



**DORSET & WILTSHIRE
FIRE AND RESCUE
AUTHORITY**

Item 18/05

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	9 February 2018
SUBJECT OF THE REPORT	Budget 2018-19
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For consideration and approval
EXECUTIVE SUMMARY	<p>This report provides the position on the revenue and capital budget requirement for 2018-19 and considers three options for fire precept Band D, i.e. 2.99% increase, 1.99% increase and no increase.</p> <p>Option 1 which is endorsed by the Treasurer. This would mean, if approved, an increase of only £2.11 (4p per week) resulting in a fire precept Band D of £72.70.</p> <p>The budget requirement for 2018-19 is set out within section 4 of the report. It includes provisional sums for business rates income as at the time of writing, we have yet to receive final confirmation from the billing authorities. Any adjustment to the final figures will be met through general balances.</p>
RISK ASSESSMENT	<p>The Authority through its Medium Term Financial Plan, is able to achieve a sustainable budget position for the next few years, against the backdrop of the Government fiscal policy. The uncertainty of the funding mechanism remains a concern as costs and inflation rise and funding is being squeezed.</p>
COMMUNITY IMPACT ASSESSMENT	<p>The impact assessment was considered as part of the final business case for combination.</p>
BUDGET IMPLICATIONS	<p>These are contained within the body of the report.</p>

<p>RECOMMENDATIONS</p>	<p>It is recommended that the Authority:</p> <ol style="list-style-type: none"> 1. Approve the revenue and capital budgets for 2018-19. 2. Approve the basic amount of fire precept Band D for the Dorset & Wiltshire Fire and Rescue Authority as set out in Appendix B, i.e. an increase of £2.11 (4p per week), resulting in a fire precept Band D of £72.70. 3. Authorise the Treasurer to issue precept notices on the Dorset & Wiltshire collecting authorities accordingly.
<p>BACKGROUND PAPERS</p>	<p>2018-19 Provisional Local Government Finance Settlement, DCLG, 19 December 2017</p>
<p>APPENDICES</p>	<p>Appendix A - Summary Options Fire Precept Band D 2018-19</p> <p>Appendix B - Precept Requirements 2018-19</p> <p>Appendix C - Earmarked Reserves</p>
<p>REPORT ORIGINATOR AND CONTACT</p>	<p>Phil Chow, Director of Finance and Treasurer</p> <p>Email: phil.chow@dwfire.org.uk</p> <p>Telephone No: 01722 691071</p>

1. Introduction

- 1.1 This report provides the final position on the revenue and capital budget requirements for 2018-19 and recommends a fire precept Band D for approval, based on the budget principles as approved by the Policy and Resources Committee, revised and amended in light of the provisional finance settlement published on the 19 December 2017.
- 1.2 There are a number of issues and financial implications presented to the Authority in this report which are based on best information and professional forecasts. At the time of writing provisional sums for business rates income as per the settlement funding assessment are included, as we have yet to receive final confirmation from the billing authorities. Billing authorities are required to notify us by the 31 January 2018.

2. Planning assumptions

- 2.1 The Policy and Resources Committee in October 17 approved the finance planning assumptions and principles on which the 2018-19 Budget and the Medium Term Financial Plan (MTFP) were to be based. These were:
 - (a) Government funding reductions of 5.8% and 2.3% in 2018-19 and 2019-20 respectively, as indicated in the 2017-18 finance settlement
 - (b) further central Government funding reductions assumed at 5% per annum (reflective of average reductions during the previous settlement period)
 - (c) taxbase increases of 1.0% per annum
 - (d) fire precept Band D council tax increases of 1.99% per annum
 - (e) referendum principles will continue at the 2% level for all Fire and Rescue Authorities
 - (f) surpluses on collection fund balances of £250k per annum
 - (g) pay awards are assumed at 2% per annum (unless otherwise agreed), and non-pay inflation at 1% each year
 - (h) any residual revenue budget gap will require funding from the use of balances
 - (i) use excess general balances of approximately £5m-£6m to fund part of the capital programme, thereby reducing the need to borrow.
- 2.2 Since the MTFP was established in October 2017, the budget for 2018-19 has been based on more recent information. The following sections reflect these changes.

