



Dorset Fire Authority

MEETING	Dorset Fire Authority
DATE OF MEETING	10 February 2015
OFFICER	Treasurer to the Fire Authority
SUBJECT OF THE REPORT	Precept Implications 2015-16
EXECUTIVE SUMMARY	This report sets out the precept implications for the 2015-16 budget requirement.
RISK ASSESSMENT	<p>The Authority has undertaken a significant amount of work in recent years to help achieve a sustainable budget position, against a backdrop of continuing government funding reductions and limits on local discretion over levels of council tax. The level of business rates income available to the Authority remains a concern. The failure of DCLG to advise the FRS of employer pension contribution rates in a timely manner adds further financial uncertainty.</p> <p>Moving forward agreeing a favourable approach to council tax harmonisation with Wiltshire and delivering the required savings identified in the Combination business case are a priority.</p>
COMMUNITY IMPACT ASSESSMENT <i>Note: If the matrix indicates negative impacts on the community or staff, an equality impact assessment (EIA) will need to be completed.</i>	<p>The main impact at the current time is the proposed combination with Wiltshire and Swindon Fire Authority. The Final Business Case document considers Impact Assets for all three of the business case options.</p>
BUDGET IMPLICATIONS	The budget implications are contained within the report.
RECOMMENDATIONS	<p>It is recommended that the Authority:</p> <ol style="list-style-type: none"> Set the basic amount of precept for fire purposes in Dorset for 2015-16 in accordance with the recommendation of the Budget Working Group and as set out in the Appendix to this report. Authorise the Clerk to issue precepts on the Dorset collection authorities accordingly.

BACKGROUND PAPERS	Provisional Local Government Finance Settlement: England, 2015 to 2016, DCLG, 18 December 2014 2015-16 Local Government Final Finance Settlement; DCLG, expected 4 February 2015 Budget Working Group, 21 November 2014 Dorset Fire Authority, 5 December 2014
APPENDICES	Appendix A Precept Requirement
REPORT ORIGINATOR AND CONTACT	Richard Bates, Treasurer Tel: (01305) 228548

1. Background and financial issues for setting the 2015-16 Fire Precept

- 1.1 There have been a number of significant changes to the funding context for local authorities in recent years. Members have received briefings and updates on these issues throughout the course of the year and the key points are summarised below.
- 1.2 **Government austerity regime.** The government's austerity regime introduced in the Comprehensive Spending Review 2010 (CSR10) is expected to continue to 2017-18 or beyond.
- 1.3 **Central government funding reduction.** In the provisional financial settlement, the Settlement Funding Assessment has reduced from £11.582m in 2014-15 to an equivalent sum of £10.543m for 2015-16. This is £70k lower than estimates previously announced as part of the government's planned funding reduction of approximately 25% in this four year spending review period. The final settlement is expected to be announced on 4 February 2015.
- 1.4 **Localisation of business rates.** The 2013-14 financial settlement included an element of funding under the new localisation of business rates scheme for the first time. This is a complex scheme, under which local authorities and central government can financially benefit from local business growth, but also face financial risk in the event of local business recession. Opportunities for fire services to influence and benefit from this scheme are very low as they can only receive a maximum of 1% of any growth. Billing authorities are still gathering tax base data for the current year, so it is unclear as to what level of growth there is, if any. The impact of this scheme in the longer term is becoming clearer now that we are in receipt of the first years' returns, but it remains an additional funding risk. The impact of this is already being seen with the collection rates within the billing authorities being different to Government assumptions. An adjustment has been made to the Settlement Funding Assessment as a result of this.
- 1.5 **Localisation of council tax support.** At present it is anticipated that the billing authorities will leave their schemes unchanged from 2014-15 but this again is an additional risk outside of the control of the Fire Authority. Some additional work is being carried out by the billing authorities to determine the validity of single person discounts which are applied. Billing authorities have factored some additional income into their tax base estimates for 2015-16.
- 1.6 **Council tax freeze grant offer.** For the fifth year in a row, the government has offered a grant to authorities who freeze their council tax. The offer is equivalent to a 1% precept increase, worth approximately £204k per annum. It had originally been stated that this grant would be available for 2015-16 only but subsequent announcements have confirmed that this will be added into the funding baseline if the freeze grant is accepted.
- 1.7 **Local referendums on council tax increases.** This year, as with last year, there were concerns that Government would seek to lower the cap at which a local referendum would be needed to approve the increase. These concerns were heightened when the settlement was pushed back one day, amid speculation that Ministers were moving to

reduce the cap from 2%. However, the settlement confirmed that the cap remains at 2% for 2015/16. Beyond this, there is residual risk that the cap could be reduced and that is something which we continue to monitor.

