

**TYNE & WEAR FIRE AND RESCUE AUTHORITY**

**Item No: 04**

**MEETING: 18<sup>TH</sup> FEBRUARY 2013**

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**SUBJECT: REVENUE BUDGET 2013/2014 AND MTFS 2013/14 to 2015/16**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY  
AND THE FINANCE OFFICER**

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**1. PURPOSE OF THE REPORT**

- 1.1 Initial consideration was given to the draft Revenue Budget for 2013/2014 by the Authority at its meeting held on 21st January 2013. The purpose of this report is to present for consideration and approval by Members:
- the Revenue Estimates for 2013/2014;
  - the Authority's Council Tax Requirement for 2013/2014;
  - the Precept required to be levied on the District Councils in Tyne and Wear for 2013/2014, and
  - an updated Medium Term Financial Strategy Statement (for 2013/2014 to 2016/2017) as the resources position has now been updated in the light of information included within the Final Local Government Finance Settlement for 2013/2014.
- 1.2 A more detailed report is set out in Appendix 1 for information.

**2. DESCRIPTION OF DECISION**

- 2.1 The Authority is requested to:
- a) Note the revised budget position for 2012/2013 and approve the Revenue Estimates for 2013/2014;
  - b) Note the revised Medium Term Financial Strategy Statement for 2013/2014 to 2016/2017; and
  - c) Approve the Authority's 2013/2014 Council Tax Requirement of £19,009,455 and the Precept of £73.16 (a freeze) to be levied for 2013/2014 in accordance with the Local Government Finance Act 1992.

**3. LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/2014**

- 3.1 The final Finance Settlement was issued on 4th February 2013. This confirmed the Provisional Settlement with some very minor changes. The final settlement provides funding of £54.335m in total and represents a 5.50% cash reduction in funding of £3.154m to that received for 2012/2013.

- 3.2 The Authority faces a reduction in funding from the new system as compared to its equivalent Formula Grant allocation of £2.684m or 8.70% in 2013/2014 after floor damping. If floor damping worth £2.464m, which over the next 2 years will see almost evened out funding reductions across the fire service, had not been retained in 2103/14, then the Authority would have faced greater cuts in funding of 16.56% equivalent to a £5.148m reduction. Although this element of the funding arrangements is welcomed, it nevertheless shows that the formula grant methodology which was used as the basis for the Authority's starting point in the new system, has retained most of its inherent unfairness and has, if anything, further weakened the funding prospects of the Authority in future years as government will scale back its central share of funding to achieve its public spending reduction targets.
- 3.3 In the new arrangements the government provides grant funding in the form of Top-up Grant (£9,606,091) and Revenue Support Grant (£20,412,797). The total funding for 2013/2014 has therefore been set at £30,018,888.

#### 4. REVENUE BUDGET 2013/2014

- 4.1 The Chief Fire Officer has undertaken a base budget review of all delegated budgets, with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service, as informed by the Integrated Risk Management Plan (IRMP) and the Medium Term Financial Strategy (MTFS) process.
- 4.2 The table below shows the total net budget reductions that the Fire Authority has had to absorb in setting a balanced budget for 2013/2014:

	<b>£m</b>
Net Reduction in overall government funding	3.154
Add: Cost Pressures	1.480
Other Changes in resources	(0.425)
<b>Total Budget Reductions</b>	<b>4.209</b>

The above cuts are in addition to the £1.733 million of budget reductions made in setting the 2012/2013 revenue budget and the further cuts made in 2011/2012.

- 4.3 Cost pressures amounting to £1.480m have been accommodated within the budget, the main components are detailed in Appendix 1 and predominantly relate to pay awards, inflationary and other operating cost pressures.

The Authority has undertaken numerous actions from its current IRMP and significant savings of £4.043m have been achieved to enable the Authority to set a balanced budget (as planned). Other efficiencies have also been

recognised in year which total £0.166m and relate mainly to a reduction in leasing and capital financing costs. These actions together, which are provided in more detail in Appendix 1, show in summary how the Authority has achieved the required budget reductions set out above in 2013/2014 of £4.209m.

The further IRMP actions, which were approved by the Authority in December, have been out to consultation and some of the actions still need to be fully costed. However, projected savings of £0.587m have been identified and further additional savings are anticipated in 2014/2015 which will address the projected shortfall in resources of £1.619m set out in the MTFs (Appendix F).

The projected savings targets for 2015/2016 and 2016/2017 however remain very challenging and the IRMP actions have been framed to achieve the assessed savings required, but may unavoidably impact on front line services as the continuation of funding cuts year on year adversely impact upon the Authority's Budget.

