

4. The new Business Rates Retention System was introduced on 1st April 2013, and the paper sets out how it will be applied in future years. The consultation paper gives indicative figures at a Local Authority level for 2014/15 and 2015/16 for grant funding.
5. The 2014/15 figures have been revised from those in the 2014/15 settlement to reflect the 2013 budget announcement of a 1% cut in the Local Government spending control total.
6. The consultation paper is attached as Appendix A. The key sections are :-

7. Chapter 3.

The paper sets out how the additional 1% cut will be applied to 2014/15. The 1% cut is being applied effectively to not only the original formula grant, but also the grant relating to Council Tax Benefit Localisation.

8. The overall impact is to reduce grant by £408K in 2014/15. Additional savings will need to be found to deal with this, and to balance the current two year financial plan.
9. The Government is also updating its assumption around the income of business rates upwards because of a higher than expected Retail Price Index (RPI). At this stage, it is unclear of the growth in Merseyside business rates will be in line with this assumption (MFRA receives a small (2%) share of those sums).

10. Chapter 4

Proposes increasing the amount of money held back to support the safety net. The safety net is available to support Authorities whose business rates income falls below a certain lower level. However, money set aside for this purpose is then not available for distribution as grant, which effectively reduces spending controls. To partially offset this, the Government is proposing reducing the amount of money set aside to support capitalisation. (The Treasury insists that CLG keep cash backing for any capitalisation they allow by Local Authorities).

11. Chapter 5 & 6

Sets out proposals for the 2015/16 Finance Settlement. Fire and Rescue funding is cut by 8.4% in cash terms (10% real terms). This cut is applied to the Start Up Funding Assessment, so includes Council Tax Localisation Grant. Overall, this means a cash grant cut in a single year of £3.4m from the revised 2014/15 figure.

12. There are no changes to distribution methodologies, so the percentage cut is the same for all FRA's. However, those FRA's with a higher proportion of Council Tax Benefit Grant per head of population would have a higher cash cut in that figure.

13. The national announcements indicated that Fire had been relatively protected, and the real terms cut was only 7.5% (not 10%). However, to get back the 2.5% FRA's would have to successfully bid into either :-

(a) A Resource Fund of £30m

(b) A Capital fund of £45m

The exact details of how to bid for these funds have not yet been released, but they are expected to support issues like :-

- Fire Service Merger/Sharing of Services
- Blue light/Blue light joint working
- Invest to save schemes

The two funds are only available on a bid basis, and **are for one year only** so cannot be relied upon for an underpinning financial plan.

14. The consultation asks a series of questions.

- Question 1: Do you agree with the Government's proposal on how to implement the 1% reduction to the Local Government Departmental Expenditure limit?
- Question 2: Do you agree with the proposal for reducing the funding available for capitalization for 2014/15 by £50 million and using this revenue to reduce the amount required to be held back from Revenue Support Grant to fund the safety net?
- Question 3: Do you agree with the way the Government proposes to hold back the funding that is necessary for New Homes Bonus and safety net support, and to return any surplus to authorities?
- Question 4: Do you agree with the proposed methodology for calculating control totals for each of the elements within the Settlement Funding Assessment?
- Question 5: Do you agree with the proposed methodology for transferring in the 2013/14 Council Tax Freeze Compensation?
- Question 6: Do you agree with the proposed methodology for adjusting the 2015/16 settlement to take account of the loss of tax revenue due to the Exchequer from the Local Authorities who are too small to participate in the Carbon Reduction Commitment Energy Efficiency Scheme?

15. An initial response (Appendix B) will be circulated at the meeting. Members are asked to consider any comments they might wish to add. It is proposed that, in light of those comments and in consultation with :-

- The Merseyside Districts
- AMFRA
- LGA

- CFOA

the response is modified appropriately for final sign-off by the Chair.

Equality & Diversity Implications

19. The grant cuts have been applied the same to all fire and rescue services. No account has been taken of relative reliance on grant funding.
20. The grant cuts have been applied to council tax benefit localisation grant as well. Therefore areas of the country with a higher proportion of council tax benefit recipients receive a higher proportion of cuts. MFRA is therefore disproportionately affected in this way.

Staff Implications

21. Further funding cuts will mean further staff reductions, resulting in the need for Station mergers and the crewing of stations on days only.

Legal Implications

22. None arising directly from this report.

Financial Implications & Value for Money

23. See separate report CFO/ /13 for a detailed assessment of the impact on mid term financial plans.

Risk Management, Health & Safety, and Environmental Implications

24. It is important that service changes are implemented in such a way as to minimise the impact of cuts on health and safety issues. This is the primary consideration for Officers when developing proposals to make the required savings.

Contribution to Our Mission – To Achieve; Safer Stronger Communities – Safe Effective Firefighters”

25. It is important that service changes are done in such a way as to minimise the impact of cuts on the communities we serve and on the health and safety of our fire fighters.

BACKGROUND PAPERS

Consultation Paper

***Glossary of Terms**