.

The proposals around exemptions for multi authority bids and modular bid processes are not clear and could benefit from clearer examples of which sorts of bids would fit into different categories.

Bidding processes are time-consuming and resource intensive. Government should work with fire and rescue authorities to ensure that bids are acceptable.

The Government must be clear on the upper and lower funding limits of the proposed lots at the outset of the bidding process, but should also be flexible in how these bands are applied in light of the bids that are actually received. The process should not unnecessarily distort the development of bids

**Q3. Do you agree that the Government should be able to limit bids, depending on the quality and number of bids received?**



The consultation document proposes a weighting system to be applied to the assessment of bids. This sounds rigorous and complex, but there is no detail on how the weighting system will be structured. The bidding process should be light touch and transparent. If the government decides to apply a weighting system to the bidding process, it should publish the detail of such an approach in advance.

Specific criteria for limiting the bids should be clearly identified in advance.

**Q4. Do you think an authority should be able to identify a preferred part of a large scale bid to fund?**

The scoring and grant award process should be clear, transparent and unambiguous. It does not seem unreasonable to ask Authorities to prioritise parts of a bid for funding but if funding is allocated on this sort of proportionate basis it would seem to undermine the requirement for a bidding process?

**Q5. Do you agree that a fire and rescue authority (or authorities) should be able to submit an additional bid that was potentially exempt from any bid limit per fire and rescue authority if more than two fire and rescue authorities have formally signed up to the proposal?**

The scoring and grant award process should be clear, transparent and unambiguous. The use of complex lots, exemptions and unpublished rules would not help achieve this.

**Q6. Do you agree in principle with a weighting system that would help direct funds towards the more innovative transformative change projects?**

The consultation document proposes a weighting system to be applied to the assessment of bids. This sounds rigorous, but there is no detail on how the weighting system will be structured. The bidding process should be light touch and transparent. If the government decides to apply a weighting system to the bidding process, it should publish the detail of such an approach in advance.

**Q7. If you disagree with a weighting system, please outline, in no more than 500 words, what your alternative would be.**

Not applicable.

**Q8. Do you agree with the bidding process as set out above and on the attached draft application forms?**

The bidding process should be light touch and transparent. If the government decides to apply a weighting system to the bidding process, it should publish the detail of such an approach in advance.

**Q9. Do you have any suggestions to improve the draft forms/ application process?**

The bidding process should be light touch and transparent. If the government decides to apply a weighting system to the bidding process, it should publish the detail of such an approach in advance.

This page is intentionally left blank

<b>MERSEYSIDE FIRE AND RESCUE AUTHORITY</b>			
<b>MEETING OF THE:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>		
<b>DATE:</b>	<b>14<sup>TH</sup> JANUARY 2014</b>	<b>REPORT NO:</b>	<b>CFO/009/14</b>
<b>PRESENTING OFFICER</b>	<b>DEPUTY CHIEF EXECUTIVE</b>		
<b>RESPONSIBLE OFFICER:</b>	<b>KIERAN TIMMINS</b>	<b>REPORT AUTHOR:</b>	<b>KIERAN TIMMINS</b>
<b>OFFICERS CONSULTED:</b>			
<b>TITLE OF REPORT:</b>	<b>LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/15</b>		

<b>APPENDICES:</b>	<b>APPENDIX A: DRAFT RESPONSE</b>
--------------------	-----------------------------------

### **Purpose of Report**

1. To inform Members of the Local Government Finance Settlement and to propose a response.

### **Recommendation**

2. That Members;
  - a. Note the report
  - b. Approve the proposed response

### **Introduction and Background**

3. The Government announced the local government finance settlement for 2014/15 on 18<sup>th</sup> December for consultation. The consultation period is short and closes on 15<sup>th</sup> January 2014.
4. The consultation document and the draft Local Government Finance Report (England) 2014-15 set out the general nature of the basis of distribution which the Secretary of State has in mind. The supporting tables include the key information for all local authorities, with dropdown menus to enable the reader to go directly to the information for an Authority, as well as background information and calculation models to the reader to carry out their own checks. They are available at <https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2014-to-2015>
5. In addition, indicative information has been published for 2015/16.