- 4.4 The Budget summary position is set out below and further details are outlined in Appendix F:

Proposed Budget	£53,329,846
Less: Total Government Funding	£30,372,526
Less: Business Rates Local Share	£4,015,610
Add: Collection Fund Deficit	£67,745
<b>Council Tax Requirement (Precept)</b>	<b>£19,009,455</b>

After consideration of the finance settlement and the base budget of the Authority, along with IRMP and other efficiency proposals to be made in year, the Authority is proposing a revenue budget for 2013/2014 of £53,329,846 and a Council Tax Requirement of £19,009,455.

## 5. MEDIUM TERM OUTLOOK

- 5.1 The Medium Term Financial Strategy (MTFS), which members received in detail in November, set out the strategic financial position and financial direction of the Authority over the next four years taking into account strategic objectives, significant government funding reductions, other resources and service pressures. The revised summary MTFs position is detailed at Appendix F which now includes the updated resources position from the final local government finance settlement for 2013/2014. The government has indicated that it is to release its next Spending Review in the summer which will set out the future funding plans for local government for the period 2015/2016 to 2018/2019.

5.2 The projected budgets in future years are based on a series of assumptions and best indications available particularly in respect of Government funding projections for 2015/2016 and 2016/2017. Depending on future finance settlements, the Authority may need to consider further options to be implemented to meet the future demands placed on the budget.

5.3 The Authority is mindful that the Chancellor has confirmed in the Autumn Statement that public sector funding cuts will now extend in to a further year to include 2017/2018, due to the poor performance of the economy during the last year and this will need to be taken into account in the longer term planning of the service.

## **6. FIRE AUTHORITY PRECEPT**

6.1 The Council Tax Base and surplus/deficit on Collection Funds have been received from the five District Councils within Tyne and Wear. The Council Tax Base for 2013/2014 is 259,834 and the net deficit on the Collection Fund is £67,745.

6.2 The Authority's local share of business rates income notified by the five District Councils within Tyne and Wear for 2013/2014 totals £4,015,610.

6.3 Taking all government funding, precept income and the local share of business rates into consideration it is possible to construct a budget which will allow the Authority to freeze Council Tax in 2013/2014 at the same level as 2012/2013. This would result in a 'basic' Band D Council Tax for 2013/2014 of £73.16.

6.4 The Localism Act 2011 changed some of the details governing the calculation of Council Tax / Precept. The Authority is now legally required to set its Council Tax Requirement annually. More details of this are set out in Appendix 1 Section 5.9 of this report. Consequently the calculations and legal references referred to reflect the revised regulations introduced.

## **7. RECOMMENDATIONS**

7.1 The Authority is therefore requested to:

- (a) note the revised estimate for 2012/2013, as summarised at Appendix A;
- (b) approve the proposed Revenue Estimates for 2013/2014, as summarised at Appendix A;
- (c) note the Projected Pensions Account 2013/2014 detailed at Appendix B;

- (d) note the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E;
- (e) note the updated Medium Term Financial Strategy Statement for 2013/2014 to 2016/2017 detailed at Appendix F;
- (f) note the Council Tax base of 259,834 (known as Item T) for the year 2013/2014, as notified by the billing authorities within Tyne and Wear under the new regulations;
- (g) agree the acceptance of the Council Tax Freeze Grant and a Council Tax freeze for 2013/2014;
- (h) approve the following amounts for the Authority for the year 2013/2014 which represents a Council Tax freeze for 2013/2014, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:
  - (i) £65,181,622 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act;
  - (ii) £46,172,167 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) adjusted for item of the Act;
  - (iii) £19,009,455 - being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 42A(4) of the Act, as its Council Tax Requirement for the year, Item R in the formula in Section 42B of the Act;
  - (iv) £73.1600 - being the amount at (iii) (Item R) above divided by the Council Tax Base (Item T), calculated by the Authority in accordance with Section 42B(1) of the Act, as the basic amount of its Council Tax for the year.

(v) **Valuation Bands**

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<b>A</b>	<b>48.7733</b>	being the amount given by multiplying the
<b>B</b>	<b>56.9022</b>	amount at (iv) above by the number which, in
<b>C</b>	<b>65.0311</b>	the proportion set out in Section 5(1) of the Act,
<b>D</b>	<b>73.1600</b>	is applicable to dwellings listed in a particular
<b>E</b>	<b>89.4178</b>	valuation and divided by the number which that
<b>F</b>	<b>105.6756</b>	proportion is applicable to dwellings listed in
<b>G</b>	<b>121.9333</b>	valuation band D, calculated by the Authority in
<b>H</b>	<b>146.3200</b>	accordance with Section 47(1) of the Act, as the
		amounts to be taken into account for the year in
		respect of categories of dwellings listed in
		different valuation bands.