3. Funding Issues

3.1 Local Government Finance Settlement 2018-19

- 3.1.1 The Provisional Finance Settlement details for 2018-19 were published on 19 December 2017. The final details are expected in early February, but at the time of writing they have yet to be finalised.
- 3.1.2 The Settlement Funding Assessment (SFA) consists of estimates of the local share of business rates (the Baseline Funding Level (BFL)), and Revenue Support Grant (RSG). The provisional figure for the new Authority's Settlement Funding Assessment (SFA) for 2018-19 is £14.549m.
- 3.1.3 This is a reduction of £0.918m or 5.9% compared to the SFA for 2017-18, slightly more than expected from the 4-year funding settlement offer. The SFA includes Revenue Support Grant (RSG) funding of £4.493m and a Baseline Funding Level (BFL), under the Business Rates Retention (BRR) Scheme of £10.056m.

	2017-18 £m	2018-19 £m	Difference £m
Settlement Funding Assessment (SFA)	15.467	14.549	-0.918
<i>made up of:</i>			
- Revenue Support Grant (RSG)	5.704	4.493	-1.211
- Baseline Funding Level (BFL)	9.763	10.056	0.293

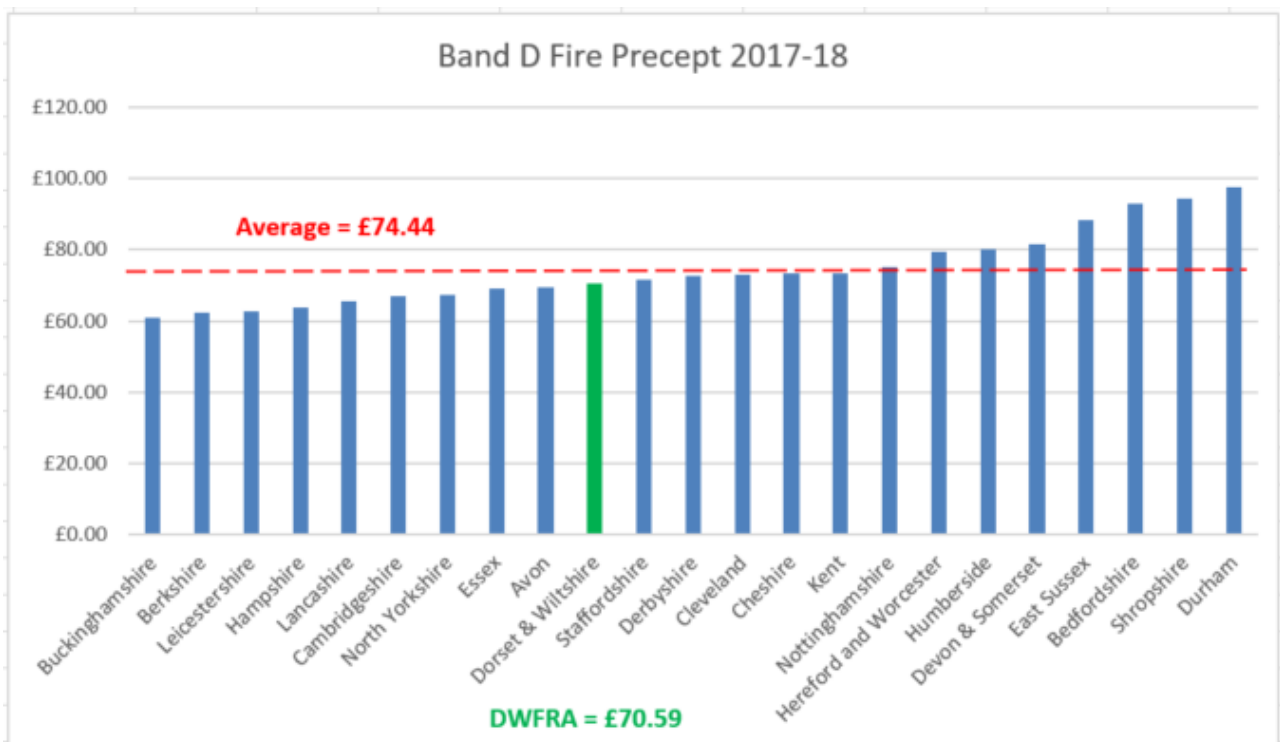
- 3.1.4 The reduction for Dorset & Wiltshire Fire and Rescue Authority of 5.9% for 2018-19 is slightly higher than that expected as revisions have been made to the settlement funding assessment to take account of the pilot scheme for 100% Retention of Business Rates. Derbyshire and Kent Fire and Rescue Authorities are part of the pilot schemes. The reduction of 5.9% still remains the third highest funding reduction when comparing all combined fire authorities; the average reduction was 4.7%.
- 3.1.5 The Baseline Funding Level (BFL) is split between an assumed level of business rates retention and a top up grant payment from DCLG. The top up grant is increased each year in line with inflation which for 2018-19 is 3%. The amount of business rates retention is subject to some uncertainty, and whether the amount assessed within the SFA will be close to the amount actually received from the billing authorities remains to be seen. The amounts due from the billing authorities have yet to be confirmed.
- 3.1.6 The Provisional Settlement for the period 2018-19 to 2019-20 is as largely as predicted. Consultation on the provisional settlement concluded on 16 January 2018 and we expect to see the Government's response when the final settlement is announced in early February 2018.