6. In summary, total government funding to the Authority for 2014/15 is £40.687m - a reduction of £3.155m (-7.2%). Total funding for 2015/16 is £37.213m, a further reduction of £3.474m (- 8.5%). In real terms these are cuts in excess of 10% per annum and are in line with the cuts applied to all fire and rescue authorities and local government in general.
7. As anticipated the 2014/15 settlement has been reduced to reflect the chancellor's assumptions in his budget about public sector pay.
8. Overall the forecast financial plan deficit that has been discussed with members remains unchanged at a forecast deficit of £6.6m by the end of 2015/16 based upon confirmed government financial decisions and key assumptions around pay, inflation, council tax and pensions costs.
9. The government has not yet announced the thresholds for council tax referendum limits yet but there have been some indications that levels lower than 2% may be considered. The government has also indicated that council tax freeze grant will be base lined in grant funding for the future. Alongside that the council tax freeze grant is calculated on a council tax base which is larger than the Authorities actual council tax income. These factors may affect Authority decisions on a Council Tax strategy.
10. The Government has said it will *"announce the Council Tax referendum threshold principles separately in the New Year. We are particularly open to representations suggesting that some lower threshold be applied to all or some categories of authorities, given the strong need to protect taxpayers wherever possible from unreasonable increases in bills, and given next year's elections on 22 May across the country allow for referendums to be held at minimal cost. We should trust the people. The final referendum principles will then be subject to the approval of the House of Commons. In addition, subject to approval by Parliament of the Local Audit and Accountability Bill, which is currently before Parliament, the principles will include levies and will therefore be based on the level of Band D Council Tax. This will mean the principle will relate to the actual increase which appears on people's bills – again reducing costs for taxpayers"*
11. Officers have been working with colleagues in the City region to develop a Merseyside response to the proposals. The draft is attached as Appendix A.

---

### **Equality and Diversity Implications**

---

12. The government have carried out an EIA on their proposals which is available on their website.

---

### **Staff Implications**

---

13. Reduced resources will inevitably mean staff reductions

---

**Legal Implications**

---

14. The government is required to follow strict guidelines around the timing and content of settlement announcements and consultations.

---

**Financial Implications & Value for Money**

---

15. As set out in the report

---

**Risk Management, Health & Safety, and Environmental Implications**

---

16. No immediate issues arising

---

**Contribution to Our Mission: *Safer Stronger Communities – Safe Effective Firefighters***

---

17. Reduced resources will reduce the service we can offer to our communities.

---

**BACKGROUND PAPERS**

---

---

**GLOSSARY OF TERMS**

---

This page is intentionally left blank

Andrew Lock  
Department of Communities and Local Government  
Zone 5/J2  
Eland House  
Bressenden Place  
London  
SW1E 5DU

15 January 2014

Dear Andrew,

**Consultation:**  
**Local Government Finance Provisional Settlement 2014/15 and 2015/16**

I attach, for your information, a response to the consultation from the Liverpool City Region Director's of Finance, and represent the views of:

- Halton
- Knowsley
- Liverpool
- St Helens
- Sefton
- Wirral
- Merseyside Police & Crime Commissioner
- Merseyside Fire & Rescue Service

I trust that you will find this response helpful.

Yours sincerely

James Duncan  
Director of Finance and Information Technology  
Knowsley MBC

## **LIVERPOOL CITY REGION RESPONSE TO THE PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/15 and 2015/16**

### **Overview of the Local Government Finance Settlement**

The Liverpool City Region welcomes the opportunity to respond to the consultation on the most recent Local Government Finance Settlement covering 2014/15 and 2015/16 and would like the Government to consider the following comments.

In April 2013, the Government introduced the most radical reform of local government funding in a generation in a time of significant reductions in the resources available to local government and major reforms to the welfare system. With such significant changes occurring, last year's announcement of a two-year Local Government Finance Settlement, although very late in the financial planning cycle, was welcome as it did allow councils to plan for them over the two-year period. To that extent, by March 2013, most councils successfully set a two-year balanced budget. Therefore, the Chancellor's Budget announcement within weeks of councils setting balanced two year budgets that the 2014/15 Local Government Finance Settlement would be reopened and be reduced by a further 1% to contribute to the Government's national deficit plan.

The Liverpool City Region is extremely disappointed with the timing of the announcement of the Local Government Finance Settlement with no forewarning of it to ensure authorities had the appropriate staff available over the holiday season to assess the impact on their financial plans. Furthermore, the opaque nature of the announcement and emphasis on spending power figures, after transfers and adjustments had been made, to hide the extent of the cuts on core services such as Supporting People, Social Care, Highways Maintenance etc. is extremely disappointing.

The Liverpool City Region firmly believe that it is more important than ever that the distribution of available resources reflects the assessed needs of areas (i.e. levels of deprivation) and the ability to raise resources. Unfortunately, the latest Local Government Finance Settlement follows those of the past three years with the greatest impact [cuts] affecting the most deprived authorities, such as the Liverpool City Region.

In addition, the Government's decision to continue funding its policies (Council Tax Freeze Grant, and New Homes Bonus) through the local government finance system have actually resulted in a top slice of the resources that would have gone through the needs based formula, in effect reallocating money from deprived areas to more economically active areas. Meanwhile, new burdens are being placed on councils without 'new' funding as claimed - top-slicing resources already paid to councils is not providing new funding. Whilst some funding, such as Welfare Fund (Emergency Support) has been removed without any consultation or apparent impact assessment.