- (i) Note that under Section 52ZB of the Local Government Finance Act, the Authority's relevant basic amount of council tax for 2013/2014 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).
- (j) Approve that in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority be issued with precepts in the amount of £19,009,455 for the financial year beginning 1<sup>st</sup> April 2013, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.

## **DETAILED REVENUE BUDGET 2013/2014**

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### **1. BUDGET CONSULTATION**

- 1.1 In compliance with the Authority's statutory obligations, Members and Officers met with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 4th February 2013.
- 1.2 The notes of the meeting and any response of the Chamber of Commerce will be tabled at the meeting of the Authority.
- 1.3 It is recommended that Members take into account the views of those consulted as they consider the Budget proposals and the Medium Term Financial Strategy position.

### **2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/2014**

- 2.1 The Final Local Government Finance Settlement for 2013/2014 was issued on 4th February 2013. This confirmed the Provisional Settlement with only some very minor changes.
- 2.2 Details of the Provisional Finance Settlement were presented to Members at the meeting on 21st January 2013. The key elements of the Authority's Final Settlement for 2013/2014 are summarised below:
  - A reduction in the Government's Revenue Spending Power of £3.154m or 5.50% to £54.335m compared to an adjusted 2012/2013 position of £57.489m. This is made up of a number of components, as detailed in the Provisional Grant Settlement 2013/2014, Draft Revenue Budget and MTFS Update report, presented at the meeting in January.
  - The bulk of the reduction was in respect of a reduction in Formula Grant equivalent in the new system, of £2.684m or 8.70% in 2013/2014 after floor damping. Without damping, the reduction would have been significantly more at £5.147m or 16%, the largest percentage grant reduction of all Fire Authorities in the country.Other factors comprised:
  - The expected removal of the one-off Council Tax Freeze Grant 2012/13 of £0.720m
  - An increase of £0.029m in other revenue grants (mainly Firelink and New Dimensions), and
  - Provision of Council Tax Freeze Grant for 2013/2014 of £0.241m.
- 2.3 It is recommended that Members note the final grant settlement.

### **3. REVENUE BUDGET 2013/2014**

- 3.1 The 2013/2014 Revenue Budget has been set taking full account of the significant funding reductions facing the Authority this year and the ongoing implications set out in the Spending Review period (2013/2014 to 2014/2015).
- 3.2 The Government's final 'revenue spending power' will reduce by £3.154m or 5.50% in 2013/2014 to £54.335m, compared to an adjusted 2012/2013 position of £57.489m according to this measure. The final settlement has removed the Council Tax Support Freeze Grant of £5.005m from the 'revenue spending power' figures. This was double counted in the provisional settlement. If the Authority was to accept the Council Tax Freeze Grant for 2013/2014, the budget available for 2013/2014 would be £53.330m.
- 3.3 In recent years the Authority has set comparatively low increases in its precept with no increase for the last three years. Considering the residents of Tyne and Wear and the current economic climate and hardships faced, the 2013/2014 Revenue Budget has been set with a proposed further freeze in council tax. Detail of this is outlined in section 5.
- 3.4 Accordingly, the Chief Fire Officer has undertaken a base budget review of all delegated budgets, with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service as informed by the Integrated Risk Management Plan (IRMP) and the Medium Term Financial Strategy (MTFS) process. The review also ensures that opportunities for generating efficiency savings are also maximised.
- 3.5 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2013/2014 totals £53.330 million. The presentation of the budget information is determined by the requirements of the Service Reporting Code of Practice as it defines best professional practice in terms of financial reporting.
- 3.6 The proposed budget makes provision for the following:

#### **Spending Priorities**

##### **Integrated Risk Management Plan 2013-2016**

- 3.7 The IRMP has been brought into line with the MTFS to cover the full spending review period. The Plan includes a series of reviews which have generated significant savings, with in excess of £4m achieved from 2013/2014 as most of the actions from the current IRMP have now been implemented. The savings have come in the main from staffing reductions, including a 29% (75



posts) reduction in back office posts with full year savings to be realised from April 2013.

