



Safest People, Safest Places

Combined Fire Authority

15 December 2020

Spending Review 2020

Report of Deputy Chief Executive

Purpose of Report

1. The purpose of this report is to inform members of the outcome of the Spending Review 2020 and possible implications for the Authority.

Background

2. On Wednesday 25 November 2020, the government announced the high-level outcomes of the Spending Review for 2020 (SR20). SR20 sets out the government's spending plans for 2021-22 at departmental level. Details of individual fire and rescue authorities spending allocations will be set out in the Provisional Settlement which is expected to be announced on 17 December 2020.
3. The Spending Review is for a single year (2021/22) only and this makes longer term planning more challenging. Originally, it was expected that government would undertake a three-year spending review however, the impact of Covid-19 has created far greater uncertainty than expected. Normally spending reviews are for a minimum of two years and in 2015, the last comprehensive spending review was for a four-year period.

Spending Review Headlines

4. Some of the key issues affecting the Authority are set out below:
 - Core spending power for local authorities in 2021/22 is expected to increase by 4.5% overall in real terms.

- The government expects to provide over £3 billion of additional support for Covid-19 pressures in 2021/22.
- A freeze on public sector pay to include local government will be introduced in 2021/22 with the exception of employees earning below £24,000 who will receive a minimum £250 increase.
- The council tax referendum limit for fire and rescue authorities will be set at 2% for 2021/22.
- The business rates multiplier is to be frozen in 2021/22 and no reset of baselines in 2021/22.
- The Public Works Loans Board (PWLB) lending rates are to be reduced.
- Additional funding will be made available for building fire safety.

Additional Government Support for Covid-19

5. To support local authorities in England with Covid-19 pressures in 2020/21, the government expects to provide over £3 billion in additional support by:
 - Providing an additional £1.55 billion of grant funding to meet additional expenditure pressures as a result of Covid-19.
 - Providing £670 million of additional grant funding to help local authorities support more than 4 million households that are least able to afford council tax payments.
 - Providing an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21.
 - Extending the Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

Business Rates

6. The government is currently undertaking a fundamental review of the business rates system and a final report setting out the full conclusions of the review will be published in Spring 2021. To support businesses in the near-term, the government has decided to freeze the business rates multiplier in 2021/22 and local authorities will be fully compensated for this decision.
7. In order to provide further stability, the government has decided not to proceed with a reset of business rates baselines in 2021/22 and will maintain the existing 100 per cent business rates pilots for a further year.

Public Works Loans Board (PWLB) Lending Rates

8. The government has announced that it will reduce the PWLB lending rate by 100 basis points (1%) which reverses the increase in lending rates which was implemented in October 2019.

Business Fire Safety

9. SR20 provides an additional £30 million to help deliver the new building safety regime and includes funding for a new building safety regulator to oversee a more stringent regime for higher-risk buildings. SR20 also confirms £1.6 billion of capital funding to remove unsafe cladding from high rise buildings.

Implications for the Authority

10. Overall, the Spending Review is being viewed with cautious optimism by the fire and rescue sector. Whilst it is too early to understand the financial implications at a local level, an inflationary increase in government funding together with a continuation of the pensions grant is anticipated. Funding allocations for each fire and rescue service will be published as part of the Provisional Local Government Finance Settlement which is expected to be announced on 17 December 2020.
11. It is pleasing to note that the government has committed to providing further funding to help mitigate the impact of Covid-19 particularly in relation to lost council tax revenue. Whilst the announcement that local authorities will receive 75% compensation for lost council tax was a welcome surprise, the council tax referendum limit for fire and rescue authorities will remain at 2% for 2021/22.
12. The reduction in the PWLB lending rate is welcome, particularly as the Authority will be looking to fund the majority of future capital spending from borrowing.
13. The pay freeze for all employees earning over £24,000 which will apply to the majority of our staff including firefighters, is likely to present some challenges particularly as we look to further reform the Service going forward.
14. The position beyond 2021/22 remains very uncertain and future years of the spending forecasts do contain real term cuts compared to the original March 2020 budget figures. In view of this uncertainty the Authority will need to continue to prepare for further reductions in funding going forward.

Recommendation

15. Members are requested to **note** the outcome of the SR20 and the possible implications for the Authority.