The Liverpool City Region response to the consultation questions are outlined below:

**1. Do you agree with the Government's proposal to remove the capitalisation holdback and re-allocate the funding?**

No, the Liverpool City Region does not agree with the proposal and remains disappointed that the Government had persisted with a £100m top-slice from the Local Government Finance Settlement in 2013/14 to support capitalisation across local government. The basis for the top-slice was due to a central government financial accounting even though local authorities already pay for capitalisation out of future revenue streams.

Accessing capitalisation resources usually comes with stringent conditions with an emphasis on authorities using reserves first. It is apparent that few requests were made, which left £50m to re-allocate to local authorities. However, the Government has confirmed that it will only return £28m of the top-slice from 2014/15 funding due to lower than anticipated capitalisation requests with £22m of the funding now being redirected fund Government policy to support rural areas, the continuation of efficiency support grant, and safety net payments, none of which Liverpool City Region authorities can access. Therefore, Liverpool City Region authorities will only receive 56% of the outstanding holdback.

In previous years, the Government has provided the funding for Efficiency Support Grant. The Liverpool City Region firmly believe that if funding for this is to continue it should be provided by the Government and not via a holdback taken from councils for a completely different purpose. Similarly, where the Government makes a policy decision to provide more resources to rural areas it should fund it from central resources and not from a holdback. Finally, in terms of the safety net, the failure of the Business Rates Retention system is the Governments and not local government and they should fund the ongoing cost, primarily due to historic appeals, and not via holdbacks or further top slices of Revenue Support Grant.

The Liverpool City Region has previously requested that the Government is more flexible than it has been previously with regards its approach to capitalisation. The announcement that £200m of capital receipts could be used in such a manner is supported in principle by the Liverpool City Region authorities, but further details on the bidding process and applicable receipts is required before full support can be made.

**2. Do you agree with the Government's proposal to reduce the New Home Bonus holdback from £800m to £700m?**

No. Although the reduction in the holdback is welcome by the Liverpool City Region authorities, it remains fundamentally opposed to the New Homes Bonus and the way it is funded.

The New Homes Bonus is rewarding local authorities that have available land and adequate demand for housing, which tends to be wealthier areas at the expense of the most deprived communities, such as those in the Liverpool City Region. Furthermore, the resources now identified to fund the New Homes Bonus is double that proposed in the Comprehensive Spending Review, which inevitably leads to even greater top slicing of resources in the new Business Rates Retention system, which leads to an overall reduction in local government funding to the Liverpool City Region.

New Homes Bonus was originally predicated on compensating authorities who would lose income due to the Relative Resource adjustment in formula, which reduced Revenue Support Grant as Council Tax income increased. As the Relative Resource adjustment is now effectively frozen until 2020, the New Homes Bonus should similarly have been frozen as authorities with extra Council tax will retain additional income.

The reduction in the cut from £800m to £700m in 2014/15, with the potential for the cut to rise to £2bn by 2018/19, still provides a disastrous funding scenario for many councils. The fact that it is coming out of existing core revenue funding currently used to pay for services such as social care, roads, transport, economic development and support for business growth etc. is a major problem. It has been shown to have the effect of redistributing very large amounts of funding from poorer to wealthier parts of the country.

Rather than being distributed on a needs basis, this funding will be distributed on the basis of future increases in the Council Tax base. This method of distributing funding inherently favours those local authorities where the tax base is comprised of higher banded properties and where there is greater potential for building new homes on land without having to first demolish older properties.

For example, a projection of future New Homes Bonus likely to be received by 2018/19 and of funding lost as a result of the eventual £2 billion top slice shows Liverpool could lose over £26 million as a result of the funding being distributed as part of New Homes Bonus rather than forming part of the Settlement Funding Assessments under the Business Rates Retention System.

The National Audit Office has also stated that the New Homes Bonus has failed to deliver its policy objectives. The Public Accounts Committee has now agreed to review the New Homes Bonus further and will report to Parliament. In response, the Chancellor confirmed in the 2013 Autumn Statement that a review of New Homes Bonus and its link to incentives would be undertaken before the 2014 Budget. The Liverpool City Region authorities ask the Government to ensure the review considers the unfair re-distribution of resources under the current methodology and that this is addressed too.

In 2014/15, a top-slice of £700m of Formula Grant previously allocated to fund statutory services now funding New Homes Bonus sees the Liverpool City Region authorities suffering most from its re-distributional impact. For example, it is estimated that Knowsley has contributed £3.947m to the top-slice. Therefore, for every £1 top-sliced Knowsley receives £0.33p in New Homes Bonus. By contrast Basingstoke & Deane receive £20.97 for every £1 lost in the top-slice, while Mid Sussex receives £18.08 for every £1 lost.

The New Homes Bonus is an un-hypothecated grant and should be treated as general grant. Therefore, the Liverpool City Region is pleased that the Government reversed its proposals to top slice New Homes Bonus from 2015/16 to fund the Single Local Growth Fund, with the exception of London Boroughs, in the 2013 Autumn Statement.

