

Humberside Fire Authority
17 February 2014

Report by
Director of Finance & Assets/
S.151 Officer

2014/15 BUDGET AND PRECEPT AND MEDIUM-TERM FINANCIAL PLAN 2014/15 TO 2016/17

SUMMARY

1. This report considers the Authority's Budget for 2014/15 onwards and also the setting of the precept for 2014/15.
2. The report has been prepared in accordance with the Local Government Finance Act 1992 as amended by the Localism Act 2011 Sections 72 to 79 and the Local Government Finance Act 2012 to allow the Authority to approve:
 - The Council Tax Requirement for 2014/15;
 - The Council Tax Base figure for 2014/15; and
 - The basic amount of Council Tax for 2014/15.
3. The report also complies with the Local Government Act 2003 and allows the Authority to approve:
 - The financial spending plans that are necessary to support the Authority's activities [Section 25(1)(a)]; and
 - Maintenance of adequate reserves and provisions [Section 25(1)(b)].

RECOMMENDATIONS

4. That Members approve one of the two options for the 2014/15 precept as set out below:

Option 1: Freeze the 2014/15 precept at the 2013/14 level and approve Appendices A1, B, C1 and D1;

Option 2: Set the 2014/15 precept at a level 1.9% higher than the 2013/14 level and approve Appendices A2, B, C2 and D2.

2014/15 FINANCIAL YEAR

5. There has been a series of reports to both the Governance, Audit and Scrutiny Committee and the Fire Authority on the budget position for 2014/15 onwards. Reports have been considered at the September and December 2013 round of meetings. An earlier version of this report was also considered at the 4 February 2014 Governance, Audit and Scrutiny Committee.
6. The Final Local Government Finance Settlement for 2014/15 and 2015/16 was issued on 5 February 2014. In line with the provisional settlement announced in December 2013, the key headlines are:

- An 8.94% reduction in support from Government for 2014/15 (£2.17m) and a further 10.32% reduction for 2015/16 (£2.28m);
 - A total reduction in funding therefore over the next two financial years of £4.45m;
 - Council Tax Referendum threshold of 2% for Humberside Fire Authority for 2014/15;
 - Capital grant allocation of £995k for 2014/15.
7. The reduction in funding from Government was anticipated, but that said, it is still significant when compounded with the reductions that the Authority has suffered over 2011/12 to 2013/14. The five year reduction in funding over the period 2011/12 to 2015/16 is £7.3m or 27% in cash terms.
 8. The Authority has worked very hard in anticipation of this austerity and by the close of 2013 had delivered efficiencies over the prior recent years of circa £5m.
 9. There are still major challenges ahead, not least from the anticipated reductions in support from Government for the period 2016/17 onwards. There is much speculation as to what that may entail but it is safe to assume that a further circa 25% cash reduction in support from Government could occur.
 10. The Authority's Revenue Budget and Capital Programme (Appendices A and B) have been updated in line with new information that has become available since December 2013. The main examples of this are:- the Council Tax Base for 2014/15; Collection Fund surplus; and the Capital Programme which is largely based on the Premises, IT and Vehicles reports for 2014/15 onwards approved at the December 2013 Fire Authority.

2014/15 PRECEPT

11. The decision on the 2014/15 precept for Humberside Fire Authority has to be taken in the light of a number of significant factors.
12. First off, the Government has set a referendum threshold for 2014/15 of 2% for Humberside Fire Authority. Therefore, any increase at or above this level will require a Humberside area-wide referendum in support. Clearly, there would be a significant cost attached to any such referendum.
13. Secondly, the Authority has frozen its precept in each of the years 2011/12, 2012/13 and 2013/14 as part of the Government scheme in operation in those years. The last time the Authority increased its precept was by 1.6% in 2010/11. There is a freeze compensation scheme in operation again for 2014/15 with a grant equal to a 1% increase payable from Government. As with the previous freeze grant schemes there is some uncertainty (despite assurances that the council tax freeze grants will be 'baselined') over how the grant will be treated in 2016/17 onwards.
14. Thirdly, the Authority has suffered a historic reduction in Government support over 2011/12 to 2015/16. Much has been done in anticipation of this but the fact remains that the Authority has lost £7.3m or 27% of its funding from Government over this period.
15. The setting of the 2014/15 precept is the decision of the Fire Authority and therefore this report presents two options for consideration:-

Option 1: Freeze the 2014/15 precept at the 2013/14 level, i.e. no change. This would attract 'compensation' from the Government in the form of a grant equal to a 1% increase in precept (for Humberside Fire Authority this is £226k).

