

Appendix 2

Local Government Finance Directorate
Department for Communities and Local Government
Zone 5/J2 Eland House
Bressenden Place
London SW1E 5DU

Fao Andrew Lock

28th September 2010

Dear Sir,

Formula Grant Consultation

Hereford & Worcester Fire and Rescue Authority believe that government must use this unique opportunity to address the current and obvious discrepancies that remain with the current system of grant distribution, which has not effectively moved from the old National Standards of cover, nor adequately addressed the changed balance of duties as a result of the 2004 Act.

There is no single local government service that has such a wide range of grant allocations for what ought to be a similar basic level of service to every citizen.

In respect of the individual consultation questions we would make the following points:

Chapter 5 – Fire & Rescue

Question 6: *Do you agree that the expenditure data used to determine the coefficients should be updated (FIR1)?*

YES - There is no rational to continue to use outdated (2008-09 – 2000-01) data in this regression and it must updated to the latest available data.

Question 7: *Should annual cashable efficiency savings be added to the updated expenditure data used to determine the coefficients (FIR2)?*

NO - the data set is too unreliable to use (particularly as it is based on un-audited data) and does not reflect relative efficiency or significant efficiencies made by some FRA before the data period.

Question 8: *Would you prefer either FIR3 or FIR4 as an alternative to the current risk index?*

FIR4 represents the better fit of indicators for risk. There is a question as to the robustness of either option given that FIR3 allocates £5.1m (27%) more grant to one FRA.

Chapter 8 – Area Cost Adjustment

Question 14: *Do you agree with the proposal to update the weights given to the labour cost adjustment (ACA 1)?*

NO - There should be no ACA payable to any FRA except to London where there are additional weightings in the national pay scale. The principal of ACA applying to the whole of an FRA calculation is flawed

Chapter 10 – Scaling Factor

Question 15: *Do you think that the scaling factor for the central allocation should be close to one, so that equal importance is attached to the amounts above and below the minima?*

YES - Given the wide disparity in FRA grant allocations (greater than for any other service) equal importance must be placed on both.

Question 16: *If so, would you prefer Ministers to be able to set judgemental weights for the Relative Needs Amount, as in option CAS1, or the Relative Resource Amount, as in option CAS2?*

NEITHER - Allowing Ministers to use judgement suggests that there is an acceptance that the formula is insufficiently objective, which ought to be addressed at source.

However, if judgement is to be a feature of the settlement then experience has shown that “judgement” in Relative Resources has more significant distorting effects than Relative Needs and is less easy to explain to local taxpayers. Therefore if there is to be judgment CAS1 is favoured.

Chapter 11 – Floor Damping Levels

Question 17: *Over the next Spending Review period do you think that the floor level should be set close to the average change or such that it allows some formula change to come through for authorities above the floor?*

YES - As a principal Damping must be set to allow Authorities to receive a bigger proportion of their “raw” entitlement, to the extent that by year 3 of the 3-year settlement “raw” and actual grant should be equal. It is unacceptable that some FRA have been receiving significant sums from damping grant for excessively long periods.

BUT – Government must first address the anomaly of not having all Authorities providing Fire & Rescue Services in the same damping group. At the moment if there is (as there should be) a significant move in resources

from Metropolitan areas, the current damping rules mean that the gains to rural areas which have Combined Fire Authorities have to damp the Metropolitan areas loss, but gains to County Authorities are not so constrained. The Fire element of County Council Grant must be included in the same damping group as all other Fire grant.

Chapter 14 – Replacing the Children’s Income Support Benefit Indicator

Question 23: Do you agree that children in out-of-work families receiving Child Tax Credit (CTC) should replace the current children of IS/(IB)JSA claimants (DATA2)?

Whilst the need for this data change is recognised, it is not clear if the impact has already been included in FIR3 and FIR4 or whether it is in addition, nor whether it is not applicable if FIR3 and FIR4 are not adopted.

If it is a separate adjustment it is not clear why there is such a significant impact on some FRAs. Finally, it is not clear how much of the swing is due to the change in the data set and how much is due to the updating of the actual data. If the former is more significant then some form of specific damping should be incorporated.

Overall there is an opportunity to address the long-standing in-equities in the formula grant distribution, if the current mechanism is not allowed to interfere with a determination to do so.

Yours faithfully,

Brigadier Peter Jones CBE
Chairman of the Fire and Rescue Authority.