### Alternative Methodology

As demonstrated above, Liverpool City Region authorities lose significant funding due to the mechanics of the top-slice, and receive very little back. However, there are alternative methods that the Government could use. An option put forward by the Core Cities, which the Liverpool City Region authorities support in principle, is that the allocation of the grant top-slice between councils is on the basis of their stock of dwellings, as opposed to making a simple percentage cut in grant. It is felt that this more equitable allocation of the grant top-slice would reduce the redistributional impact of the scheme and would mitigate against the excessive adverse impact on the most deprived areas of the country.

The table below shows the impact of the proposed £700m New Homes Bonus top-slice and the effect of an alternative cut made in proportion to the number of dwellings in an area. Using the number of dwellings at September 2012 would result in an average top-slice of £30 per dwelling around the country (the Government could even use the number of dwellings at an earlier date prior to the impact of the New Homes Bonus scheme). This contrasted with the current approach, which allocates the top-slice disproportionately around the country between £190 per dwelling and just £13 per dwelling in different areas. The highest reductions being made in the areas of the country that are generally more deprived.

Delivering a fairer way of funding the New Homes Bonus top-slice would reduce the cuts for Knowsley by £2.033m in 2014/15, and Liverpool by £4.623m in 2014/15 with significant savings in the levels of cuts currently proposed for the most deprived authorities. The impact in future years would be even greater as the top-slice is expected to grow towards £2bn by 2018/19.

Examples of Impact of £700m New Homes Bonus Top-slice:

	CURRENT FORMULA		TOPSLICE ON A £ PER DWELLING BASIS		CHANGE
	£M	£/Dwelling	£M	£/Dwelling	£M
City of London - Non-Police	-1.052	-£190.31	-0.167	-£30.29	0.885
Hackney	-7.023	-£67.81	-3.137	-£30.29	3.886
Newham	-7.048	-£67.69	-3.154	-£30.29	3.894
Tower Hamlets	-7.054	-£65.16	-3.279	-£30.29	3.775
<b>Knowsley</b>	-3.947	-£62.46	-1.914	-£30.29	2.033
Southwark	-7.330	-£58.96	-3.765	-£30.29	3.565
Camden	-5.796	-£57.84	-3.035	-£30.29	2.761
Islington	-5.399	-£55.03	-2.971	-£30.29	2.427
Birmingham	-22.675	-£53.38	-12.867	-£30.29	9.808
Lambeth	-7.059	-£53.05	-4.030	-£30.29	3.028
Mancheste	-11.268	-£52.56	-6.494	-£30.29	4.774
<b>Liverpool</b>	-11.138	-£51.78	-6.515	-£30.29	4.623
Barking & Dagenham	-3.652	-£51.13	-2.164	-£30.29	1.489
Greenwich	-5.286	-£50.58	-3.165	-£30.29	2.120
Sandwell	-6.444	-£50.47	-3.867	-£30.29	2.577
Lewisham	-5.998	-£50.47	-3.599	-£30.29	2.398
Leicester	-6.387	-£50.05	-3.865	-£30.29	2.522
England	-700.000	-£30.29	-700	-£30.29	0.000
Purbeck	-0.073	-£16.49	-0.674	-£30.29	-0.601
Horsham	-0.132	-£16.46	-1.720	-£30.29	-1.588
Mid Sussex	-0.138	-£16.45	-1.802	-£30.29	-1.664
Cheshire East	-2.733	-£16.38	-5.055	-£30.29	-2.321
Basingstoke & Deane	-0.194	-£16.35	-2.170	-£30.29	-1.975
South	-0.071	-£16.24	-0.843	-£30.29	-0.772
Fareham	-0.123	-£16.19	-1.461	-£30.29	-1.337
Chiltern	-0.094	-£16.13	-1.165	-£30.29	-1.071
East Hampshire	-0.119	-£16.05	-1.497	-£30.29	-1.378
Hart	-0.089	-£16.04	-1.116	-£30.29	-1.027
Christchurch	-0.063	-£15.91	-0.702	-£30.29	-0.640
Ryedale	-0.106	-£15.70	-2.784	-£30.29	-2.678
East Dorset	-0.087	-£15.43	-1.183	-£30.29	-1.096
Wokingham	-0.890	-£14.18	-1.901	-£30.29	-1.011
Windsor and Maidenhead	-0.821	-£13.43	-1.850	-£30.29	-1.030

3. Do you agree with the Liverpool City Region's decision to provide more resources to rural areas it should fund it from central resources and not from a holdback.

**4. Do you have any comments on the impact of the 2014/15 settlement on protected groups, as set out in the draft Equality Statement?**

The Liverpool City Region is disappointed with the content of the draft Equality Statement. Local Government is currently seeing the largest cuts to its funding due to Government policy, which have significant equality issues that are not addressed. To say that the decisions on how services are affected are made locally and so are not the responsibility of the Government, which is choosing where the cuts are being targeted, is seen by the Liverpool City Region as a dereliction of duty.

