



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUDGET GUIDELINES 2017/18

Joint Report of the Chief Fire Officer and the Treasurer

Date: 16 December 2016

Purpose of Report:

To inform Members of the likely budget position for 2017/18 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2017/18 to 2019/20.

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1. BACKGROUND

- 1.1 At its meeting on 26 February 2016 the Fire and Rescue Authority set the capital budgets of the Authority for the years 2016/17 to 2018/19 and the precept amount and revenue budget for 2016/17. The revenue budget requirements for the three years were (indicative figures for 2017/18 and 2018/19):

	Budget £m
2016/2017	41,295
2017/2018	42,156
2018/2019	42,660

The Council Tax at Band D was set at £73.85 for 2016/17.

- 1.2 Members will be aware that the budget figures for 2017/2018 and beyond were estimates prepared at the time and in recognition of the likelihood that available funding for the budget would be lower than these budget requirements and that savings would have to be found in order to balance the budgets in future years.
- 1.3 In December 2015 the Authority received its finance settlement from government, which covered the four years from 2016/2017 through to 2019/20. The Authority has since accepted the government's offer of a four year settlement, which provides more certainty about the value of Revenue Support Grant and Non Domestic Rates income during this period.
- 1.4 This level of certainty allows for better planning of the budgetary position going forward, although it should be noted that there are many other areas of uncertainty inherent in budget planning and the budget requirement figures provided in paragraph 1.1 of this report will be estimates. Nevertheless the Authority must consider its budgetary position going forward and provide the Finance and Resources Committee with guidance as to the parameters within which to develop a budget proposal for 2017/2018 and beyond, before final budget proposals are considered by the Fire Authority in February 2017.

2. REPORT

FINANCIAL POSITION

- 2.1 The current financial position of the Authority remains stable, even after several years of financial restraint. Wherever possible, budget reductions identified for future years have been implemented as soon as possible and this has contributed towards some underspends in prior years which have enabled balances to be maintained at a healthy level. This in turn has allowed a measured approach to be taken to budget reductions over the past few years.

- 2.2 A gradual process of using balances and reserves to lower the revenue costs of capital going forward has enabled the capital programme to be maintained whilst still being able to meet budget reduction targets. The level of general reserves currently stands at £7.4m with a risk-assessed minimum level of general reserves set at £3.8m in February 2016. This allows the Authority to use general reserves up to a value of £3.6m (subject to change when the risk assessment is refreshed early next year) to support the revenue budget over the next three years during the implementation of the Sustainability Strategy 2020. This will enable the required programme of change to be delivered effectively, following appropriate consultation and governance processes and supported by reserves during the earlier stages of the projects. This is in line with the Authority's Medium Term Financial Strategy 2016/17 to 2019/20.

EXTERNAL FUNDING

- 2.3 The four year finance settlement offer, which has been accepted by the Authority, set out reductions in external funding of almost 21% between 2015/16 and 2019/20. This equates, in cash terms, to a loss of around £4.2m of funding.
- 2.4 The Chancellor's Autumn Statement was delivered to Parliament on 23 November. This statement indicated a deterioration in the status of national public finances since the previous Budget, with the government's target of balancing the books pushed back to early in the next Parliament. There was a clear message that public spending would continue to be restrained.
- 2.5 Last year the government did not offer council tax freeze grant to local authorities and this was a change to a policy which had become established over the preceding years. However the referendum limit remained at 2% i.e. a council tax increase at 2% or more will trigger a local referendum on the level of council tax. There was no mention of any change to last year's policies on these two issues in the four year settlement offer so it is assumed that the council tax freeze grant regime has now ended but the referendum limit will continue to be 2%.
- 2.6 The four year finance settlement gives the Authority external funding for the period up to 2019/20 as follows:

	2017/2018 £	2018/2019 £	2019/2020 £
Revenue Support Grant	6,978,641	5,961,472	5,335,308
Business Rates Assumption	3,462,187	3,564,324	3,678,247
Top Up Grant	6,659,508	6,855,969	7,075,098
Total External Funding	17,100,336	16,381,765	16,088,653