3.2 Fire Precept

3.2.1 The Fire Authority has a history (as both former authorities) of being low spending authorities. As a result, we have suffered from being low funded authorities as well, receiving much lower than average funding from Central Government compared to other fire authorities.

3.2.2 The low level of funding inevitably places pressure on levels of fire precept/council tax. For 2017-18 the Dorset & Wiltshire Fire and Rescue Authority Band D fire precept figure was £70.59. This is much lower when compared to a national average for FRAs of £74.44 (see Chart 1 below).

Chart 1: Band D fire precept 2017-18 (all combined fire authorities)



3.2.3 We are unable to raise our precept to the national average level of £74.44, which would mean a 5.5% rise, as we would be in breach of the referendum threshold.

3.2.4 In general terms, the provisional finance settlement for 2018-19 announced:

- 3% council tax referendum trigger for fire authorities, counties, unitaries, London boroughs and Greater London Authority (up from 2%)
- Continuation of the Adult Social Care precept at 2% with the flexibility to increase the precept by 1% to 3% in 2018-19 provided that increases do not exceed 6% between 2017-18 and 2019-20

- For shire districts 3% council tax referendum trigger or £5, whichever is higher (up from 2%)
- Police precepts can be increased by up to £12. This equates to between 5.34% and 12.20% for English Police & Crime Commissioner's (PCC's). This compares to allowing a £5 increase for those in the lowest quartile of PCCs and a 2% threshold otherwise in 2017-18.

3.2.5 Total fire precept funding is also dependent on increases in the taxbase, i.e. the number of Band D equivalent households in the Authority area. Billing authorities are required to notify us of their taxbase, however, at the time of writing we have yet to receive full confirmation of our taxbase figures for 2018-19 and will rely on some initial estimates. On average across the whole of the Authority area our taxbase is expected to rise by approximately 1.9%. The MTFP assumed taxbase increases of 1.0%.

3.2.6 There are also one-off collection fund surpluses and deficits held at each of the billing authorities, which offset or add to the amount collected in year in respect of council tax income. In total, we estimate these amount to approximately £629k for 2018-19, until confirmation is received. These amounts should be considered as one-off windfalls and should not be relied upon over the medium term. The MTFP assumed £250k.