In comparison to Option 2 (see below) this course of action would result in lower funding of £270k over the period 2014/15 and 2015/16. Appendices A1, C1 and D1 outline the budget projections associated with Option 1.

Option 2: Increase the precept by 1.9%. This option is inside the referendum trigger of 2% and offers additional funding of £270k over the period 2014/15 and 2015/16 when compared to Option 1. A 1.9% increase would add £1.48p to the annual charge for a Band D council tax.

Appendices A2, C2 and D2 outline the projections associated with this option.

16. The 'benefits' of any precept increase are constrained given the referendum threshold is only 2% compared to compensation grant from Government equal to 1%. This is further compounded if council tax freeze grants are to be 'baselined' from 2016/17 onwards, which essentially restores to the funding base some of the benefit that would have been achieved from a precept increase.

EFFICIENCIES – 31 JANUARY 2014 SPECIAL FIRE AUTHORITY

17. The Special Fire Authority meeting on 31 January 2014 considered a number of proposals based on the operational efficiency programme. As a result of that meeting further efficiencies of £2.5m were approved.
18. The financial impact of the decisions made on 31 January 2014 have been incorporated into the Authority's Medium-Term Financial Plan.

MEDIUM-TERM FINANCIAL PLAN 2014/15 TO 2016/17

19. Members have been regularly briefed on the Authority's medium-term financial position. As a result of the Special Fire Authority on 31 January 2014 the projections for 2015/16 and 2016/17 have been updated.
20. In broad terms the budgets for 2014/15 and 2015/16 are now balanced and the deficit for 2016/17 has been reduced to circa £3m.

RESERVES

21. The Authority's reserves consist of the General Reserve (£8.804m at 31 March 2013) and a number of Earmarked Reserves created to meet specific areas of future expenditure (£9.788m at 31 March 2013).
22. Again, as a result of good forward planning by the Authority, the reserves are in a sound position, but they do need to be seen in the context of the current and future significant reductions in Government funding and the major financial uncertainties that still lie ahead.

LOCAL GOVERNMENT ACT 2003

23. Section 25 of the Local Government Act 2003 specifically requires the 'Chief Finance Officer' (which for Humberside Fire Authority is the S.151 Officer) to report on the robustness of the estimates, the adequacy of reserves and the budget monitoring arrangements in place when determining a budget requirement and precept for a given financial year.
24. Robustness of estimates:- the S.151 Officer confirms that the budget estimates have been compiled on a robust and prudent basis.

25. Adequacy of reserves:- the S.151 Officer confirms that the current reserves held by the Authority are adequate. This position is kept under continuous review and any material changes will be reported to Members.
26. Budget monitoring arrangements:- the S.151 Officer confirms that the Authority has timely and robust budget monitoring arrangements. The proposal is to again issue monthly management accounts and Prudential Indicators to all Members and CMT within 10 working days of the previous month end. This will commence for the period ending 31 May in the financial year.

CONCLUSION

27. Whichever option the Authority selects for the 2014/15 precept it will be able to balance its budget.
28. The Authority's budget is now in a sound position with efficiencies of £7.5m over 2011 to 2015 keeping pace with reductions in grant funding from government of £7.3m over the same period.

STRATEGIC PLAN COMPATIBILITY

29. The Medium-Term Financial Plan dovetails with the Authority's Strategic Plan.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

30. The Authority must statutorily set a balanced budget and council tax for the forthcoming financial year.

LEGAL IMPLICATIONS

31. No direct issues arising but the Authority must notify its intention with regard to the precept increase before the end of February each year and set a balanced budget.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

32. No direct issues arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

33. Setting a sustainable and prudent budget for the Fire Authority is fundamental in mitigating a number of key risks contained within the Strategic Risk Register.

HEALTH AND SAFETY IMPLICATIONS

34. No direct issues arising.

COMMUNICATION ACTIONS ARISING

35. No direct issues arising.

DETAILS OF CONSULTATION

36. The Budget has been developed with the full involvement of CMT and the full Fire Authority. An earlier version of this report was also considered by the 4 February 2014 Governance, Audit and Scrutiny Committee.
37. The statutory consultation with the Business Rate Payers of Humberside (represented by the Chamber of Commerce) has taken place. The Authority's earlier budget reports were circulated and comments invited.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

38. September 2013 and December 2013 budget reports.

RECOMMENDATIONS RESTATED

39. That Members approve one of the two options for the 2014/15 precept as set out below:

Option 1: Freeze the 2014/15 precept at the 2013/14 level and approve Appendices A1, B, C1 and D1;

Option 2: Set the 2014/15 precept at a level 1.9% higher than the 2013/14 level and approve Appendices A2, B, C2 and D2.

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