DORSET & WILTSHIRE FIRE AND RESCUE AUTHORITY

Item 05

MEETING	Policy and Resources Committee
DATE OF MEETING	14 September 2016
SUBJECT OF THE REPORT	Finance Principles
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For discussion
EXECUTIVE SUMMARY	In preparation for the budget 2017/18, and making decisions on the Fire Precept there are a number of finance strands interlinked which will need consideration. These include funding, budget requirement proposals, capital investments and the decisions around how capital is funded, our reserves position, with particular consideration around the assumptions used, and resulting strategies and plans formulated as a result. This paper details the significant areas of finance on which important decisions are taken, explains the key finance issues for the Authority, clarifies the assumptions made, and provides and update on plans and strategies in preparation for the next iteration of the Medium Term Finance Plan.
RISK ASSESSMENT	Financial risk is key in any decision. There are significant assumptions made around budgets and finance principles, which due to the very nature will have inherent risks associated. Failure to establish key finance principles at this stage may lead to lack of clarity and direction, inefficiency and ineffectiveness and limit the decision making process.
COMMUNITY IMPACT ASSESSMENT	None for the purposes of this report.
BUDGET IMPLICATIONS	None
RECOMMENDATIONS	Members are asked to discuss and consider the report, and agree financial principles as summarised in Section 7 on which the budget 2017/18 and Medium term Financial Plan will be based.
BACKGROUND PAPERS	Dorset and Wiltshire Fire and Rescue Authority Paper – February

	2016 – Item 4 Appendix B: Dorset and Wiltshire Fire and Rescue Authority Medium Term Financial Plan 2016-2020.
APPENDICES	Appendix A: Earmarked Reserves
REPORT ORIGINATOR AND CONTACT	Phil Chow, Treasurer email: phil.chow@dwfire.org.uk Tel: 01722 691071, Mob: 07809 548055

1. Introduction

1.1 Finance is critically important, can be extremely complex and technical, however, it provides the bedrock and foundation on which decisions within the Service and the Authority are made.

1.2 This paper details the significant areas of finance on which important decisions are taken, explains the key finance issues for the Authority, clarifies the assumptions made, and finance principles to be agreed, and provides and update on plans and strategies in preparation for the next iteration of the Medium Term Finance Plan.

1.3 This paper brings all the various finance strands together, which are inter linked, as requested by the Finance and Audit Committee at its last meeting. This paper considers:-

- Section 2: Funding
- Section 3: Budget Requirement and Principles
- Section 4: Capital investment and Treasury Management
- Section 5: Reserves and Balances

2. Funding

2.1 Funding, in this context, is about how much money the Authority receives to pay for the services it provides. The primary source of funding comes from two main areas:

- Government Support (grants from central Government and business rates retention from local authorities); and,
- Precepts (council tax collected from local tax payers).

2.2 **Government Support**

2.2.1 The Chancellor of the Exchequer published the Joint Spending Review and Autumn Statement 2015 on 25 November 2015, which identified the levels of funding to all local authorities and signalled reductions in funding covering the period 2016/17 to 2019/20. The detail of these funding reductions was provided in the Provisional Local Government Finance Settlement delivered on 17 December 2015, which was confirmed on 8 February 2016. For fire authorities, comparing 2019/20 to 2015/16, the average reduction in funding across all fire authorities (excluding London) was 21.7%. For combined fire authorities, such as Dorset and Wiltshire, the average reduction was 23.1%, with Dorset and Wiltshire's actual reduction being 27.1%. This reduction included a 61.8% reduction in revenue support grant funding, as overall funding moves further towards full funding from local business rates.

2.2.2 The impact on Dorset and Wiltshire of these national funding changes is shown in Table 1 below. The Settlement Funding Assessment is the Governments assessment of how much funding is allocated to each Authority and is made up of two parts, i.e.

- Baseline Funding: the amount the Government expects the Fire Authority to receive from local business rates retention and top up grant;
- Revenue Support Grant, centrally funded grant distributed; the Governments' aim is to phase this out and move further towards full funding from local business rates.