3.3 Funding Summary

3.3.1 The table below shows the overall funding position taking account of potential options for precept increases of 2.99%, 1.99% and no increase, together with reported/estimated taxbase increases, anticipated grant funding and Business Rates Retention (BRR):

	Option 1 2.99% increase	Option 2 1.99% increase	Option 3 0% increase
Taxbase	541,239	541,239	541,239
Fire Precept Band D (£)	£72.70	£71.99	£70.59
Fire Precept (£m)	39.348	38.964	38.206
Collection Fund Sur/Def(-)(£m)	0.629	0.629	0.629
Revenue Support Grant (RSG)(£m)	4.493	4.493	4.493
BRR and Top Up grant (£m)	10.056	10.056	10.056
Total Funding (£m)	54.526	54.142	53.384

4. Budget Requirement 2018-19

- 4.1 In determination of the budget 2018-19 there are a number of influencing factors outside of the issues around precept and Government funding. These are considered below:
- 4.1.1 Staffing costs assume 2% pay awards for all staff groups, which is considered prudent given successive years of pay restraint, inflationary forecasts and the consequential pressure on wage demands. However, uniform pay award for 2017-18 has yet to be agreed, and therefore there is a risk that the 2% built into budgets may not be sufficient;
- 4.1.2 Inflationary and contractual increases equating to approximately 1% on non-pay budgets;
- 4.1.3 Transitional work continues over the next few years to ensure that service provision is maintained and transition to the steady state is achieved. Much of this is associated with transition to the new organisational structure. The budgeted costs of the transition process in 2018-19 are currently £579k.
- 4.2 Taking all the changes into account, the Service Budget Requirement is £54.526m recommended for approval for 2018-19 is as follows:

	Service Budget 2018-19 £m
Revenue Budget	
- Employee	43.438
- Premises	3.337
- Transport	1.432
- Supplies & Services	4.550
- Agency & Contracted Out	2.210
- Democratic Representation	0.103
- Capital Financing/Leasing	2.968
- Income	-3.249
- Transfers to Reserves	-0.264
Estimated Service Budget	54.526

5. Medium Term Finance Plan

- 5.1 The Medium Term Finance Plan 2018-19 to 2020-21 was approved at the Policy & Resources Meeting in October 17, based on initial finance planning assumptions

and principles as identified in Section 2 above, and a number of additional spending proposals.

- 5.2 Further work has been undertaken on the additional spending proposals in developing the budget for 2018-19 and beyond, the result of which are reflected in the indicative Service Budget Requirements below:

	Service Budget 2018-19 £m	Indicative Budget 2019-20 £m	Indicative Budget 2020-21 £m	Indicative Budget 2021-22 £m	Indicative Budget 2022*-23 £m
Revenue Budget					
- Employee	43.438	43.345	44.022	44.862	45.725
- Premises	3.337	3.367	3.435	3.504	3.573
- Transport	1.432	1.420	1.432	1.444	1.455
- Supplies & Services	4.550	4.630	4.701	4.773	4.844
- Agency & Contracted Out	2.210	2.235	2.199	2.223	2.229
- Democratic Representation	0.103	0.103	0.103	0.103	0.103
- Capital Financing/Leasing	2.968	3.755	4.443	4.671	4.880
- Income	-3.249	-3.300	-3.267	-3.274	-3.281
- Transfers to Reserves	-0.264	0.038	0.165	0.165	0.165
Estimated Service Budget	54.526	55.593	57.233	58.471	59.693

- 5.3 The table below shows the indicative funding available based on the assumptions above, over the period 2018-19 to 2022-23.

	2018-19	2019-20	2020-21	2021-22	2022-23
Taxbase	541,239	546,651	552,117	557,639	563,215
Band D (£)	£72.70	£74.87	£76.36	£77.88	£79.43
Band D increase (%)	2.99%	2.99%	1.99%	1.99%	1.99%
Fire Precept (£m)	39.348	40.928	42.160	43.429	44.736
Collection fund Sur/Def(-)(£m)	0.629	0.250	0.250	0.250	0.250
Rev Support Grant (RSG)(£m)	4.493	3.796	2.864	1.962	1.089
BRR and Top Up grant (£m)	10.056	10.279	10.507	10.740	10.978
Total Funding (£m)	54.526	55.253	55.781	56.381	57.053

- 5.4 In summary, the table below shows the indicative net budget deficits/surpluses based on the revised figures above and amended finance planning assumptions and principles.

