

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AUTHORITY	
date	22 MARCH 2002	agenda item number

REPORT OF THE HEAD OF RESOURCES AND FINANCE

LOCAL GOVERNMENT WHITE PAPER “STRONG LOCAL LEADERSHIP - QUALITY PUBLIC SERVICES”

1. Introduction

- 1.1 This Government White Paper published in December 2001 is undoubtedly a significant and radical paper announcing a large number of changes and freedoms for local authorities. It will have implications for the way authorities are financed, the way they plan, and the way they interact, both with the communities that they serve, and other agencies.
- 1.2 In order to understand this fully it is important to draw out the implications firstly of a statement on page 107 of the paper that refers specifically to Combined Fire Authorities.

2. Precepting

- 2.1 There is a clear proposal within the White Paper for Combined Fire Authorities to become major precepting authorities. It has been suggested that the current arrangements undermine financial accountability and that the influence of unitary authorities in financial decision making is limited, as they are “minority shareholders”.
- 2.2 The issue of precepting is highly significant not only because of the financial implications but also because the remainder of the white paper itself then becomes more significant and applicable to Fire Authorities.
- 2.3 As a precepting body the Fire Authorities financial decisions, particularly those relating to the level of the precept, will be much more obvious to taxpayers and perhaps more importantly divorced from the decision making of the constituent authorities. This is important because under the present regime the spending of the Fire Authority can, and does, directly impact upon a constituent authority’s ability to fund it’s own core services. In times of financial restraint, additional spending on the Fire Service will require funds to be diverted from services such as Education and Social Services and constituent authorities could, in the worst case scenario, be faced with large increases in the fire budget, increases in their Council Tax and, at the same time, have reductions in their own service provision.
- 2.4 Whilst this might be acceptable to the County Councils as they are in a position to influence the Fire Authorities decision making due to the number of Members, this is more difficult for a unitary. In Nottinghamshire this issue

has not “come to a head” as both City and County Councils have the same majority groupings and there are only two constituent authorities. In counties such as Hampshire where there are three constituents and political loyalties are split such problems are more obvious.

- 2.5 Nottinghamshire Fire Authority has enjoyed the support of all political groups from both constituent authorities and therefore the driver for this change is not so obvious. Nevertheless there are still advantages to the constituent authorities in not being seen as “hostages” to the financial decisions of the Fire Authority.
- 2.6 From the Fire Authority’s perspective, precepting may be seen as a double-edged sword. On the one hand certain financial freedoms will emerge however these will need to be more openly justified to taxpayers. The relationship between spending and SSA will become more relevant and actual levels of funding will be less certain.
- 2.7 The reason for this lack of certainty will be that the Fire Authority will be dependent upon the District Councils to collect the precept and therefore will only receive the amounts actually collected, not the amounts billed. An accounting procedure will need to be developed to take account of precept arrears and consequently contingency will need to be built in to the budget to ensure that sufficient funds are always available to run the service.
- 2.8 Under current arrangements if the Fire Authority overspends against its budget for reasons beyond its control it must turn to the constituent authorities for a supplementary levy. Whilst this is to be avoided, it is nevertheless a significant safety net, which will not apply to a precepting authority. It will be a statutory requirement therefore to budget for “adequate balances and reserves” to take account of this risk. This will undoubtedly change the current rationale in relation to Pensions funding and budget carry forward arrangements.
- 2.9 In addition to these more obvious additions to the budget there will also be other costs arising from the additional administration and the requirements of accountability. For example, as well as the additional work involved in precepting, monitoring and collecting Rate Support Grants, there will be additional requirements to communicate with Taxpayers. This will involve issues such as statutory and other consultations, precept leaflets etc. to a population of over 1 million, far higher than either of the present constituent authorities.

3. Best Value/Performance monitoring

- 3.1 The proposals in the paper regarding Best Value represent something of a retreat from the earlier, highly prescriptive, regulations, with the focus very much on strategic reviews and firm proposals for continuous improvement.
- 3.2 Proposals specifically relating to Best Value include a reduction in the number of reviews and an increase in their strategic relevance, a simplified Best Value performance plan, the involvement of inspectors and auditors in the actual review process, providing financial incentives for joint or cross cutting reviews, and supporting those reviews which seek to further central government objectives such as those for e-government.

- 3.3 Of greatest importance and immediate impact to the Fire Authority however is the change of the publication date of the full plan to 30 June 2002 and the requirement for this to include actual financial out-turn data rather than estimates. Representations have already been made regarding this issue in so far as it places an additional burden on financial administration and more importantly means that the plan is not available until three months after the organisation is required to work to it.
- 3.4 The white paper also says that the plan summary should be sent out with council tax leaflets from 2002. It is not clear how this will work in that the council tax leaflet needs to go out in order for taxpayers to pay their bills in April and yet the plan will not be available until June. No doubt further guidance will emerge.
- 3.5 The rewards for improving performance can be significant and therefore the emphasis is on encouraging and incentivising improvement rather than a more punitive approach to failure. That is not to say that there are not safeguards in place merely to note a change in emphasis.
- 3.6 It is clear that those Authorities that are seen to be achieving stretch targets via Public Service Arrangements (PSAs), continuous improvement through management initiatives and Best Value will enjoy specific financial freedoms in terms of both Capital and Revenue spending.
- 3.7 The focus of the paper is very much on multi function local authorities although specific mention is made of Police Authorities and it is to be assumed that Fire Authorities will be dealt with in a similar manner.
- 3.8 In terms of performance assessment these are to take place over three major areas, service inspection via HMI Fire, the normal external audit assessment and a further assessment of corporate capability and governance. Evidence will be gathered from performance indicators (taking into account both past performance and trends), audit reports, HMI Fire assessments, and an assessment of corporate governance undertaken in dialogue with authorities and incorporating an element of peer review.
- 3.9 The results of these assessments will be combined into a "balanced scorecard" by the Audit Commission and authorities will be categorised as:

3.9.1 High Performing

Near the top of the performance spectrum, with high performance in priority service areas, no poorly performing services and with proven capacity to improve.