Table 1: Settlement Funding Assessment

	2015/16	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m	£m
Baseline Funding	9.49	9.57	9.76	10.04	10.36
Revenue Support Grant	9.95	8.07	5.70	4.49	3.80
Settlement Funding Assessment	**19.44**	**17.64**	**15.46**	**14.54**	**14.16**
Reduction %		**-9.3%**	**-12.3%**	**-6.0%**	**-2.6%**

2.2.3 In the Final Business Case for the Combination we had forecast that Government funding would reduce by 5.5% year on year from 2016/17 to 2019/20. The Governments Settlement Funding Assessment detailed funding cuts of 12.3% in 2017/18, 6% in 2018/19 and 2.6% in 2019/20. Overall our Settlement Funding Assessment will have reduced from £19.436m in 2015/16 to £14.160m in 2019/20. This represents a cash reduction of £5.276m or 27.1%.

2.2.4 Government has confirmed it will enable Authorities to take an offer of a four year settlement provided they provide details of their efficiency plans in place for the next 4 years. The Authority approved at its meeting in June 2016, that it would apply for the four year settlement.

2.2.5 The Efficiency Plan to be presented to the Fire Authority on 14 September for approval and submission to the Home Office in October 2016, supporting the application for the funding for the remaining three years 2017/18 to 2019/20, i.e. 12.3%, 6% and 2.6% reductions in Settlement Funding Assessment.

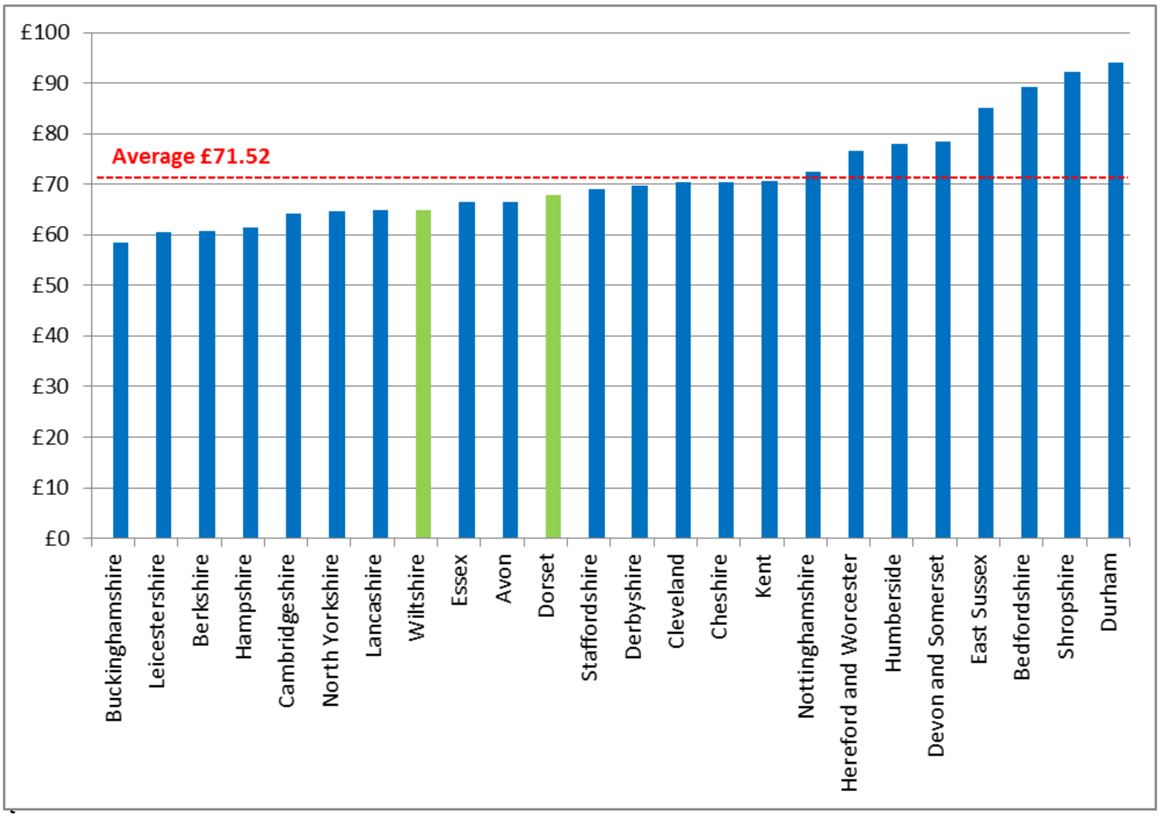
2.2.6 No account is yet taken of any changes to the funding mechanism, especially in respect of business rates, as these are not yet known. Government responsibility for Fire has moved from Communities and Local Government (DCLG) to the Home Office (HO), however at this stage funding to Local Authorities still remains within DCLG.