	2018-19	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m	£m
Estimated Service Budget	54.526	55.593	57.233	58.471	59.693
Total Funding (£m)	54.526	55.253	55.781	56.381	57.053
Budget surplus(+)/deficit(-)	0.000	-0.340	-1.452	-2.090	-2.640

- 5.5 As can be seen from the table above, assuming increases in fire precept of 2.99%, 2.99% in 2018-19 and 2019-20 respectively, and 1.99% thereafter, there is still a significant estimated ongoing base budget deficit in 2020-21 to 2022-23 of £1.452m to 2.640m respectively. In the medium term we will need to consider the use of our reserves and available resources to provide a sustainable budget position.
- 5.6 The Service will need to use its revenue balances, transformation reserves and other earmarked reserves to support Service transformation and associated transition costs, i.e. General Balances, Transformation Improvement Reserves, Capital Replacement Reserves and Capital Receipts Reserves. The table below shows the starting point for general balances, and their expected use.

	Balance B/F 1 April £m	Transfers in/Out £m	Expected Use £m	Balance C/F 31 March £m
General Balances				
2017-18 Opening Balance	10.124			10.124
Add underspending 2017-18		1.220		11.344
2018-19		-4.569		6.775
2019-20	6.775	-0.431	-0.340	6.004
2020-21	6.004	0.416	-1.452	4.968
2021-22	4.968		-2.090	2.878
2022-23	2.878		-2.640	0.238

- 5.7 Included in general reserves and balances is the 2017-18 forecast underspending of £1.22m, in line with the latest financial monitoring report presented to the Finance, Governance and Audit Committee in December 2017 (largely resulting mainly from difficulties in recruiting and retaining staff to the desired staffing levels which are being addressed through ongoing recruitment across all staffing groups). The impact of this provides some flexibility in use of balances to deliver future efficiency savings and enhance service provision.
- 5.8 With an increase of just under 3% in Band D council tax for 2018-19 and 2019-20, (1.99% thereafter) our forecast budget gaps can be met from general balances that we have available but this will reduce the level of general balances to approximately £2.9m by March 2022 i.e. above our policy to maintain general balances at or above £2.5m.

- 5.9 The level of general balances allows flexibility and provide opportunities for further transformation and provides the ability to address issues and concerns that will help alleviate pressures and potential risks on the revenue budget, namely:
- ◆ our community and partnership arrangements
 - ◆ the impact of the replacement national radios and communication system known as the Emergency Services Mobile Communications Programme (ESMCP) is evolving and as yet it is not clear if there will be any additional costs to the Service
 - ◆ strengthening and widening our prevention, protection and resilience activities
 - ◆ learning from the public inquiry and other reviews following the Grenfell Tower fire in London as there are likely to be significant legislative changes particularly around fire safety, the impact for us as at this time is unquantifiable
 - ◆ our on-going annual capital investment beyond 2018-19, (NB: general allocation of central capital grant has ceased)
 - ◆ the Authority's property maintenance requirement of approximately £1m per year
 - ◆ the impact of the awaited pending pay award for 2017-18 for unformed staff
 - ◆ the sustainability of the On-call duty system
- 5.10 The other two options for the level of fire precept, i.e. Option 2 (1.99% increases each year) and Option 3 (no increase in 2018-19 and 1.99% thereafter as per the MTFP) would require additional use of reserves and balances and mean increased estimated ongoing base budget deficits. Further details are attached as per Appendix A. These options show deficits rising substantially if no further savings were found, and where general balances would be below in the policy limit of £2.5m after 2020-21 (Option 2) and 2019-20 (Option 3).

6. Capital Programme

6.1 Capital Expenditure Summary

- 6.2 Draft capital expenditure requirements for 2017-18 to 2021-22 are shown in the table below. The revised capital programme for 2017-18, as approved by the Authority in December 2017, totals £9.334m. The capital budget for 2018-19 recommended for approval is £9.632m.

