

**2016/17 BUDGET AND PRECEPT AND MEDIUM-TERM  
FINANCIAL PLAN 2016/17 TO 2019/20**

## SUMMARY

1. This report considers the Authority's Budget for 2016/17 onwards and also the setting of the precept for 2016/17.
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 2016/17;
  - The Council Tax Base figure for 2016/17; and
  - The basic amount of Council Tax for 2016/17.
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 2016/17 precept as set out below:

**Option 1:** Freeze the 2016/17 precept at the 2015/16 level and approve Appendices A1, B, C1 and D1;

**Option 2:** Set the 2016/17 precept at a level 1.9% higher than the 2015/16 level and approve Appendices A2, B, C2 and D2.

## 2016/17 FINANCIAL YEAR

5. There has been a series of reports to the Fire Authority on the budget position for 2016/17 onwards. Reports have been considered at the September, October and December 2015 round of meetings.
6. The Final Local Government Finance Settlement for 2016/17 has not yet been released at the time of writing this report (4 February 2016). Any material changes announced in the Final Settlement will be communicated to Members as soon as possible and at the latest at the meeting on 15 February. Based on the provisional settlement announced in December 2015, the key headlines were:
  - A 7.05% reduction in support from Government for 2016/17 (£1.47m);

- A 21.8% reduction in support from Government for the period 2016/17 to 2019/20 (£4.6m);
  - Council Tax Referendum threshold of 2% for Humberside Fire Authority for 2016/17.
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 2015/16.
  8. The Authority has worked very hard in anticipation of this austerity and by the close of 2015 had delivered efficiencies over the prior recent years of circa £9.0m.
  9. 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 2015. The main examples of this are:- the Council Tax Base for 2016/17; Collection Fund surplus; and the Capital Programme which is largely based on the Premises, IT and Vehicles reports for 2016/17 onwards approved at the December 2015 Fire Authority.

#### 2016/17 PRECEPT

10. The decision on the 2016/17 precept for Humberside Fire Authority has to be taken in the light of a number of significant factors.
11. First off, the Government has set a referendum threshold for 2016/17 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.
12. Secondly, the Authority has frozen its precept in each of the years 2011/12, 2012/13, 2013/14, 2014/15 and 2015/16 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.
13. 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 £7.5m or 28% of its funding from Government over this period. In addition to this there is an estimated further reduction in support from Government over the period 2016/17 to 2019/20 of £4.6m.
14. The setting of the 2016/17 precept is the decision of the Fire Authority and therefore this report presents two options for consideration:-

**Option 1:** Freeze the 2016/17 precept at the 2015/16 level, i.e. no change.

In comparison to Option 2 (see below) this course of action would result in lower funding of £1.15m over the period 2016/17 to 2018/19. 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 £1.15m over the period 2016/17 to 2018/19 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.

## COUNCIL TAX/PRECEPT – CONSULTATION

15. The Authority ran a public consultation from 1 December 2015 to 12 January 2016 on the council tax/precept for 2016/17. Options of 0% and a 1.9% increase were put forward. The responses in summary are as follows:-

	0%	1.9%	Total
Number of responses	9	74	83
Percentage	11%	89%	100%

16. Appendix E of this report sets out the responses received in detail.

### MEDIUM-TERM FINANCIAL PLAN 2016/17 TO 2019/20

17. Members have been regularly briefed on the Authority's medium-term financial position.
18. In broad terms the budget for 2016/17 is balanced with deficits (based on the 2016/17 precept freeze option) of £950k for 2017/18, £1.88m for 2018/19 and £2.47m for 2019/20.

### RESERVES

19. The Authority's reserves consist of the General Reserve (£5.041m at 31 March 2015) and a number of Earmarked Reserves created to meet specific areas of future expenditure (£11.059m at 31 March 2015).
20. 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.
21. The Authority maintains a number of earmarked reserves which will be utilised to meet the cost of schemes that are underway at the moment, e.g. Central Hull and Brough Fire Stations, which will cost circa £4.5m in total.

### LOCAL GOVERNMENT ACT 2003

22. 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.
23. Robustness of estimates:- the S.151 Officer confirms that the budget estimates have been compiled on a robust and prudent basis.
24. 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.
25. Budget monitoring arrangements:- the S.151 Officer confirms that the Authority has timely and robust monitoring arrangements. The proposal is to again issue management accounts to all Members and CMT within 10 working days of 30 June, 30 September, 31 December and 28 February.

## CONCLUSION

26. Whichever option the Authority selects for the 2016/17 precept it will be able to balance its budget.
27. The Authority's budget is now in a sound position with efficiencies of £9.0m over 2011 to 2015 as a response to the reductions in grant funding from Government. This has been achieved whilst simultaneously maintaining the Authority's high response standards.
28. Further efficiencies are required during 2016/17 in order to ensure a balanced budget for 2017/18. The work of the Service Redesign Programme and the Operational Efficiency Programme are vital to achieve this with a series of workstreams underway at the moment.

## 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.
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, October and December 2015 budget reports.

## RECOMMENDATIONS RESTATED

39. That Members approve one of the two options for the 2016/17 precept as set out below:

**Option 1:** Freeze the 2016/17 precept at the 2015/16 level and approve Appendices A1, B, C1 and D1;

**Option 2:** Set the 2016/17 precept at a level 1.9% higher than the 2015/16 level and approve Appendices A2, B, C2 and D2.

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