2.2.7 A new has Government has been formed and new thinking will undoubtedly follow, when the new Chancellor announces his budget plans, expected in the Autumn Statement. We expect the first finance settlement in December. **Principle: We will continue to plan on current assumptions as exemplified in the 2016/17 finance settlement i.e. funding reductions of 12.3%, 6% and 2.6% in 2017/18, 2018/19 and 2019/20.**

2.3 Precepts

2.3.1 The former fire authorities of Dorset and Wiltshire have both traditionally been low spending authorities. However, we have also suffered from being low funded authorities as well, receiving much lower than average funding from central government, compared to other fire authorities.

2.3.2 The low level of funding inevitably places pressure on levels of council tax but again both Dorset and Wiltshire's council tax has remained well below the average for combined fire authorities. For 2015/16 Dorset's Band D council tax figure was £67.86 and Wiltshire's was £64.88, compared to a national average of £71.52 (see Chart 1).



1: Band D Council Tax 2015/16 (all Combined Fire Authorities)

2.3.3 Precept Income is that levied on the collecting authorities, and is based on a band D council tax multiplied by the taxbase i.e. (the number of equivalent band D dwellings in the area).

2.3.4 In establishing the budget for 2016/17, funding from precepts was as follows, based on a band D fire precept of £69.21.

Collecting Authority	Taxbase 2016/17	Precept 2016/17 £
Bournemouth	60,839	4,210,671
Christchurch	19,528	1,351,533
East Dorset	36,824	2,548,589
North Dorset	25,688	1,777,846
Poole	55,415	3,835,272
Purbeck	16,656	1,291,212
Swindon	69,546	4,813,265
West Dorset	40,882	2,829,429
Weymouth & Portland	20,568	1,423,504
Wiltshire	176,780	12,234,960
TOTAL	**524,726**	**36,316,282**

2.3.5 The increase in taxbase in 2016/17 was on average 2.07%. **Principle: For planning purposes, and taking a prudent approach, it is assumed that taxbase will increase by 1.5% each year over the period to 2019/20, which is aligned to forecast increases expected by the billing authorities.** This is reasonable given the Governments targets for increases and growth in house building across the country. NB: It is interesting to note that in assessing local authority's core spending power, the Government have assumed increases in taxbase by applying the average annual growth in the council tax base between 2013/14 and 2015/16 throughout the period to 2019/20.

2.3.6 Precepts will rise as a result of increased taxbase, and also as a result of council tax increases. **Principle: The latest Medium Term Financial Plan, assumed 1.99% increases in fire precept band D to 2019/20, and therefore for planning purposes, we will continue to assume increases in fire precept band D council tax of 1.99% to 2019/20.** A 1% change in fire precept band D equates to approximately £360k per annum.