Table: Capital Programme 2017-18 to 2021-22

	Revised Budget 2017-18 £m	Indicative Budget 2018-19 £m	Indicative Budget 2019-20 £m	Indicative Budget 2020-21 £m	Indicative Budget 2021-22 £m
Capital Expenditure					
Property/Estates	1.336	1.695	5.107	1.082	1.040
Vehicles	6.165	6.219	5.041	1.836	2.763
Equipment	0.249	1.026	0.918	0.105	0.105
ICT	1.584	0.692	0.320	0.550	0.250
TOTAL	9.334	9.632	11.386	3.573	4.158
Financed by					
Prudential borrowing	0.000	-8.951	-7.498	-3.573	-4.158
Transformation Reserves	-0.601	-0.250	-1.861	0.000	0.000
Capital Receipts	-0.173	0.000	-1.027	0.000	0.000
Direct Revenue Financing	-4.569	-0.431	0.000	0.000	0.000
Capital Reserves	-3.991	0.000	-1.000	0.000	0.000
TOTAL	-9.334	-9.632	-11.386	-3.573	-4.158

6.3 Property/Estates - Station Improvements

- 6.3.1 The 2018-19 programme includes the outcomes of a property conditions survey, identifying the property assets in most need of attention now and over the next few years, based on risk and priority, including programmes that slipped from 2017-18. Current property budgets do not include any major station replacements or enhancements until such time the Communities Programme have reviewed fire cover arrangements, which may require significant infrastructure investment. This will be highlighted in future reports if required.

6.4 Vehicles

- 6.4.1 Vehicles are regularly reviewed and are subject to the long-term vehicle replacement policy. The 2018-19 capital programme includes the replacement requirements for one 42m aerial ladder platform (ALP) appliance (£768k) and 10 large fire appliances (10@ £308k, £3.08m). A further 20 large fire appliances are due for replacement over the following three years, and a further ALP. A wider review of fleet will be completed to update the current vehicle replacement plan. Similar to the property estates review, the programme for 2018-19 is based on immediate requirements and future years are likely to changes subject to the reviews.

6.5 Equipment

6.5.1 The programme for equipment is made up of Operational Equipment and Personal Protective Equipment (PPE) requirements for the next few years, alongside additional training equipment and equipment for the reserve vehicles. A major refresh of PPE is planned stretching over the two years 2018-19 and 2019-20 costing approximately £1.63m (half in each year). Breathing Apparatus will also be required to be replaced in a major refresh in 2022-23 at a similar cost of circa £1.6m.

6.6 Information Technology and Communications

6.6.1 Ongoing ICT infrastructure requirements as part of the ICT roadmap includes hardware and software replacements, some mobile communications work carried forward from 2017-18 and the replacement of the two asset management systems, harmonising onto one integrated system.

6.7 Capital Financing

6.7.1 Capital expenditure is generally funded by a number of sources, namely capital receipts, direct revenue contributions, specific capital grants and, under the capital accounting regime in respect of local authority capital accounting, through a system of prudential borrowing.

6.7.2 The Service has capital reserve established at £4.172m as at 1 April 2017, and as part of the finance principles £5m of general balances was highlighted to be used to fund the capital programme. These set aside reserves will be used to help finance part of the 2017-18 and 2018-19 capital programme.

6.7.3 The system of capital grants within the Fire Service no longer exists, and has been replaced with a capital and revenue grant bidding system open to all Financial Reporting Standard's (FRSs), if and when monies become available. We anticipate that there will be no capital grants available for 2018-19. We do, however have transformation grants monies which were bid for and allocated, and will be used for the provision of safety centre facilities as per the original transformation bid.

6.7.4 Any shortfall of funding available to meet the capital programme is made up from prudential borrowing.

6.7.5 Prudential borrowing is undertaken usually at the end of the financial year in which the expenditure is incurred. The revenue impact of any borrowing will depend on the amount and the length of any loan taken out. Any borrowing undertaken is broadly aligned to the lifespan of the assets for which the borrowing is required to fund.