- 3.8 Where reviews have been completed and outcomes approved by the Authority, the impact of the IRMP reviews have been built into the Revenue Budget for 2013/14 and the Medium Term Financial Strategy. The implementation of the first Day Crewing (Close Call) station and the new Mobilising system will go ahead during 2013/14 as planned, with full year savings being realised from 2014/15.
- 3.9 It is clear that although the Authority has made significant savings, recent funding announcements and projections for the coming years show a further significant reduction in available resources. The additional IRMP reviews covering the period 2013/2016, agreed by Authority in October 2012, will be carried out against the background of these further reductions so that the available resources can be balanced against the risk. These reviews will include:
- Review the fire cover response model
  - Review Diversionary activities
  - Build on staffing flexibility
  - Review cleaning and catering
  - Consider the business case for setting up a trading company

#### National and Regional Initiatives

- 3.10 Provision has been included within the MTFS for approved initiatives. The following initiatives are drawn to Members attention.

#### **Firelink Project**

- 3.11 The government will continue to meet the capital costs of the new system. However, following installation of the Firelink radio system, it is expected that the ongoing revenue costs will place an additional net overall burden on FRAs. This has not been quantified at this stage as the final stage of the project is yet to be completed.
- 3.12 Ongoing discussions are being carried out at a local level to identify the most appropriate method for apportioning shared regional costs. The position will continue to be monitored to ensure that there is no adverse impact on the Authority.

#### **Control / Mobilising System**

- 3.13 Following failure of the national FiReControl project, Tyne and Wear Fire and Rescue Authority are working collaboratively with Northumberland Fire and

Rescue Authority to procure a replacement Mobilising and Resource Management System. Necessary arrangements were put in place to ensure that this was capable of being procured and implemented before 2014. As members know the project has made excellent progress and the new facilities are expected to be in place in the summer of 2013. Consideration is also being made of running the existing and new facilities in parallel for a short period to ensure service continuity is maintained.

- 3.14 Procurement of the system has meant that building alterations were required to house the new facilities within the Service Headquarters and to make arrangements to relocate Fire Control from West Denton. This work is almost complete.
- 3.15 The Fire Authority received a central government specific Command and Control grant of £1.8 million for the project, which was split £1.4 million towards the capital cost and £0.4 million towards the revenue costs.
- 3.16 The capital cost of the project was thus partly financed by the specific government grant, use of the Regional Command and Control Reserve, Capital Grant and also the planned use of revenue contributions (which were carried forward from 2011/2012). The ongoing revenue costs associated with the new facility will be met from the revenue grant allocation and from the existing fire control budget. Ongoing revenue costs will be controlled and monitored to ensure the project progresses within budget.

### **Review of Operational Staffing Profile**

- 3.17 In setting the 2013/2014 Revenue Budget, the Chief Fire Officer undertook a full review of the Authority's operational staffing profile and associated salary structure. Included within this review were assumptions in relation to the number of firefighters in the new and old firefighter's pension scheme as the employer's pension contributions vary (new scheme 11.0%, old scheme 21.3%). A prudent estimate has been factored into the MTFs at this stage and will be updated accordingly for any changes made to the scheme should these arise over the period.

### **Service Pressures**

- 3.18 A number of spending pressures were identified within the MTFs and have been used in the budget planning framework for 2013/2014 and have also been incorporated into the draft revenue budget for 2013/2014. These include:
- Pay – prudent provision has been made for pay awards and will be reviewed subject to the outcome of any national pay agreements;
  - General price increases – provision has been provided for general price inflation of 2%;

- Energy prices – prudent provision has been included for continued annual increases of 9% in charges for gas, electricity and vehicle fuel;
- Ill health pension awards – provision has been made for limited future ill health retirements;
- Interest on Balances - the MTFs has been prepared on the basis that the comparatively low interest rate will continue into the foreseeable future.

### **Capital Programme**

- 3.19 The 2013/2014 Capital Programme is presented for Members attention elsewhere on today's Agenda. It is proposed that the Programme be funded by a combination of Fire Capital Grant, Specific Capital Grant for Day Crewing, the Command and Control Grant (referred to in section 3.16), the Development Reserve, and Revenue Budget Carried Forward in respect of 'slipped' schemes from 2012/2013.

### **Revenue Implications of the Capital Programme**

- 3.20 The Capital Programme has been reviewed to identify any revenue implications, which are considered minimal, and these can be contained within the Revenue Budget as presented.
- 3.21 The Estates Development Strategy outlines a number of proposals for future development of the Authority's estate portfolio. It is proposed to fund this building programme from the Development Reserve on a phased basis. It is possible that there will be revenue implications arising from these developments which will become clearer as individual proposals are developed. At this stage, the planning assumption is that the revenue implications will, in overall terms, be at least resource neutral, with potential future revenue savings once implemented.