The Liverpool City Region is concerned by the significant level of risk transfer from central government to local government that has occurred. The aggregation of the individual risk items, presents a major difficulty for local government that does not have the room for manoeuvre that is available to the Government.

The examples of risk transfer that have, or will, occur are:

- a. Moving away from a 'needs' basis for allocating resources;
- b. Erosion of Resource Equalisation;
- c. Changes to the Business Rate regime – reliefs, cap etc.;
- d. Business Rates Appeals prior to April 2013;
- e. Welfare Reform (Universal Credit, bedroom tax etc.);
- f. Council Tax capping; and
- g. Council Tax Benefits localisation and the reduction in funding.

In regions, such as the Liverpool City Region, the above changes will represent a fiscal cliff, threatening the livelihood of the community and essential services. The Government has not quantified or acknowledged the varying cumulative impact by region or authority, of these combined initiatives. Therefore, the Liverpool City Region asks the Government to engage with authorities on evaluating this regional impact during 2014/15 and onwards and mitigating the impact on the worst affected.

There are a number of specific comments that the Liverpool City Region would also wish to raise, and these are outlined below.

**Settlement Funding Assessment**

Neither the Minister's statement or the consultation paper highlight the overall size of the grant funding cut that is being proposed for 2014/15, which amounts to a national cut in Settlement Funding Assessment of 9.4% and a national cut in the Revenue Support Grant element of 17.5%. The impact of these cuts is felt greatest by authorities most reliant upon Revenue Support

Grant to fund their core services, deprived authorities such as in the Liverpool City Region.

### Funding Top-Slices

The Business Rates Retention System has a safety net mechanism to protect authorities that lose significant amounts of Business Rates in any year. It was established to protect tariff authorities (not Liverpool City Region authorities) and after a £25m top-slice in year one would be self funded by charging a levy to tariff authorities benefitting from significant Business Rates Growth. However, due to the risk of historic appeals sitting with councils and not funded by the national Business Rates Pool that was closed with a surplus of circa £600m the Government is proposing a top-slice of £120m in 2014/15 to fund the safety net. This has effectively reduced Liverpool's funding by £1.778m and Knowsley's funding by £0.628m.

### Resource Equalisation

The Government's focus is on the need for local authorities to be more self-sufficient by providing incentives for areas where economies grow. This approach effectively rejects the principle that funding should be sufficient to reflect the different needs of communities. The new funding system fails to recognize the varying requirements on councils in different areas to provide statutory services, or the very different abilities to raise money locally from Council Tax. These were previously the core principles which underpinned the local government finance system when Council Tax was first introduced in 1993/94. The principles were aimed at ensuring that any resident, anywhere in England, would receive a standard level of service to meet their needs with a similar council tax charge for a similar property. These principles are being abandoned – although it is unclear whether this is by design or by accident, and whether Ministers, MPs and the wider public fully understand the implications of the new funding system that they have introduced.

In 2012, the Secretary of State agreed to restore the Council Tax Resource (equalization) Amount to its 2010/11 cash level of -£6.323bn (excluding the amount previously allocated to Police authorities) in the base funding level for 2013/14. The adjustment has now been embedded into upper and lower tier elements within the Settlement Funding Assessment and is no longer separately visible.

The Liverpool City Region is concerned that the mechanics of the Business Rates Retention System will see the Council Tax Resource Equalization amount cut and eroded each year as these blocks receive no protection. This is a significant erosion of a core funding principle of resource equalization. This issue is one of the biggest causes of the disproportionate cuts in funding and spending power between poor and wealthy area in the country that is now very visible in the change in spending power in 2014/15 and 2015/16.

The Liverpool City Region has little evidence that this issue has been adequately consulted upon, given the dramatic distributional impacts that it

has. The Government claims that the issue was sufficiently clear in their consultation proposals. However, it was not adequately highlighted and was not the subject of a specific question, and the impact of reducing it was not separately exemplified. Similarly, as this is not particularly visible in the Local Government Finance Settlement, and not highlighted in the recent consultation, the Liverpool City Region are concerned that Parliament may not be sufficiently aware that this key principle has been abandoned by the Government. The lack of consultation contrasts sharply with the consultation on the protection of the council tax freeze grant (which involved separate questions and exemplifications of its impact), which generally provides more benefit to councils with higher tax bases.

The Liverpool City Region believe that it would be relatively simple to separate this adjustment out of the amounts allocated for the tiers and to give it cash protection similar to that given to council tax freeze grant. The impact of this would appear to result in a very significant grant distribution. For example, Knowsley could be better off by nearly £5m in 2015/16.