- 6.7.6 The capital financing budget includes provision for prudential borrowing i.e. £8.951m in 2019-20 (in respect of 2018-19 programme), £7.498m in 2020-21 (in respect of the 2019-20 programme), and £3.573m in 2021-22 (in respect of the 2020-21 programme).
- 6.7.7 As a principle, as capital grant is no longer available to sustain capital expenditure, prudential borrowing will be required beyond 2018-19. Funding through increases in precepts will be required to meet the additional costs of capital borrowing. It is the intention to hypothecate any additional precept received through increases in taxbase (number of equivalent Band D properties) to fund the capital financing costs of the capital programme. This would be appropriate as infrastructure funding (i.e. capital) would then be aligned to changes in the community demographics.

7. Reserves and Balances

7.1 General Balances and Reserves

- 7.1.1 General Balances are set aside as a safety net to cover unplanned and unbudgeted costs. The Fire Authority needs to maintain separate reserves and balances to help deal with unexpected contingencies and specific risks that cannot be managed within the annual revenue budget, and to provide a working balance to help manage cash flow fluctuations arising from their normal business activities. An annual review of reserves is carried out as part of the budget setting cycle. Following the latest review, we will be maintaining risk assessed general balances at £2.5m, a prudent level, equating to approximately 5% of the Authority's net budget requirement.
- 7.1.2 General Balances at the start of 2017-18 amount to £10.124m, and section 5.6 above shows how the level of balances would change over the period to 2022-23 assuming Option 1 for the 2018-19 budget is approved. By the end of 2022-23 the level of balances would have reduced to £238k, well below the risk assessed amount of £2.5m. If the fire precept is not increased in 2018-19 (i.e. Option 3), but is in subsequent years, the level of balances would be reduced to £627k in 2020-21 and we would be operating effectively as insolvent beyond 2020-21. (See Appendix A for examples).

7.2 Other Earmarked Reserves

- 7.2.1 The Authority has a number of other reserves earmarked for specific purposes. The Authority manages its earmarked reserves to help deal with specific risks that cannot be managed within the annual revenue budget. For instance, this helps provide funds for Service transformation, to reduce external debt and for other specific reasons.

7.2.2 Further detail regarding earmarked reserves is provided in the attached Appendix C.

8. Fire Precept Band D Options

8.1 Officers have considered three options for the fire precept Band D: -

- Option 1: an increase of 2.99% (£2.11 per year);
- Option 2: an increase of 1.99% (£1.40 per year); and,
- Option 3: no increase.

8.2 Where deficits occur, there is a requirement to use reserves to balance the budget i.e. £384k or £1.142m will be required to be drawn from balances for Options 2 and 3 respectively. This breakdown is outlined in the table below: -

	Option 1 2018-19 2.99% increase	Option 2 2018-19 1.99% increase	Option 3 2018-19 0% increase
Taxbase	541,239	541,239	541,239
Fire Precept Band D (£)	£72.70	£71.99	£70.59
Fire Precept (£m)	39.348	38.964	38.206
Collection Fund Surplus/Deficit(-)(£m)	0.629	0.629	0.629
Revenue Support Grant (RSG)(£m)	4.493	4.493	4.493
BRR and Top Up grant (£m)	10.056	10.056	10.056
Total Funding (£m)	54.526	54.142	53.384
Estimated Service Budget 2018-19	54.526	54.526	54.526
Budget Surplus/deficit(-)	0.000	-0.384	-1.142
Net Budget Requirement	54.526	54.142	53.384

8.3 Increases in the taxbase (i.e. equivalent Band D households) across the Authority area will provide additional funding of approximately £0.380m for a 1% increase. On average our taxbase is currently estimated to rise by 1.9% for 2018-19. We initially assumed 1% for planning purposes in the Medium Term Financial Plan.

8.4 One-off collection fund surpluses and deficits held at each of the billing authorities will offset or add to the amount collected in year in respect council tax income. Initial estimates of Collection Fund surpluses currently amount to £629k for 2018-19. It must be stressed that these one-off 'windfall' amounts are not guaranteed to be sustainable at this level in future years.

