



Finance briefing – Autumn 2017

Introduction

This is the first update from the Finance Coordination Committee and bearing in mind that the Committee had no pre-existing or legacy work streams from CFOA we seem to have started in the middle of some urgent and longer term issues that we need to deal with now...most relate to the Government's agenda for reforming public sector finances. Details of these are set out below but there are some clear messages that are coming through from looking at the work of colleagues on the Police and Crime Commissioners Treasurers Society (PACCTS), the NPCC Finance Committee and contact with colleagues at the DCLG and Home Office. These are, firstly, that we seem to be devoid of national data about the sector. For example, the Police have a very clear national picture around their reserves and forecast usage which proves invaluable in defending their position with Government departments. Secondly, how we present ourselves to Government is critical and by this I mean that we need to make sure that our narrative is backed up by evidence that is consistent, measureable and has £ signs attached. For example, when we keep asking for capital funds, we need to make a sector-wide case, against a back drop of falling demand and increasing reserves, as well as why we wouldn't use prudential borrowing if we really thought we had a good idea. As an aside, I understand that the Police Transformation money was top-sliced from their grant so we need to be careful what we wish for. Lastly, we need to focus on VFM as this will be a key focus of the inspectorate.

Reform of Public Sector Finances - 100% Business Rates Retention Scheme

Despite the Local Government Finance Bill not being included in the Queen's Speech due to other Parliamentary pressure (BREXIT) the DCLG believes that nearly all aspects of the Bill can be introduced without the need for primary legislation. To date the Committee, through the NFCC, has submitted responses to two consultation exercises and it is expected that more will follow. Dates for implementation have not been agreed yet but there is a chance that it could coincide with the introduction of the new formula.

Reform of Public Sector Finances - Comprehensive Spending Review (CSR) / Updated Needs Assessment

In ordinary circumstances we would be expecting a CSR to take place towards the end of the current four-year settlement period, 2019/20, which would then be used to inform future settlements. The preparatory work for this would normally have to be completed in time for inclusion in the Chancellor's Budget Announcement of Autumn 2019 which would imply that any submissions from the Sector would need to start being developed during the latter part of 2018 and the beginning of 2019. However, although there have been no proposals that this will take place, it is likely that as part of the Fair Funding Review (see elsewhere on this update) a reallocation of funds between all sectors may take place. In either case the Committee will be looking to put in place arrangements for responding to any Government requests. A key aspect for the Sector will be to get a consistent message on our narrative around savings!!!

Reform of Public Sector Finances - DCLG Technical Consultation on the 2018/19 Local Government Settlement

The DCLG has published its technical consultation which sets out the Government's intended approach for the third year of the multi-year local government finance settlement and importantly for the sector will be the issue of "precept flexibility". We are working on a response from the NFCC, the closing date for the consultation is the 26th October. Following conversations with the Home Office it is clear the response will need to be supported by quantitative data rather than qualitative, the treasury wants to see £ and p!

To help draft the response we have commissioned the Somerset Technical Support Team (STST) who are used to responding to these consultations on behalf of Police and County Councils, whilst they can help with the drafting and technical detail we need to provide information for them to work with. We have identified some key areas where we should be building an evidence based response, including Fire Protection, Operational Assurance, National Resilience and On-Call recruitment and retention.

Reform of Public Sector Finances - DCLG Fair Funding Review

The DCLG are currently in a process of reviewing various funding formulae across the public sector. Although late to the table this now includes Fire, but we are behind the curve in relation to other sectors. The current formula has not been reviewed for a number of years and the DCLG want to understand from the sector if our formula is still fit for purpose, in particular have the cost drivers for Fire changed. The DCLG have a technical consultation group which Fire is now represented on and will enable us to fully understand the work and make representation on behalf of the sector. The headline considerations are, should the formula stay the same, and just update the data, should the methodology stay the same but the cost driver's change or should we go to a new more complex multi-layer formula for Fire. We are expecting a consultation to come out to the sector in the next few weeks where we will have opportunity both individually and collectively to respond. Again we will be using the services of the Somerset Technical Support Team to review the options and help create the best response for Fire. It is not anticipated that any actual changes to the formula would be implemented until after 2020.

Car Tax - Changes to Local Government Finance Act

There is concern in the sector about the change that has been made to the way that tax is charged for the use of lease or provided cars and it is apparent that there will be an adverse financial impact on many who have to use such a vehicle for work - particularly those who are considered as having access to a lease or provided car for both business and private use. As we understand it, with effect from tax year 2017/18, cars which are available for both private and business use and which are fitted with 'blues & twos' will still be subject to a tax charge as a P11D 'employees benefit' for the asset but changes to the tax legislation mean that users of provided or leased cars can no longer deduct the business element from the taxable benefit.

We have commissioned some work on this matter by Employment Taxes Consultant PSTAX, whom some of you will be familiar with as they already provide advice to a number of FRS. PSTAX will be attending the next NFCC council meeting on the 25th October to provide a view on this matter.

Senior User Group

We are currently developing a 'Senior User Group' to be used as a sounding board for finance issues, discussions and advice. This group will consist of a number of Chief Fire Officers who have offered to

provide support to the Finance Coordination Committee. The purpose of the group will be to provide a non-technical scrutiny aspect to the work we are doing on behalf of the NFCC. This will help ensure the strategic needs of the sector are met within our work. The technical support will continue to be provided through the Finance Coordination Committee and the Fire Finance Network.

Use of the Somerset Technical Support Team (STST)

As well as the Team helping us respond to the issue of finance reforms set out above I would like to suggest that we use their expertise to do a 'line in the sand' survey next year to fill in some of the gaps around data and evidence. Without going into too much detail I'd like to get some of our finance and policy colleagues to work with the STST to develop a questionnaire, primarily around finance, which would then be shared with the Senior User Group before going out to the Sector for completion. We would probably aim to capture 2017/18 outturn figures so it we are looking at the summer of next year. We would want to avoid duplication but, as an example, it would be good to have our own Sector position on reserves.

Sound Bites and Data

The committee are developing a set of 'sound bites' that can be used in response to questions about the sector in terms of costs and resources looking at both historical and anticipated demand and assumptions. This will enable the NFCC to present a single consistent position when asked to comment on our current status.

NFCC Funding Mechanism

In conjunction with the Central Program Office (CPO) we have been developing a process that will enable coordinating committee chairs to make a bid for funding for specific work on behalf of the NFCC. This process will help ensure that all work carried out on behalf of the NFCC will support the five Strategic Commitments set out in the NFCC strategy. This process will also enable agreement to be reached on funding, prioritisation of work and formal program management through the CPO. A paper setting out the proposals will be presented to the NFCC on the 25th October.

If you require any further information, please get in touch with Phil Hales or Charles Kerr:

Phil Hales – Phil.hales@wmfs.net

Charles Kerr – Charles.kerr@kent.fire-uk.org