- 1.8 Members have previously received information regarding the cost of organising such a referendum, estimated to be over £1m.

2. Precept Options

- 2.1 As the Final Business Case for Combination identified, there are issues around council tax harmonisation with Wiltshire and Swindon if the combination order is approved.
- 2.2 The increases in taxbase in both Dorset and Wiltshire mean that the overall business case savings can still be delivered, even if the new authority does not receive DCLG support for a favourable harmonisation option and has to resolve the issue over a 5 year period. It is however important to consider this issue whilst determining the recommended precept option for Dorset Fire Authority for 2015-16.
- 2.3 The current position is that Dorset has a Band D Council Tax of £66.60 and Wiltshire £63.62, a difference of £2.98 or 4.6%. Moves to harmonise become hindered by the referendum limits which only allow an increase of up to 2% before triggering a referendum.
- 2.4 The best scenarios would be for DCLG to allow for the Council Tax to be harmonised, either at Dorset's level or at the average. This could be achieved either through DCLG specifying an Alternative Notional Amount or amending the referendum limit for Wiltshire and Swindon Fire Authority on combination. The timing of the General Election is however unfortunate as any decisions relating to 2016-17 will need to be taken by the next government.
- 2.5 If future support from DCLG is not forthcoming then harmonisation will need to take place over a period of up to 5 years. This could potentially be done in several ways:-
- a) Wiltshire increasing by 2% per annum and Dorset increasing by 1.1% per annum for 5 years.
 - b) Wiltshire increasing by 2% per annum and Dorset accepting freeze grant (if it is still available) for 2 years, then harmonise in year 3.
- 2.6 Option b) would provide a better financial outcome than Option a) due to receipt of Freeze Grant of around £400k. There is however no certainty that freeze grant will be available in future years or at what level any future referendum limit will be set.
- 2.7 Another option would be for Dorset to freeze in 2015-16 and partly move towards harmonisation now. This would however:-
- a) reduce the funding available in 2015-16 by £143k; and
 - b) reduce the benefit which would arise from the agreement of an ANA

- 2.8 It is also important to remember that the combination order is not yet agreed by government and that in considering precept options for 2015-16 the impact on Dorset Fire Authority must remain of paramount importance.
- 2.9 The recommended course of action is therefore to increase the Council Tax for Dorset Fire Authority in 2015-16 by 1.89% and to continue discussions with DCLG around agreeing an ANA for 2016-17 should the combination proceed. The option of accepting freeze grant post combination will be retained should an ANA not be forthcoming.

3. Medium term financial position

- 3.1 As for the previous year, the various financial issues listed above paint a challenging medium term financial position, with much complexity and uncertainty. The current assumptions of the medium term financial plan are discussed in the Chief Fire Officer's paper on this agenda. It is clear that, from 2016-17 onwards, the Service will face a significant budget deficit, and that this deficit could reach £2.1m by the year 2018-19. The proposed combination will provide a solution to this should it be approved.

4. Taxbase and collection fund

- 4.1 Taxbase figures from the eight billing authorities have been confirmed at a total of 275,598.64 for 2015-16 which is an increase of around 1.5%, significantly better than the planning assumptions within the MTFP.
- 4.2 Every year, the actual amounts of council tax collected may be either better or worse than estimated, and a surplus or deficit reported on the Collection Fund. The Fire Authority share of the Collection Fund surplus for 2014-15 is confirmed at £118,326. The Authority should note that the collection fund surplus is of a one-off 'windfall' nature and cannot be guaranteed to be repeated in future years.

5. Precept requirement and budget

- 5.1 The Precept Requirement at Appendix A is based upon increasing council tax by 1.89%. This is within the 2% referendum limit being applied for 2015-16.
- 5.2 On this basis the budget requirement for 2015-16 is £29.290m, as detailed in the Chief Fire Officers budget paper.
- 5.3 Government funding for 2015-16, known as the Settlement Funding Assessment, is shown as £10,543m. This is made up as follows:

Revenue Support Grant (net)	£5.350m
Business Rates retention scheme	£5.193m

- 5.4 The appendix to this report showing the precept requirement includes an adjustment of £73k for an estimated deficit on business rate collection, which reduces the Settlement Funding Assessment amount to £10.470m.