2.3.7 The increase of 1.99% is used to remain below the referendum limit (established in 2012/13), which is notified each year by the Chancellor. The Funding Settlement announced in February confirmed that the core referendum threshold would be maintained at the existing level of 2% and that district councils and police and crime commissioners will have a referendum principle of £5 applied, i.e. any increase above £5 or 2%, whichever is the higher, would invoke a referendum. The Government also allowed a social care council tax precept of 2% in addition to the core referendum threshold, allowing those councils with responsibility for social care to guarantee additional funding for social care services. This meant that some councils increased their precept levels by up to 4% for 2016/17. **Principle: It is anticipated that referendum principles will remain in operation at the 2% level for all Fire and Rescue Authorities.**

2.3.8 Given the assumptions in increases in taxbase (1.5% per annum) and planning assumptions on fire precept band D increases of 1.99%, funding from Precepts is as per the following table.

	2016/17	**2017/18**	**2018/19**	**2019/20**
	Actual	Estimated	Estimated	Estimated
Assumed band D increase	1.99%	1.99%	1.99%	1.99%
Assumed taxbase increase	2.07%	1.50%	1.50%	1.50%
Taxbase	524,726	532,597	540,586	548,695
Fire Precept band D	£69.21	£70.59	£71.99	£73.42
Precept	£36,316,282	£37,596,010	£38,916,770	£40,285,155

2.3.9 In 2016/17 the collecting authorities reported exceptional collection fund surpluses of £863k in total, primarily due to better than expected collection rates. **Principle: Deficits can also occur so for planning purposes, no assumption is made of any surpluses or deficits on collection fund balances to 2019/20.**

2.4 Summary Funding

2.4.1 In summary, the table below shows the total funding assumed to 2019/20 based on assumptions around:-

- Settlement funding assessment reductions, 12.3%, 6% and 2.6% in 2017/18 to 2019/20;
- fire precept increases of 1.99%, annually (below referendum limit of 2%);
- taxbase increases of 1.5%, annually.

	2016/17	**2017/18**	**2018/19**	**2019/20**
	Actual	Estimated	Estimated	Estimated
Precepts	£36,316,282	£37,596,010	£38,916,770	£40,285,155
Collection Fund Surplus	£863,255			
Baseline Funding (business rates and top-up grant)	£9,567,203	£9,755,274	£10,043,165	£10,364,163
Revenue Support Gant	£8,068,913	£5,704,373	£4,493,101	£3,795,406
TOTAL	**£54,815,653**	**£53,055,756**	**£53,453,036**	**£54,444,724**

3. Budget Requirement and Principles

3.1 Budget Requirement

3.1.1 The table below shows original projections of the new Authority's budget requirement from 2016/17 to 2019/20. The projections for 2017/18 onwards were originally based on the following assumptions: -

- 2% pay awards each year
- 1% non-pay inflation, plus contractual commitments
- Introduction of Apprenticeship Levy from 2017/18, equivalent to 3% of paybill
- Service functional reviews undertaken and implemented in 2016/17
- Transitional costs includes the costs of transitional staffing, redundancies, delayed notice periods, pay protection, additional travel, leaderships/cultural development and departmental ICT harmonisation.

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Net Budget Requirement	**55.070**	**54.302**	**54.089**	**55.375**
Total Funding	54.815	53.056	53.453	54.445
Budget Gap	**-0.255**	**-1.246**	**-0.636**	**-0.930**

Principle: For planning purposes pay awards are assumed at 2% per annum, and non-pay inflation at 1% each year.

3.1.2 Since the budget was approved in February, there have been a number of significant changes affecting the base budgets 2017/18 onwards, namely: -

- uniformed pay award has been agreed at 1%,
- capital financing budget in respect of capital outturn 2015/16 slippage of £1.755m, and significant cash balances, resulting in no requirement for prudential borrowing in 2016/17 in respect of the capital programme 2015/16. (See section 4.1 below).
- additional Section 31 Grants notified which were unexpected in regard to rural services delivery grant and transition funding in respect of business rates changes.