8.5 In summary three options for fire precept increases have been considered. They are:

- 8.5.1 **Option 1** is for a fire precept Band D increase up to the cap for referendum purposes, i.e. an increase of 2.99% (only £2.11 or 4p per week) for 2018-19 to £72.70, with a manageable estimated budget deficit in 2020-21 of £1.452m.
- 8.5.2 **Option 2** is for a fire precept Band D increase of 1.99% to £71.99 in 2018-19. This option will require the use of balances of £384k to set a balanced budget in 2018-19. If the fire precept Band D is increased each year thereafter, by 2020-21 there will be an estimated on-going base budget deficit of approximately £2.3m. This will mean that available general balances will rapidly deplete over the following year and will fall below the £2.5m risk assessed level, with further ongoing pressures being unable to be funded.
- 8.5.3 **Option 3** is for no fire precept Band D increase in 2018-19, i.e. the fire precept to remain at £70.59 per Band D household. Option 3 requires even greater use of balances (£1.142m) to set a balanced budget for 2018-19. More worryingly, there will be an estimated on-going base budget deficit of £3.1m by 2020-21 and available balances will have rapidly depleted to less than the £2.5m policy limit. Further significant cuts would be required as service provision will not be sustainable.
- 8.6 It is my recommendation that Option 1 is approved by Members, i.e. an increase in fire Precept Band D of £2.11 or 4p per week, to £72.70 for 2018-19.

9. Statutory Declarations

9.1 Robustness of the Estimates

9.1.1 Under Section 25 of the Local Government Act 2003, the Treasurer, as designated under Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988, is required to report to the Authority when setting its fire precept Band D on two issues:

- ◆ the robustness of the estimates included in the budget; and
- ◆ the adequacy of the financial reserves in the budget.

9.1.2 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 14 of the Local Government Act 1988, which requires 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.

9.1.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be affected by factors outside of the Authority's control, for example major incidents. The estimates have been prepared on an incremental basis, based on existing commitments, adjusted for inflation, increments and other unavoidable cost-drivers, and taking into account variations in service provision.

9.1.4 The revenue and capital budgets can be regarded as robust and, although there are risks in the 2018-19 budgets, as with any budget, those risks are manageable, given the budgetary control arrangements the Authority has, and have been taken into account in advising on the level of general reserves at this time.

10. Summary & Key Messages

10.1 Following budget seminars held on 19 October 2017 and 22 January 2018, the approval of the finance principles by the Policy and Resources Committee and the announcement of the provisional finance settlement on 19 December, this report outlines the revenue and capital budget proposals for 2018-19, as we continue to receive one of the highest level of government funding reductions across all CFAs.

10.2 The Service Budget requirement has been established at £54.526m for 2018-19. In order to meet the budget requirement and taking into account the level of Government funding in the finance settlement, precept funding through Option 1 is recommended (i.e. increase the fire precept Band D by £2.11 to £72.70; an increase of 4p per week per Band D household). This is the most sustainable option, as ongoing base budget deficits with other options will require further significant budget reductions beyond 2021-22.

10.3 Capital programme requirements for 2018-19 equate to a £9.632m, which will be funded through prudential borrowing (£8.951m), transformation grant for the safety centre programme (£250k) and Direct Revenue Financing (£431k).

10.4 We have a low fire precept Band D, well below the national average, and one of the highest government funding reductions (-5.9%) of all combined authorities. With an increase in fire precept Band D of 2.99%, only £2.11 for 2018-19 or 4p per week, we will have a manageable ongoing budget deficit. We continue to invest in addressing our property maintenance backlog as well as investing in the sustainability of our On-call duty system, expanding the salary scheme to make it sustainable in the medium to longer term and improve our ability to retain our

valuable members of staff. Our continued focus on delivering effective prevention arrangements is a critical part of our Community Safety Plan. The increase in the precept will also allow us to reinforce the arrangements and put extra resources into areas where we are unable to improve our response arrangements due to prohibitive costs. We will also be able to continue to use our brand and reputation to contribute towards achieving wider partner outcomes that will positively benefit all of our communities.

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