

HUMBERSIDE FIRE AUTHORITY – FINANCIAL OUTLOOK 2014/15 ONWARDS

SUMMARY

1. This report takes a comprehensive look at the Authority's financial prospects for the years 2014/15 to 2016/17.
2. The report also includes where possible updated assumptions as a result of the Comprehensive Spending Review (CSR) announcements made on 26 June 2013.

RECOMMENDATIONS

3. That Members receive the report and note the financial challenges for the period 2014/15 onwards.

CURRENT FINANCIAL POSITION 2012/13 AND 2013/14

4. The Authority's outturn for 2012/13 delivered an underspend and a closing level of total Revenue Reserves at 1 April 2013 of £18.5m.
5. A significant proportion of the Authority's Revenue Reserves are earmarked for a specific purpose. The full schedule is attached at Appendix 1 for Member information.
6. The Authority has set a balanced budget for 2013/14 and a 0% change in the precept/council tax as part of the Government's national initiative to freeze council tax.
7. There is no anticipated let up in the austerity measures in place for the public sector generally and fire and rescue in particular. In fact the 'Facing the Future' report produced by Sir Ken Knight indicates a further possible £200m of efficiencies from the English Fire and Rescue Service. The Government's response to this report is anticipated in Autumn 2013.
8. The Comprehensive Spending Review for 2015/16 was announced by the Chancellor of the Exchequer on 26 June 2013. From a financial planning perspective the main messages were as follows:-
 - A likely 10% reduction in Fire and Rescue funding from Government in 2015/16;
 - A £30m resource fund against which FRSs can bid. Successful bids would reduce the reduction in grant at an individual FRS level;
 - £45m of Capital funding – unclear at this stage as to how this will be allocated;
 - Council tax referendum threshold of 2% in both 2014/15 and 2015/16 with a grant equal to a 1% increase for those authorities that freeze or reduce council tax;

- Freeze grants relating to previous council tax freezes (2011/12 and 2013/14) will continue to be paid in 2015/16. It is unclear whether this will continue in 2016/17 onwards;
 - Public sector pay awards are expected to average at no more than 1%;
 - 2014/15 Settlement in the Autumn of 2013 with potentially indicative 2015/16 Settlement.
9. As we enter the forthcoming period however, the Authority currently has a sound financial position but we must not be complacent and should continue wherever possible to ensure that the Service remains efficient and effective.

2014/15 ONWARDS

10. The current financial projections for 2014/15, 2015/16 and 2016/17 have been updated based on the latest assumptions and information and are shown in Appendix 2.
11. The key assumptions applied are shown in the table below:-

Assumptions applied to the Medium-Term Financial Plan for 2014/15 to 2016/17

	2014/15	2015/16	2016/17
Pay Awards	1%	1%	1%
External Grant	-9.1%	-10%	-10%
Council Tax	* 0%	* 0%	2%
Non-Frontline vacancy factor	7%	7%	7%
Price Inflation			
- Utilities/Rates/Fuel	6%	6%	6%
- Insurance	5%	5%	5%
- Income	2.5%	2.5%	2.5%
- Other	0%	0%	0%

* Assumed no increase and therefore the Authority will receive the 1% freeze grant in each of the years 2014/15 and 2015/16.

12. Furthermore, the Authority's financial projections have been updated to incorporate previous decisions relating to the implementation of efficiencies, e.g. 4 March 2011 Strategic Plan and Integrated Risk Management Plan (IRMP) decisions and other efficiencies, e.g. discretionary spend and management.
13. As ever, whilst some issues of uncertainty have crystallised there still remains a significant number of factors that have not yet been determined as follows:-
- External Grant for 2015/16 onwards – unlikely to be announced at an Authority level until late 2013 at the very earliest;
 - 'Facing the Future' report – the Government's response is not anticipated until Autumn 2013;
 - Pay awards beyond the current financial year;
 - Possible specific changes to the mechanism for the allocation of Formula Grant as a result of the Government's response to 'Facing the Future'.

