



**NOTTINGHAMSHIRE**

**Fire & Rescue Service**

*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **BUDGET GUIDELINES 2016/17**

Joint Report of the Chief Fire Officer and the Treasurer

**Date:** 18 December 2015

**Purpose of Report:**

To inform Members of the likely budget position for 2016/17 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2016/17 to 2018/19.

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## 1. BACKGROUND

- 1.1 At its meeting on 27 February 2015 the Fire and Rescue Authority set the capital and revenue budgets of the Authority for the years 2015/16 to 2017/18 and the precept amount for 2015/16. The revenue budget requirements for the three years were:

	Budget £m
2015/2016	41.213
2016/2017	42.637
2017/2018	43.630

The Council Tax at Band D was set at £72.44 for 2015/16.

- 1.2 Members will be aware that the budget figures for 2016/2017 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 The Minister for Communities and Local Government is not expected to make an announcement in respect of grant funding, referendum limits and Council Tax Freeze grants (the finance settlement) until sometime around the 18 December, so at the time of writing this report there is still a significant amount of uncertainty about the Authority's external funding for 2016/17.
- 1.4 Despite this uncertainty, it is important that the Authority considers its budgetary position going forward and provides the Finance and Resources Committee with guidance as to the parameters within which to develop a budget proposal for 2016/17 and beyond, before final budget proposals are considered by the Fire Authority in February 2016.

## 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 reducing balances and reserves, using them to lower the revenue costs of capital going forward have enabled the capital programme to be maintained whilst still being able to meet budget reduction targets.
- 2.3 The Government has committed to continuing with a programme of austerity for the next four years in order to reduce the public deficit. This programme will inevitably impact upon funding for local authority organisations and it is therefore still assumed that there will be further reductions in external funding over this same period.

## **GRANT REDUCTIONS**

- 2.4 Earlier this year, the Local Government Association communicated its predictions on local authority funding cuts over the next four years. These predictions were for a 25% total reduction in SUFA (Start-Up Funding Assessment) over the next four years. SUFA is the assessment of total external funding for local authority bodies and incorporates Revenue Support Grant, Business Rates and Business Rate Top-up Grant. The Local Government Association also predicted how this reduction might be phased over the four years.
- 2.5 The Chancellor's Autumn Statement, including the results of the Spending Review, was delivered to Parliament on 25 November. Within this, there was no specific detail relating to levels of grant reductions for either Fire Authorities or for the local authority sector as a whole.
- 2.6 The Chartered Institute of Public Finance and Accountancy (CIPFA) has indicated that it expects reductions in SUFA to be between 21% and 31% in cash terms over the four years. The Local Government Association predictions are therefore within this range and remain the best estimate available for use as budget assumptions at this point in time.

## **COUNCIL TAX FREEZE GRANT AND REFERENDUM LIMIT**

- 2.7 In previous years, the finance settlement has included details of revenue grants available to authorities who do not increase council tax, as well as the limit for council tax increases above which a referendum on council tax levels would be triggered. Until the finance settlement for 2016/17 is received it is assumed that council tax freeze grant will still be available next year and that the referendum limit will remain at 2%.

## **REVENUE BUDGETS**

- 2.8 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 together with budget holders to closely examine the capital programme and its related revenue budget impacts, as well as some elements of the pay

budget. In the previous two years, all of the significant non-pay budgets and all of the pay budgets have been presented to and discussed with the Chair of the Finance and Resources Committee during the budget process.

- 2.9 Work on the budget requirement, which is the amount the Authority is required to spend to deliver the current levels of service, is largely complete and covers the next three years. However there are still a number of variables that may affect the overall budgetary position. In summary these unknown elements are:

- The amount of Revenue Support Grant from Government;
- The amount of Business Rates income from Billing Authorities;
- The amount of Business Rates Top-up Grant from Government;
- The level of the Council Tax Base;
- Council Tax and Business Rates surpluses and/or deficits from prior years.

The first three items above will be known after the finance settlement is delivered, whilst the final two items will be known by the end of January.

## **PROPOSED GUIDELINES**

- 2.10 There are a significant number of unknown variables influencing the 2016/17 budget process as outlined above, but some of these will have been resolved by the time the Finance and Resources Committee meets in January. In addition the budget requirement will be almost finalised by then.

- 2.11 The Authority's total funding for the revenue budget comprises the external funding elements which make up SUFA, as set out in paragraph 2.4 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 If required, 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 Leave the Council Tax level as it is.

2.12.2 Reduce Council Tax.

2.12.3 Increase Council Tax by an amount lower than the referendum limit.

2.12.4 Set a budget which would require a referendum to be held.

- 2.13 In reality the options set out in paragraphs 2.12.2 and 2.12.4 would both present the Authority with an increased budgetary deficit to manage, so in the current financial environment the options in paragraphs 2.12.1 and 2.12.3 are considered to be the most appropriate parameters within which the Finance and Resources Committee should work.
- 2.14 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 would most likely include tasking the Chief Fire Officer with proposing further savings for consideration to the Fire Authority and planning the use of General Reserves to support the budget whilst further budgetary savings are identified and implemented.

### **3. FINANCIAL IMPLICATIONS**

The 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. EQUALITIES IMPLICATIONS**

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**

That Members approve the following guidelines as a framework for the Finance and Resources Committee to develop the Authority's draft budgets for 2015/16 to 2017/18, and to make recommendations to the Fire Authority:

- The options for Council Tax to be recommended to the Fire Authority in February, limited to either a Council Tax freeze or an increase in Council Tax within the referendum limit;
- If required, the options for eliminating 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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