3.1.3 This now gives rise to a revised position on the financial deficits/budget gaps in 2017/18 onwards: -

	2016/17 £m	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Original Net Budget Requirement	**55.070**	**54.302**	**54.089**	**55.375**
Approved use of reserves	-0.255	0.000	0.000	0.000
Net Budget Requirement	**54.815**	**54.302**	**54.089**	**55.375**

Impact of: - Uniformed pay @ 1% - Capital Financing (slippage 15/16) - Unanticipated Section 31 Grants **TOTAL**		-0.300 0.034 -0.249 **-0.515**	-0.306 0.034 -0.030 **-0.302**	-0.312 0.034 -0.039 **-0.317**
Revised Net budget Requirement	**54.815**	**53.787**	**53.787**	**55.058**
Total Funding	54.815	53.056	53.453	54.445
Budget Gap	**0.000**	**-0.731**	**-0.334**	**-0.613**

3.1.4 As can be seen the budget deficit has changed by £515k (from £1.246m to £731k) in 2017/18, £302m (from £636k to £334k) in 2018/19 and £317k (from £930k to £613k) in 2019/20. **Principle: The budget gap will require the use of balances (see section 5 below).**

4. Capital Investment and Treasury Management

4.1 Capital Expenditure Summary

4.1.1 The original capital programme approved for 2016/17 stood at £8.750m which has increased to £10.505m allowing for slippage of £1.755m from 2015/16.

Capital Programme	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Property/Estates Station Improvements	4.494	0.752	0.687	0.700
Vehicles	4.835	3.155	3.086	3.831
Equipment	0.164	0.213	0.193	0.052
IT and Communications	1.012	0.440	0.250	0.250
Total	**10.505**	**4.560**	**4.216**	**4.833**
Financed by:				
Prudential Borrowing	6.462	4.560	4.216	4.833
Capital Receipts	0.000	0.000	0.000	0.000
Revenue Contributions/Reserves	0.000	0.000	0.000	0.000
Specific Grants	4.043	0.000	0.000	0.000
Total	**10.505**	**4.560**	**4.216**	**4.833**

4.1.2 The impact of the slippage will mean additional financing costs in 2017/18 to 2019/20 of £34k per year.

4.1.3 The programme was based on the requirements of the two previous Fire Authority's programmes brought together, with known adjustments for combination efficiencies. There are a number of key areas of work being currently undertaken, the outcome of which will impact on future capital programmes:

- Property review: A full property conditions survey has been undertaken, the results of which will inform the Property Asset Management Plan and provide an indication of future capital asset investments over the short, to medium term
- IRMP review: Alongside a fit for purpose review of the estates portfolio, the IRMP will determine a series of options for the use of fire stations and operational vehicle requirements.
- ICT Roadmap: A full review of the ICT infrastructure and development plan, mapping out the service ICT requirements over the short to medium term.

4.1.4 For example, the Vehicle Replacement Programme over the next 10 years shows a significant amount of replacement vehicles 31 large pumping appliances by 19/20 (included in the programme above) with a further 38 between 2020/21 to 2025/26. This is likely to change as a result of IRMP reviews, but it is expected a significant number will still be required. At todays prices, a large pumping appliance costs around £270k-£280k each, meaning an investment of £8.5m (2016/17 to 2019/20) with a further £10.5m (2020/21 to 2025/26).

4.1.5 The Capital Programme can be funded through grants, capital receipts and available reserves, however these are limited, but primarily through borrowing (prudential borrowing) is required to make up any shortfall.

4.1.6 As at 01/04/16 the Authority has £12.472m of loans (borrowing) outstanding, which the former fire authorities had taken out over a number of years to pay for their capital expenditure. The Authority also has an assessed Capital Finance Requirement (CFR) (for capital expenditure purposes), which is the Authority's underlying need to externally borrow for capital purposes. This stands at £26.658m as at 01/04/16. The difference of £14.186m is the level of under-borrowing incurred, i.e. decisions have been taken, on grounds of prudence and efficiency, not to borrow to the level which we could have. The main advantages of this has been to keep revenue costs down, i.e. interest charges and debt repayment. The Authority will need to consider what borrowing strategy it wants to adopt to fund capital given the significant levels of the capital programme in the short to medium and long term.