#### Early Intervention Grant (EIG)

The EIG remains separately identifiable in the Settlement Funding Assessment and reduces by 15.6% over the two-year settlement period. It is clear that these reductions represent a significant pressure for councils and is contrary to the level of investment councils are trying to make in Intervention services to support Government policy, such as 'troubled families'.

The Liverpool City Region is disappointed that the £150m top slice made for central distribution in 2013/14 was not made available to authorities, and is now being used to fund new Government policy, such as £80m to fund new burdens relating to SEN transport.

#### Localisation of Council Tax Support

The Liverpool City Region requests again that the allocations of Localised Council Tax Support should remain transparent and protected in the Settlement Funding Assessment. Although, the Government highlight the £3.3bn in the control total, its failure to identify and protect the allocation effectively leads for it to be cut (redistributed from deprived to wealthier authorities).

In 2013/14, Knowsley received £15.369m to fund its localised scheme. Based on the provisional settlement this funding will reduce by 5.4% in 2014/15 and by 7.9% in 2015/16 to £13.392m (see table below):

Year	Funding (£m)	Reduction (£m)	Change
2013/14	15.369	n/a	n/a
2014/15	14.542	0.827	-5.4%
2015/16	13.392	1.150	-7.9%

Meanwhile, Sefton have assessed that due to the Localised Council Tax Support Grant being funded by Revenue Support Grant that within just a couple of years the funding provided by the Government will diminish to the point where Sefton cannot fund, in full, the national scheme for pensioners. The failure to fund the national scheme (pensioners) is effectively an unfunded burden on local authorities.

### **Specific Grants**

The Liverpool City Region continues to support the use of Specific Grants for new Government initiatives or new burdens on local authorities, such as the new Better Care Fund. This method of grant allocation allows local authorities to meet the demands of the Government.

#### *NHS Funding for Social Care – Better Care Fund*

The Liverpool City Region is pleased that the Government continues to acknowledge that funding for health and social care services are at risk from the ongoing cuts by continuing with the NHS grant funding in 2014/15. The purpose of this funding is to mitigate against an increase in admissions and costs to the NHS budget.

From 2015/16, the position becomes much more difficult for local authorities to assess the impact of delivering the transformation required by the Government in partnership with the NHS and whether the funding provided is adequate. Clearly, this funding is not additional resource, but a transfer of resources to fund this Government priority. Therefore, it is most unhelpful that the Government includes this funding in the 'spending power' figures to hide the cuts in funding actually being incurred by local government.

Part of this funding is the National Health Service funding transfer to local Government for Social Care. This grant has now existed for four years and effectively underpins core Social Care budgets. The Liverpool City Region is concerned that this funding will now be diverted to meet the outcomes required by the Health and Wellbeing Partnership Boards at the expense of councils' Adult Social Care services.

#### *Adult Social Care*

The Liverpool City Region is pleased that the Government has confirmed specific grant funding for new adult social care burdens will be provided in 2015/16.

#### *Public Health*

The Liverpool City Region was pleased that the Government confirmed the allocations for the two year period to 2014/15, which included real terms growth for all.



The Liverpool City Region is concerned there has been no confirmation of funding for 2015/16 as the Government look to introduce a new funding formula and performance incentives. In particular, if the future allocation formula used is based on that proposed by ACRA. The Liverpool City Region authorities are likely to lose significantly under these proposals. Therefore, it is essential that the Government commits to protection (a slow, long term pace of change).

#### Education Services Grant

The Liverpool City Region is pleased that the funding for Education Services Grant (£1bn nationally) for 2014/15 and how it is to be distributed between councils and academies based on pupil numbers was announced by the Department for Education. However, planning for 2015/16 and beyond is extremely difficult for local authorities.

In the 2013 Comprehensive Spending Review, the Chancellor announced a 20% reduction in overall Education Services Grant from 2015/16. However, consultation is yet to be undertaken on how these cuts will be implemented, but inevitably these reductions represent a significant pressure within the overall financial forecasts.

#### Business Rates Cap Funding

In the 2013 Autumn Statement, the Chancellor announced a 2% cap on Business Rates increases in 2014 and not 3.2% in line with inflation. The cap restricted the growth in the Business Rates tax base and thus top up payments. HM Treasury agreed to fund the balance outside the Business Rates Retention System, which is supported by the Liverpool City Region.

The details of the calculation remain unclear as the costing was £143m, but the proposed section 31 grant is only £118m. The former reflects the true impact of indexation and the Liverpool City Region ask that the Government honour this in the section 31 grant allocations. This funding must be provided on a permanent basis, and if the Government want to add it to the baseline it must be protected and not added to Revenue Support Grant and subject to future cuts in funding.

#### Welfare Fund (Emergency Support)

The Liverpool City Region is extremely disappointed with the Government's decision to withdraw the Welfare Fund in 2015/16. This was announced without notification or consultation. After querying this, the Government has claimed that the funding had been rolled into core funding. However, there has been no such adjustment to the control total.

