

FINANCIAL PLANNING 2019/20 ONWARDS

SUMMARY

1. This report considers the Authority's Revenue Budget for the period 2019/20 onwards.
2. The current financial position of the Authority is sound but there will continue to be significant challenges to this in the medium-term from what is now a very uncertain financial planning environment.
3. The report sets out the Service's financial planning through to 2022/23 and the assumptions applied to arrive at the position shown.
4. The requirement to make some further efficiencies will continue into the medium-term.
5. The report also sets out the likely timescales for the precept/council tax consultation for 2019/20.

RECOMMENDATIONS

6. That Members note the report and the financial challenges for the period 2019/20 onwards and that the precept/council tax report be considered at the February 2019 Authority meeting.

2019/20 ONWARDS

7. Appendix 1 of this report sets out the latest position on the Authority's Revenue Budget for 2019/20 onwards.
8. The key assumptions that have been incorporated into the budget are included in the table below.

Table 1

Assumptions applied to the Medium-Term Financial Plan 2019/20 to 2022/23

	2019/20	2020/21	2021/22	2022/23
Pay Awards	2%	2%	2%	2%
Council Tax *	2.95%	1.9%	1.9%	1.9%
Taxbase	Estimated	1.5%	1.5%	1.5%
Business Rates	3%	3%	3%	3%
External Grant	As notified	-2.5%	-2.5%	-2.5%
Non-pay inflation				
- Rates	4%	3%	3%	3%
- Fuel	5%	5%	5%	5%
- Utilities	5%	5%	5%	5%
- Insurance	5%	5%	5%	5%
- Other	0%	0%	0%	0%
- Income	1%	1%	1%	1%

* As a planning assumption for the years beyond 2019/20, an increase on the precept/council tax has been assumed of 1.9%. The final decision on council tax for 2019/20 will be taken by Members at the 11 February 2019 Fire Authority meeting.

9. Appendix 1 sets out a broadly balanced budget over the medium-term to 2022/23 but there are some important assumptions applied and points to note as part of this as follows:-

Pay awards

Annual increases in pay of 2% have been assumed as part of the financial model. Members will be aware that a 17% increase in pay for firefighter roles has been tabled by the Employee Side as part of current discussions. Clearly any pay award above the 2% annual increase level that is not funded by Government will require further efficiencies to be made by the Service.

Employer Pension Contributions

Members will recall the discussion from the October HFA meeting on the issue of a significant increase in employer pension contributions to the Firefighters' Pension Scheme. Subsequent to the October meeting, the Home Office have issued correspondence on this topic. Appendix 2 of this report sets out the letter that has been issued to the NFCC Finance Group and the LGA.

Essentially, the letter indicates a £107m increase in employer contributions for Fire and Rescue Services, as a result of changes to the discount rate for unfunded public sector pension schemes.

The letter signals a short consultation on the methodology to allocate a Section 31 grant from Government to meet £97m of this increase in the 2019/20 financial year. This leaves £10m of employer pension contribution increases to be met by Fire and Rescue Services. Humberside Fire and Rescue Service's share of this £10m residual burden is circa £250k for 2019/20.

The arrangements from Government beyond 2019/20 to meet this significant increase remain very unclear and a source of concern given the magnitude of the increase. At the Humberside Fire and Rescue Service level the additional burden is circa £2.5m per annum, which without commensurate grant funding will be a significant pressure for 2020/21 onwards.

Comprehensive Spending Review (CSR) 2020

The CSR 2020 will determine Departmental Spending Totals at a Governmental level for the 4 years from 2020/21 onwards.

This process does remain a concern for Fire and Rescue Service funding given that other areas of public expenditure are afforded a degree of protection, e.g. Health, Schools and Defence.

More immediately, the Local Government Finance Settlement for 2019/20 is anticipated on 6 December 2018. Members will be updated at the 7 December HFA meeting on the outcome, particularly if it is significantly out of line with the previous notification and our current planning assumption.

Fire Funding Formula Review

The Government has announced a review of the grant mechanism that is used to distribute funding from Government to Fire and Rescue Services. No further details are known at this stage but clearly this does introduce another area of uncertainty from a financial planning perspective.

Brexit

Two aspects may impact here with a possible deterioration in public finances at a national level and also an increase in supplier costs for certain items and commodities.

PRECEPT/COUNCIL TAX CONSULTATION 2019/20

10. The Government last year announced the principles for council tax/precept increases for 2018/19 and 2019/20. For Fire and Rescue Services this was set as 3% with any proposed increase above that level requiring an area-wide referendum.
11. The assumption is that the 3% level will hold for 2019/20 so after the release of the Provisional Local Government Finance Settlement on 6 December we will commence a council tax/precept consultation for 2019/20.
12. The consultation will be web-based with articles in the local press and on social media to highlight the process.

CONCLUSION

13. In summary therefore, the key dates between now and budget setting in February 2019 are as follows:-
 - **6 December 2018** - Provisional Local Government Finance Settlement 2019/20
 - **7 December 2018** - HFA meeting will consider MTFP update and headlines from the 6 December provisional Local Government Finance Settlement.
 - **December 2018** - Council Tax consultation commences
 - **January 2019** - Council Tax consultation closes
 - **Early February 2019** - Final Local Government Finance Settlement 2019/20
 - **11 February 2019** - Budget and Precept 2019/20 including Council Tax consultation feedback – Report to HFA

14. The Authority's financial position remains sound, however significant challenges will occur in the period 2019 to 2023 and to that end it is essential that the Authority continues to carefully identify efficiencies and maximise its funding wherever possible.

STRATEGIC PLAN COMPATIBILITY

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

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

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

LEGAL IMPLICATIONS

17. 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

18. The Authority has always maintained that compulsory redundancy will be an absolute last resort and this will continue to be the position throughout the oncoming period.

CORPORATE RISK MANAGEMENT IMPLICATIONS

19. 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

20. No direct issues arising.

COMMUNICATION ACTIONS ARISING

21. Key messages on the Authority's financial position that were outlined at the September and October 2017 Fire Authority have been communicated to all staff.

DETAILS OF CONSULTATION AND/OR COLLABORATION

22. The key messages within this report have been discussed at SLT as a backdrop for future service planning.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

23. Budget and MTFP reports to September and October HFA meetings.

RECOMMENDATIONS RESTATED

24. That Members note the report and the financial challenges for the period 2019/20 onwards and that the precept/council tax report be considered at the February 2019 Authority meeting.

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