- 5.5 This leaves a balance of £18.820m to be collected through the fire precept, which is reduced to £18.702m after the collection fund surplus.
- 5.6 The effect on a Band D property is an increase in the fire precept from £66.60 in 2014-15 to £67.86 for 2015-16. The effect on other bandings is shown at Appendix A, with the increase for a Band A property, for example, being 84 pence per annum.

6. Statutory declarations

6.1 Robustness of the Estimates

- 6.1.1 The Local Government Act 2003 (Section 25) requires all Financial Officers with 'Section 151' responsibilities to make a statement with regard to the robustness of estimates and the adequacy of reserves at the time the budget is set. The Authority has a statutory duty to "have regard to the report when making decisions about the calculations".
- 6.1.2 There is also a range of other safeguards aimed at ensuring local authorities do not over-commit themselves financially. These include:
 - ◆ the Chief Financial Officer's powers under section 114 of the Local Government Act 1988, which require a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
 - ◆ the Local Government Finance Act 1992 which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and
 - ◆ the Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions from 2004-05 onwards.
- 6.1.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be determined by factors outside the Authority's control, for example major incidents. The Authority has well-developed arrangements for the monitoring and reporting of budgets during the year.
- 6.1.4 The robustness of the budget critically depends on the maintenance of a sound financial control environment including effective financial management. On delegated budgets, overspendings have to be offset by underspendings elsewhere in the budget or carried forward to the following year.
- 6.1.5 With regard to capital finance, there is a separate report on this agenda dealing with the Prudential Indicators, including a section on the risk assessment associated with treasury management decisions.

6.2 General Assurance

- 6.2.1 In relation to the estimates, I am satisfied that they provide a robust and accurate basis upon which to calculate the fire precept.

RICHARD BATES

Treasurer to the Fire Authority

February 2015

DORSET FIRE AUTHORITY

BUDGET SUMMARY	2015-16	£	£
Budget Requirement			29,290,100
To be met from :-	Settlement Funding Assessment	10,542,589Cr	
	Business Rate Deficit Adjust	72,989	
			10,469,600Cr
Council Tax payers			18,820,500
Estimated Surplus on 2014-15 collection funds			118,326Cr
PRECEPT required in 2015-16			<u>18,702,174</u>

PRECEPTS	Estimated Surplus on Collection Funds			Tax Base	Precept
	Tax Base	2015-16	2014-15		
		£.p.	£.p.		
District Councils				2014-15	2014-15
BOURNEMOUTH	59,581.82	31,532.00Cr	4,043,222.31	57,869.00	3,854,075.40
CHRISTCHURCH	19,253.00	0.00	1,306,508.58	19,095.00	1,271,727.00
EAST DORSET	36,446.00	0.00	2,473,225.56	36,194.00	2,410,520.40
NORTH DORSET	26,135.60	10,179.00Cr	1,773,561.82	25,847.60	1,721,450.16
POOLE	54,808.00	44,438.21Cr	3,719,270.88	53,933.00	3,591,937.80
PURBECK	18,452.92	6,094.77	1,252,215.15	18,301.55	1,218,883.23
WEST DORSET	40,531.90	35,491.00Cr	2,750,494.73	40,130.30	2,672,677.98
WEYMOUTH & PORTLAND	20,389.40	2,781.00Cr	1,383,624.68	20,128.10	1,340,531.46
	275,598.64	118,326.44Cr	18,702,123.71	271,498.55	18,081,803.43

COUNCIL TAX	2015-16		2014-15	
	BASIC AMOUNT	£67.86		
	(Equivalent to	£1.30	£66.60	1.89%
			£1.28	per week)
BAND A	£45.24		£44.40	
BAND B	£52.78		£51.80	
BAND C	£60.32		£59.20	
BAND D	£67.86		£66.60	
BAND E	£82.94		£81.40	
BAND F	£98.02		£96.20	
BAND G	£113.10		£111.00	
BAND H	£135.72		£133.20	