### New Burdens

The Liverpool City Region supports the funding of new burdens via Specific Grants and is pleased that the Government is providing support for new burdens such as the implementation of Localisation of Council Tax Support. However, there is disappointment that some new burdens are being funded by holdbacks or re-distribution of resources already provided to local government. The Government is asked to fund all such new burdens in accordance with the 'new burdens doctrine'.

### **Council Tax Referendum**

The Liverpool City Region does not feel that the introduction of a referendum for excessive Council Tax rises is an improvement on capping. Indeed, it adds an unnecessary extra burden on councils over and above the normal democratic processes. As has been stated by the LGA, local authorities feel that true localism should be reflected in the ability of local communities deciding whether a referendum is appropriate and at what level.

Although a 2% referendum threshold has been stated in the 2013 Spending Round, and in the 2013 Autumn Statement, local authorities find themselves in mid January still not knowing what the threshold will be, as determined by the Secretary of State? The Liverpool City Region believes the approach taken by the Government is most unhelpful given that Council Tax bases must be set by the end of January. Furthermore, when the legislation was introduced the threshold was meant to be set at the time of the Local Government Finance Settlement. The Government is asked to formally confirm the threshold with immediate effect?

The Liverpool City Region still awaits the Government's confirmation on how the Relevant Basic Amount will be calculable following the imminent Royal Assent of the Local Accountability and Audit Bill. The Government could have provided local authorities with the indicative basis for the new calculation and how levies would be treated, plus how any retrospective action in relation to 2013/14 would be applied. This would have helped significantly the financial planning in local government and allowed a clearer local debate about whether to freeze or increase Council Tax in 2014/15.

## **Council Tax Freeze**

The Council Tax Freeze Grants reward high tax-base authorities at the expense of low tax-base authorities, such as those in the Liverpool City Region that also have higher relative needs. This has become a permanent feature of the new local government finance system as the proposal is for the Council Tax Freeze Grant to be included in the baseline funding i.e. it is not based on needs, but on tax base. The Institute for Fiscal Studies have commented that this policy is actually undermining the credibility of the Local Government Finance System.

The Liverpool City Region is disappointed with the Government's Council Tax freeze proposal for 2014/15 as it is payable over multi years and is well below inflation.

The Government has confirmed that the Council Tax Freeze Grant previously provided to councils for 2011/12 and 2013/14 will be protected and built into future funding baselines. The Liverpool City Region believe that this position should have been made clear at the point of the offer, and maybe would have meant differing decisions as to accept or decline the freeze grant offer. The Government has suggested that 2014/15 and 2015/16 freeze grants would also be built into future baselines. The Liverpool City Region would like that indication to be a formal costed commitment by the time the Government confirm the final settlement in February 2014.

## **Spending Power**

The Liverpool City Region have a number of concerns with the Government's chosen methodology for comparing the cuts in funding from year to year, known as spending power. The spending power methodology is inconsistent and includes grants that local authorities will receive to fund new burdens and grants that are provided by the NHS and are ring-fenced, therefore, giving local authorities little or no power to influence. For example, if you were to exclude just the Public Health grant and NHS Funding for Social Care the reduction in spending power moves from 2.9% to 4%.

Even using the Government's chosen methodology the Liverpool City Region authorities are significantly worse off than the national average in 2014/15 and 2015/16. An assessment of the spending power data shows significant disparities between wealthier authorities and deprived authorities.

In 2014/15, Knowsley will lose 'spending power' of £172 per dwelling (5.6%) compared to the average cut across England of £62 per dwelling (2.9%). Yet, in Windsor and Maidenhead the cuts in spending power are just £5 per dwelling (0.3%). In Wokingham (the least deprived upper tier Council in England) there is actually an increase in spending power of £5 per dwelling (+0.3%).

In 2015/16, the inequality is even greater. Knowsley will lose 'spending power' of £174 per dwelling (6%) compared to the average cut across England of £37 per dwelling (1.8%). Yet, Windsor and Maidenhead, and Wokingham will see their 'spending power' **increase** by 2.7% and 3% retrospectively.

The spending power for the Liverpool City Region authorities has fallen year on year since 2011/12, yet Wokingham's is now higher than its adjusted spending power was in 2011/12.

The Government's policy is to attempt to reduce the differences in spending power across the country – assuming that the cost of providing services should be broadly similar regardless of geographical location. However while this may be true about the day to day costs incurred by Councils, this approach fails to recognize that spending power should also reflect differences in spending pressures, and in particular the much greater need to provide statutory services in more deprived areas. The new funding arrangements that the Government has put in place will continue to cut spending power for the poorest and most deprived councils and while increasing spending power for the most wealthy and least deprived councils.