4.2 Treasury Management

4.2.1 Capital slippage and revenue underspendings have accumulated over several years creating surplus cash balances, which provides opportunities for cash investment. Surplus cash balances are invested in accordance with the Treasury Management Policy approved at the Fire Authority at its meeting in February. Currently, the service has 8 investments out to a variety of banking/financial institutions for varying periods, each for £1.5m (total £12m).

4.2.2 As a result of accumulated significant cash balances, prudential borrowing was not required in 2016/17 in respect of the capital programme for 2015/16. We have had surplus cash, therefore there has been no need to borrow to fund the capital programme, foregoing any interest on potential investments. This is phrased as ‘internal borrowing’. This principle of internal borrowing has been adopted for some years, as it has been financially prudent to do so. Typical investment rates are currently between 0.4% to 1.0% but are volatile due to market conditions. Typical borrowing rates range from 1.4% (5 years) to 2.7% (25 years) from the Public Works Loans Board at this present time. Prior to the financial market collapse in 2008, typical investment rates were in excess of 5%, and borrowing rates were around 3% to 5%.

4.2.3 The position at present is that the Service will continue to internally borrow, while investment rates are so low and borrowing rates are significantly higher. This will be reconsidered when looking at the longer term impact of future capital programmes as described above, where it may be advantageous to borrow substantial amounts over a long term at relatively low rates. This will be considered when looking at the capital programme beyond 2019/20, as there will be a substantial number of large pumping appliance needing replacement.

5. Reserves and Balances

5.1 Reserves and balances are monies set aside for future planning, to cover existing or potential liabilities and provide contingency funding when needed. Reserves and balances are categorised into two types:

- *Earmarked Reserves* – these are established for specific reasons, with money set aside and used when the conditions or reasons for establishing apply, e.g. ill health retirement reserve is used to fund any ill health retirement.
- *General Balances and Reserves* – these are monies which have been set aside and have no specific purpose for use, unlike earmarked reserves, and are effectively contingency funding, i.e. they are available just in case. General Reserves and Balances have been risk assessed for the new Authority at £2.5m, i.e. it is prudent to maintain General Balances and Reserves at £2.5m, which it is expected to be sufficient cover for the majority of the major financial risks of the Authority. **Principle: Amounts above the £2.5m are excess and are available for use.**

5.2 **Earmarked Reserves**.

5.2.1 The Authority holds £12.320m of Earmarked Reserves as at 01/04/16, subject to the final audit of the 2015/16 accounts. See appendix A for details.

5.2.2 It is anticipated that £2.277m will be used over the next four years. In a review of the earmarked reserves, a further £1.728m has been identified on review and considered to be no longer required or will be no longer required when all existing commitments are met. It is therefore recommended they be transferred to General Balances and Reserves.

5.2.3 This will leave anticipated Earmarked Reserves of £8.316m as at 31/03/2020, which includes a £4.275m capital reserves which is available to fund capital projects.

5.2.4 The Authority also holds a number of grants reserves which are earmarked for specific purposes totalling £4.808m as at 01/04/16, also subject to the final audit of the 2015/16 accounts. These contain grants/funds received from third parties which remain unspent and will be returned if they are not spent in relation to the conditions of their award. These include the Transformation Grant (£2.987m), NFCSP Grant (£833k) and a numerous others (£988k).

5.2.5 In summary, earmarked reserves (not including grants) are as shown: -

	2016/17 £	**2017/18 £**	**2018/19 £**	**2019/20 £**
Earmarked Reserves as at 1 April	12,320,387	9,885,439	8,571,132	8,429,568
Expected use	-707,374	-1,314,307	-141,564	-113,282
Assessed as no longer required 2016/17	-1,727,574			
Earmarked Reserves as at 31 March	9,885,439	8,571,132	8,429,568	8,316,286

5.3 **General Balances and Reserves**.