3.9.2 Striving

Not necessarily at the top of the performance spectrum but with proven capacity to improve

3.9.3 Coasting

Not at the top of the performance spectrum and with limited or no proven capacity to improve

3.9.4 Poor-performing

Consistently near the bottom of the performance spectrum and with limited or no proven capacity to improve.

3.10 These categorisations are of vital importance in that they will determine the way the organisation is financed and the other freedoms that are available. It will therefore become more important for the authority to set and monitor realistic performance targets across a range of activities to ensure a reasonable “scorecard” category.

3.11 In order to enhance accountability, the assessments will be published by class of authority, and give access to the scorecards to enable the public to see how well the organisation is performing.

4. Specific freedoms

4.1 There are a whole range of areas where what are referred to as “freedoms” will exist. These will be at various levels depending on the categorisation of the authority but could include:

4.1.1 Freedom to trade and sell services

4.1.2 Discretion over timetables and content of Best Value review programmes

4.1.3 A lighter touch inspection regime

4.2 Additional funds for capacity building and training to allow best practice to be passed on to others and to allow senior managers and members to develop their strategic management skills

4.3 No use of reserve powers for higher spending authorities.

5. Changes to the Finance System

5.1 In addition there are some specific changes to the finance system that may be beneficial.

5.2 The process of Central Government allocating Basic Credit Approvals (BCA) for capital expenditure is to cease and authorities will be expected to take a prudent approach to the amount they feel they can repay. There are certain reserve powers relating to the overall level of public sector debt and to those organisations that demonstrate an inability to manage the new system.

5.3 The implications of this change for the Fire Authority are again significant but slightly double-edged. Whilst in the past the Authority has had to lease vehicles and refurbish rather than replace buildings, it will now be able to make more rational decisions. However it was also relatively easy in the past to point to inadequate BCA as a reason for not carrying out works or buying assets. These decisions will now need to be based on a detailed assessment

of requirements, properly prioritised, and governed within its own financial framework.

- 5.4 This scheme will require the production of a local capital strategy, which determines the affordability of borrowing, and the total amount of debt the authority can sustain. CIPFA are to produce guidance on this but it is important to note that this “prudential limit”, once set, cannot be exceeded.
- 5.5 There are no immediate proposals to alter the way that central government supports capital investment which effectively means that there will still be a level of capital expenditure that the government will support via the SSA formula. Any spending above that limit will be discretionary but will require increases in Council Tax or redirection of revenue resources.
- 5.6 There is also a commitment to introduce a revised grant formula in 2003/4 however there are as yet no details of what this might entail. This is significant in that the paper also states that, once set; this formula will not be adjusted for 2004/5 or 2005/6.

6. Powers to Trade

Authorities are to given increasing powers to trade with the public, private and voluntary sectors. It is not clear yet what the full impact of this will be although it is assumed that the Fire Authority may be able to extend it's activities in areas such as Fire Extinguisher Maintenance and Commercial Training. The white paper alludes to some statutory guidance to protect businesses but does not say what form this will take. There will therefore be some limitation as to the range of services that can be provided.

7. Summary

- 7.1 This white paper is one of the most far reaching to have been promulgated for some time and has specific implications not only for Local Government in general but also particularly for the Fire Authority.
- 7.2 To gain maximum benefits from the provisions outlined in the white paper it will be necessary for the Fire Authority to respond to it positively by:
 - 7.2.1 Developing systems appropriate to a precepting authority
 - 7.2.2 Further develop performance management techniques to achieve striving or high performing status
 - 7.2.3 Develop an asset management strategy and a capital strategy
 - 7.2.4 Exploring areas for the development of trading opportunities
 - 7.2.5 Engage in strategic and cross cutting Best Value reviews
 - 7.2.6 Work closely with external auditors and HMI to produce the “right” statistics and information
 - 7.2.7 Educate the organisation to respond positively to the above initiatives

8. Financial Implications

The financial implications arising from this report are both far-reaching and substantial. It is clear, for example, that to create the necessary levels of reserves and contingencies will require increases in the Revenue Budget as will additional expenditure that arises from the change in status. Nevertheless there may also be substantial benefits arising.

9. Personnel Implications

There are no specific implications for personnel within this report however it is likely that workloads within the Finance Section will need to be assessed when the administrative implications of precepting are fully understood.

10. Risk Management Implications

10.1 There are a number of areas which will need to be managed carefully, not least of which the legal requirements of precepting and the managerial response to the issues around performance management and planning.

10.2 These areas will need to be considered carefully by the Brigade Management Team and an appropriate response developed.

Paul Woods
Chief Fire Officer