### **Business Rates Retention System**

It is estimated that the Business Rates national pool closed in 2012/13 with circa £0.600m surplus. Therefore, the Government should provide a commitment that the surplus in Business Rates collected under the national pool arrangements up to 31 March 2013 is retained for use by local government to ease the impact of the introduction of the new Business Rates System and could replace the need to top slice resources, and could also be used as an off-set for the risks facing local government since April 2013 from appeals, in particular back dating, and mandatory reliefs, this is especially relevant from academy conversions.

The Liverpool City Region remains concerned that the new system will affect those areas that have higher needs due to deprivation, which traditionally have lower tax bases to fund the services residents require, which places significantly higher demands on services.

The Liverpool City Region supports the retention of the Small Business Rate Relief scheme during these difficult economic times. Currently, 12,790 businesses benefit in the Liverpool City Region (£19m). Indeed, the City Region would support the Small Business Rates Relief being used by the Government, outside the Business Rates Retention system, to deal with the ongoing economic crisis and be treated on a similar basis to transition relief.

The Liverpool City Region is concerned that the funding for the extension of Small Business Rates Relief in 2013/14 are yet to be made. Therefore, budgeting for the announced continuation in 2014/15 is difficult.

Appeals are causing significant problems to the new system. The Liverpool City Region supports the Government's commitment to clear 95% of the caseload by July 2015. However, the Government could do more to deal with the pressures the appeals are causing individual authorities or indeed the whole Local Government Finance System.

Mandatory reliefs are set by Government and cover matters over which local authorities have little control and only marginal influence. This has already been referred to in previous Liverpool City Region responses to consultation on the Business Rates Retention System. Such reliefs should be taken outside of the system as they will unfairly affect authorities. For example, there is a significant risk that local authorities will pick up the bill for future reliefs allowed that they have no control over, including Government policy, where school conversions into academies across the Liverpool City Region are set to cost more than £7m since the new system was introduced.

### **Merseyside Fire and Rescue Service**

Overall, the Merseyside Fire and Rescue Authority is enormously disappointed that the settlement makes yet further significant grant funding cuts to Merseyside. In part because of variations in reliance on grant funding between fire and rescue services mean that the cuts are disproportionately more impactful on Merseyside than other less grant reliant fire authorities. The Authority has already reduced the number of fire appliances from 42 to 28 and has reduced Fire-fighter numbers from 1,500 to 760 across the last decade. These further cuts will inevitably mean real cuts in the service in Merseyside. Ministers should assure themselves about the overall impact on reductions in the fire service on national resilience.

- ***Specific Grants***

The 2015/16, I Transformation Fund, £75m, is to be made available to Fire and Rescue Authorities on a "bid-for basis". It has been painted that this is 'protection' to some degree for the Fire and Rescue service. However this is:

- Money to bid for – not guaranteed;
- Only available for one-year; and
- Partially capital

So the true underlying funding cut for the Fire and Rescue Service is 10% who have not in actual fact been protected.

In addition, the proposed bidding process appears potentially bureaucratic for relatively small one-off fund and the Government should consider distributing this mix of revenue and capital grant on the basis it used for the 2011/12 and 2012/13 capital grants, especially as this is the only grant funding source.

- ***Council Tax Freeze Grant and Referendum Limitations***

In the past the government has given some more freedom around Council Tax referendum limits to smaller/lower Council Tax precepting organisations (and indeed exercises no controls over parishes that in many cases have higher council tax levels).

Eight Fire and Rescue Authorities were afforded the freedom in 2013/14 to raise their precept levels by £5.00, albeit only seven of these authorities raised their precept with the eighth accepting the freeze grant. Parish council precepts are not subjected to referendum constraints despite the fact that some parish precepts are significantly higher than fire authorities precepts (for 2013/14 the highest parish precept was £256.00 and the highest fire authority precept was £90.45) and the average increase in parish precepts was 5.4% which is considerably more than the 2% referendum limit imposed on precepting fire authorities.

As a national example, an average 5% increase in the fire authority precept would cost the average Band D householder £3.33 per year or 6.5p per week. Many precepting fire authorities cover more than one billing authority area and therefore the fire authority would be required to run a referendum across the entire area that it covers with separate votes in each district. If all precepting fire authorities decided to run a referendum to raise their council tax by 5% for 2014/15 the costs would total an estimated £41million yet the income raised would be just £38million. In comparison, if the corresponding billing authorities held a similar referendum to raise council tax by 5% the cost of running the referendum would be £41million but the income raised would be £483million. The difference between the highest and lowest fire precept is 80p per week, significantly smaller than the difference between the highest and lowest overall council tax bill (£20 per week).

Whilst the Authority sympathises with the financial strain households currently face and feels it is unlikely it would use any discretion, it believes it is important that any such freedom should be granted consistently to all similar organisations as a matter of fairness. The Government should therefore consider giving all FRAs the discretion to increase council tax in a flexible manner acknowledging that authorities will determine the appropriate increase (or not) according to local resource requirements and local circumstances and in consultation with local communities.

**Merseyside Police & Crime Commissioner**