14. Members will see from Appendix 2 that there are estimated shortfalls in each of the years 2014/15 to 2016/17 inclusive as follows:-

2014/15	2015/16	2016/17
£563k	£2.7m	£5.5m
Deficit	Deficit	Deficit

15. The position will now be kept under continuous review through to budget setting in February 2014.
16. Appendix 2 shows that the 2014/15 budget can be balanced with a relatively modest contribution from the Authority's reserves. The Authority does historically have an underspend at outturn. For that reason a number of changes have been made to budgets as part of a detailed review as follows:-

Description	Savings (£k)
Non-frontline vacancy factor increased to 7% from 3% (vacancy factor has historically run at over 8%)	206
Discretionary spend – further efficiencies in budget lines that have historical underspends (e.g. Hydrants, External Audit fees)	290
5% efficiency target on all non-pay lines (targets will be set at the start of the year for budget managers to achieve)	328
Total	824

17. These measures have contributed to balancing the budget for 2014/15 and ensure that the Authority continues to operate as efficiently as possible across all areas. The real challenge for the Authority remains the years 2015/16, 2016/17 and beyond.
18. Regular updates will be brought to Members during the next 12 months and beyond. Most immediately there will be reports to the December Fire Authority (capturing the Local Government Provisional Finance Settlement) and the February 2014 Fire Authority for the purposes of setting the 2014/15 budget and precept.

CONCLUSION

19. The Authority has worked hard to create its current sound financial position through the generation of efficiencies and the creation/protection of reserves.
20. 2014/15 onwards will again test the Authority's finances – potentially to a far greater extent than that seen in 2011/12 to 2013/14.
21. Greater clarification should occur over the coming months in the build up to the 2014/15 Provisional Local Government Finance Settlement which will be announced in late 2013.

STRATEGIC PLAN COMPATIBILITY

22. The Authority's Medium-Term Financial Plan dovetails with the Strategic Plan and IRMP.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

23. The position for the medium-term will be kept under continuous review with regular reports from the Authority's S.151 Officer.

LEGAL IMPLICATIONS

24. Statutorily the Authority must set a balanced budget. Part of this process also requires the S.151 Officer to comment on the 'robustness of the estimates', 'the adequacy of reserves' and the in-year 'budget monitoring arrangements'.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

25. No direct issues arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

26. Setting a sustainable and prudent budget for the Authority is fundamental in mitigating one of the key risks in the Strategic Risk Register.

HEALTH AND SAFETY IMPLICATIONS

27. No direct issues arising.

COMMUNICATION ACTIONS ARISING

28. Key messages on the Authority's financial position are regularly communicated to all staff.

DETAILS OF CONSULTATION

29. The key messages within this report have been discussed at the CMT as a backdrop for future service planning.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

30. Medium-Term Financial Plan 2013/14 to 2016/17.

RECOMMENDATIONS RESTATED

31. That Members receive the report and note the financial challenges for the period 2014/15 onwards.

K WILSON

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Humberside Fire & Rescue Service
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KW/SJ
13 September 2013

Total Revenue Reserves 1 April 2013

	£m	£m
General Reserve		5.461
Earmarked Reserves		
Insurance Reserve	0.500	
Control Reserve	0.100	
Clough Road Rebuild Reserve	1.250	
Water Rescue Equipment Reserve	0.100	
BA Replacement	0.700	
Change Management Reserve	2.500	
Wide Area Network Reserve	1.913	
Brough Station Reserve	1.229	
Data and Intelligence Management	0.150	
Lease Buy Out	0.750	
Central Fire Station	2.000	
HFR Solutions	0.280	
East Coast and Hertfordshire Control Room Consortium	1.659	
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Total Earmarked Reserves		<u>13.131</u>
Total Revenue Reserves		<u>18.592</u>