REVENUE BUDGETS

- 2.7 The budget process this year has continued to focus on the need to find savings and efficiencies wherever possible. The Chair of the Finance and Resources Committee has again worked closely with Officers to gain assurances as to the robustness of budget estimates. This year, the Chair of the Finance and Resources Committee and the Head of Finance worked with budget holders to look at how the pay budgets were constructed and at some of the most significant non-pay budgets.
- 2.8 Work on the budget requirement, which is the amount the Authority is required to spend to deliver its services, is largely complete and covers the next three years. However there are still some variables that may affect the overall budgetary position, and these will not be notified to the Authority by the Billing Authorities until the end of January. In summary these unknown elements are:
- The level of the Council Tax Base
 - Council Tax and Business Rates surpluses and/or deficits from prior years
- 2.9 The Chancellor's Autumn Statement forecasted higher inflation over the next four years, combined with lower growth and increased economic uncertainty leading up to Britain's exit from the European Union. This indicates that the Authority's budget will be under additional pressure during this medium term period with an increased level of risk relating to economic factors outside of the Authority's control.

PROPOSED GUIDELINES

- 2.10 The meeting of the Finance and Resources Committee in January 2017 will be presented with the latest budgetary position. Although the variables referred to in paragraph 2.8 will not have been finalised by then, the Authority should have received confirmation of the 2017/18 finance settlement and related matters. Therefore the Committee will have sufficient information about the overall three year budgetary plan to provide guidance to the Combined Fire Authority meeting in February.
- 2.11 The Authority's total funding for the revenue budget comprises the external funding elements as set out in paragraph 2.6 above, as well as Council Tax precept. Whilst the amount of external funding cannot be directly influenced by the Fire Authority, the amount of the council tax precept will be set by the Fire Authority in February. It would seem appropriate therefore for the Finance and Resources Committee to focus on two areas:
- 2.11.1 The options for Council Tax to be recommended to the Fire Authority in February.
 - 2.11.2 The options for eliminating any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.

2.12 The Authority has a number of options for Council Tax:

- 2.12.1 Maintain Council Tax at the 2016/17 level.
- 2.12.2 Reduce Council Tax.
- 2.12.3 Increase Council Tax by an amount lower than the referendum limit (assumed to be 2%).
- 2.12.4 Increase Council Tax by an amount higher than the referendum limit (assumed to be 2%).

The option to reduce Council Tax would present the Authority with an increased budgetary deficit to manage, as would the option to increase Council Tax by an amount higher than the referendum limit. For the latter option this is because a referendum would be triggered which would result in increased costs to the Authority. In the current financial environment the options in paragraphs 2.11.1 and 2.11.3 are considered to be the most appropriate parameters within which the Finance and Resources Committee should work.

2.13 If a budgetary position which shows a funding deficit is presented to the Finance and Resources Committee then this will require consideration of suitable options to eliminate this deficit. The options would depend upon the size of any deficit but may include:

- 2.13.1 Tasking the Chief Fire Officer with proposing further savings for consideration by the Fire Authority.
- 2.13.2 Planning the use of General Reserves to support the budget whilst further budgetary savings are planned and implemented.

3. FINANCIAL IMPLICATIONS

Financial implications are set out in full within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising from this report.

5. EQUALITY IMPACT ASSESSMENT

An initial equality impact assessment has not been prepared in relation to this matter.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The primary corporate risk is that sufficient financial resources are not available to the Authority. An early guide for the Finance and Resources Committee in terms of the development of the budget will help to manage this risk.

9. RECOMMENDATIONS

Members are requested to task the Finance and Resources Committee with providing guidance to the Fire Authority in February in respect of:

- 9.1 The options for Council Tax limited to either a Council Tax freeze or an increase in Council Tax within the referendum limit;
- 9.2 The options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

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