5.3.1 The Authority holds £6.701m of General Balances and Reserves as at 01/04/16, subject to final audit of the 2015/16 accounts, of which £2.5m is categorised as risk assessed leaving £4.201m available for general use.

5.3.2 In setting the budget for 2016/17, the use of £0.254m was approved in order to balance the 2016/17 budget.

5.3.3 On review of earmarked reserves (see 5.2.2 above), there are £1.728m of earmarked reserves, which are surplus to requirement and can be added to General Balances and Reserves.

5.3.4 At this point in time we are also assuming an underspending in 2016/17 of approximately £2.5m, representing a 4.6% underspending on a £54.8m budget, which will be reported to the next Finance and Audit Committee. This is primarily due to underspendings on employee costs (vacancies) and additional grant income not anticipated. In the first year of the new Authority, staffing structures have significantly changed and recruitment has been difficult, specifically in the corporate arena leading to the majority of the underspending. We continue to pursue retained recruitment throughout the service and have recently taken on an initial cohort of 10 new firefighters (former apprentices and new recruits). Plans are in place to take on a further cohort of 10, expected around October.

5.3.5 Given the estimated revised budget gap as per 3.1.3 above, in summary the position on General Balances and Reserves is anticipated to be:

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
General Balances as at 1 April Less Risk Assessed Excess General Balances as at 1 April	6,700,744 -2,500,000 4,200,744	8,173,918	7,443,624	7,110,560
Budgeted/Anticipated Use	-254,400	-730,294	-333,064	-612,276
Earmarked Reserves – no longer required	1,727,574			
Add predicted underspend 2016/17	2,500,000			
Excess General Balances as at 31 March	8,173,918	7,443,624	7,110,560	6,498,884

5.3.6 General Balances in excess of the £2.5m risk assessed General Balances, are anticipated to stand at £6.499m at 31 March 2020, and be available for service improvement.

5.3.7 Due to the level of excess balances, Members may consider it prudent to consider earmarking amounts from General Balances and Reserves for emerging issues, such as: -

- Emergency Services Mobile Communications Project (ESMCP) (see 6.4 below)
- funding capital projects
- potential reinvestment requirements in RDS, e.g. expanding the salaried scheme
- potential improvement in resourcing and response in the Wiltshire area

Principle: Members consideration to use excess General Balances and Reserves to meet the one-off costs of emerging issues.

6. Further Considerations and Budget Timetable

6.1 In developing finance strategies and plans going forward, it is important to understand where funding comes from, what influences it, key risks, both current and emerging and what are the costs and cost drivers.

6.2 Government funding is expected to reduce in accordance with current Government targets, but as we have a new Government, the funding policy may change as a result, but this is as yet unknown. We expect to get a view when the new Chancellor delivers his first Budget in the Autumn Statement.

6.3 The mechanism or formula by which we are allocated funding is being reviewed, in particular around business rates retention. In addition, the political environment in which we are operating is changing rapidly, firstly as a result of the Home Office taking over responsibility for Fire and secondly the impact of the associated governance models incorporating Police and Crime Commissioners. The funding arrangement in respect of

Fire Service could foreseeably change as a result, but we will continue to operate under the current mechanism until there is a change in legislation.

6.4 One other significant foreseeable challenge with emerging associated risks is the national blue light communication system, which is being replaced under the Emergency Services Mobile Communications Project (ESMCP), a national project being implemented throughout blue light services. Neighbouring Fire Services are currently estimating additional one off resourcing costs between £0.5 to £1m which the anticipate will be required for project management, training and equipment over a number of years.

6.5 As the new Service is still settling down, we have experienced some staffing difficulties, resulting in vacancies leading to a reported underspending this year. Great effort has been made to address the vacancies, particularly within wholetime as we have now employed one cohort of new firefighters with another due shortly. Any one off savings as a result of the vacancies will add to the balances and reserves as shown in para 5.3.5.

6.6 The basis of the budget 2017/18 and the next MTFP will be heavily influenced by a number of reviews have been or are being undertaken at present which will provide the basis for a number of options to be brought back to the Authority for consideration when setting the budget and the fire precept. These are likely to include the outcomes of some or all of the work, which will have a significant impact on both revenue costs and capital costs, including: -

- The IRMP review - are our stations, vehicles and duty systems (both wholetime and retained) adequate or sufficient to cover the perceived risk?
- The outcome of the conditions survey, and fit for purpose review – what do we need to spend on our properties to ensure they are maintained adequately and are fit for purpose?
- Organisational Development Review - how we develop our culture, our learning, our people?

6.7 The Management team are working with Heads of Departments bringing options for consideration to a Member Seminar on 15 December. This will provide an update on the outcomes of the reviews, in particular to formulate a number of options for Members to consider.

7. Summary of Principles and Assumptions

7.1 The Summary of the principles and assumption, recommended for approval, for planning purposes are: -

7.1.1 We will continue to plan on Government funding reductions of 12.3%, 6% and 2.6% in 2017/18, 2018/19 and 2019/20. (See para. 2.2.7)

7.1.2 We will assume that taxbase will increase by 1.5% each year over the period to 2019/20. (See para. 2.3.5)

7.1.3 We will continue to assume increases in fire precept band D council tax of 1.99% each year to 2019/20. (See para. 2.3.6)

7.1.4 Referendum principles will continue at the 2% level for all Fire and Rescue Authorities. (See para. 2.3.7)

7.1.5 No assumption is made of any surpluses or deficits on collection fund balances to 2019/20 (See para. 2.3.9)

7.1.6 Pay awards are assumed at 2% per annum, and non-pay inflation at 1% each year. (See para 3.1.1)

7.1.7 Any revenue budget gap will require funding from the use of balances. (See para. 3.1.4)

7.1.8 General Reserves and Balances above £2.5m are excess and are available for use. (See para. 5.1)

7.1.9 Use of excess General Balances and Reserves should be considered to meet the one-off costs of emerging issues e.g. ESMCP, capital funding, RDS investment and/or resourcing and response in Wiltshire area. (See para. 5.3.7)

DARRAN GUNTER
Chief Fire Officer

14 September 2016

Item 05 APPENDIX A

Earmarked Reserves	Balance as at 01/04/16 £	Expected Use 2016/17 £	Expected Use 2017/18 £	Expected Use 2018/19 £	Expected Use 2019/20 £	No Longer Required £	Expected Balance as at 31/03/20 £
- Hydrants	118,700	-59,350	-59,350				**0**
- Ill health retirements	745,021	-113,393	-113,393				**518,235**
- Insurance	1,023,825						**1,023,825**
- Retained pensions (part-time workers)	1,000,000					-1,000,000	**0**
- Transformation improvement	1,793,288						**1,793,288**
- Training	35,000	-35,000					**0**
- Capital replacements	4,274,601						**4,274,601**
- Combined Control contingency	557,746	-56,564	-56,564	-56,564	-28,282	-359,773	**0**
- Community safety innovation fund	50,000					-50,000	**0**
- Planning gain	181,471	-181,471					**0**
- Inland Revenue	49,195					-49,195	**0**
- Business rates funding adjustments	100,000					-100,000	**0**
- Safeguarding commitments	12,597	-12,597					**0**
- Fitness equipment commitments	104,000	-104,000					**0**
- Matched funding safety centre	1,000,000		-1,000,000				**0**
- Five Rivers leasing	835,833	-85,000	-85,000	-85,000	-85,000		**495,833**
- PFI	38,600					-38,600	**0**
- Leadership/Org. Dev't	270,505	-60,000					**210,505**
- Retained Duty System	130,007					-130,007	**0**
							0
TOTAL	**12,320,387**	**-707,374**	**-1,314,307**	**-141,564**	**-113,282**	**-1,727,574**	**8,316,286**