### **General Balances and Earmarked Reserves**

#### **General Balances Policy**

- 3.22 In considering a prudent minimum level of balances, the Authority considers:
- known commitments against balances in future years;
  - volatile elements of service delivery, which make accurate prediction of expenditure more difficult;
  - financial risks faced by the Authority and the measures in place to mitigate them or meet them financially, as outlined in the Financial Risk Analysis at Appendix C.
- 3.23 Taking account of the level of risk within this Authority, which has increased under the new government funding regime, the retention of a minimum level

of general fund balances of up to £4 million is now considered, at this stage, to be appropriate after taking into consideration the following:

- the impact of future government funding reductions on the Fire and Rescue Authority;
- a significant modernisation programme which brings with it both financial and change management risks;
- funding required to support the Estates Development Strategy;
- the uncertainty regarding price and pay inflation, including energy prices and the impact of potential further changes in base rates;
- uncertainty regarding the future funding for national projects;
- uncertainty of the impact of the localised council tax benefit scheme on the amount of precept income and also the risks now associated with the amount of business rates allocated from its constituent councils;
- the Financial Risk Analysis included at Appendix C.

#### Minimum Level of General Fund Balances

- 3.24 The estimated level of General Fund Balances as at 31st March 2013 and 31st March 2014 is set out at Appendix D, taking into account all uncommitted general balances. It can be seen that uncommitted general balances are estimated to be approximately £3.701 million by 31st March 2013, representing 7% of the proposed revenue budget for 2013/2014 and within the minimum range specified. Any additional under-spending achieved at out-turn for 2012/13 will be used to increase the General Fund balance to £4m. Based on the Financial Risk Analysis attached to this report, a level of uncommitted general balances of between £3.5m to £4.0m is considered reasonable.

#### Earmarked Reserves

- 3.25 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFs and Risk Analysis. A Statement of the Earmarked Reserves and Provisions is provided at Appendix E for information.
- 3.26 It is recommended that the Authority considers the above and approves the revenue estimates for the year ended 31st March 2014 as detailed in Appendix A.

## 4. MEDIUM TERM OUTLOOK

- 4.1 An updated Medium Term Financial Strategy Statement is set out at Appendix F. This has been prepared taking account of all available supporting Strategies and Plans and the following main areas:

- National Economic Context – announcements regarding future funding, precept expectations and national economic prospects and projects;
- Local Funding Position:
  - the budget decisions made in finalising the 2013/2014 Revenue Budget;
  - the position and policies in relation to General Fund Balances and Major Reserves;
- Spending Pressures and Commitments;
- the revenue implications associated with the implementation of the IRMP;
- the revenue implications of the Capital Programme.

4.2 The projected budgets in future years are based on a series of assumptions and there is a large degree of uncertainty regarding a number of factors, including:

- the level of government funding / grant support beyond 2014/2015;
- any changes to specific grants, e.g. transfer to general grant funding or cessation;
- the level of pay awards;
- the level of inflation;
- the impact of the national economy;
- The impact of national projects;
- the level of the Council Tax Base in each district over the short to medium-term, which will, potentially, continue to be affected by the current economic position and the new localisation of council tax benefit arrangements introduced from 2013/2014;
- the level of Council Tax Collection Fund deficits that create a budget pressure to the Fire Authority, and
- the impact of the business rates retention scheme and the level of business rates income receivable from each district.

4.3 There are a range of options to be explored and, if necessary, implemented, to meet the demands placed on the budget, including:

- reducing the base budget, through the generation of further efficiency savings, implementing alternative financing options, or reducing services on a risk assessed basis;
- utilisation of balances to meet cost pressures and through other means to offset costs;
- generating additional income, including maximising resources through external funding streams;
- working with other Fire and Rescue Authorities to increase collaboration, co-operation and agree actions that will lead to improvements in efficiency and generate cost savings; and
- identifying areas of priority for additional investment if resources are available to achieve ongoing revenue savings.

- 4.4 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Finance Officer to report upon the robustness of the estimates and the minimum level of reserves. In making the statement, the Finance Officer places reliance on information provided to him by other officers of the Authority as part of the budget setting process. This process involves reasonable checks and other verification, which are undertaken in accordance with the overall system of internal control to validate the information provided.
- 4.5 A full risk analysis has been undertaken on the level of general balances and reserves held by the Authority. Further information is given in Appendices C, D and E regarding the adequacy of general balances and reserves.

- 4.6 The Finance Officer states:

'Based upon the information used in determining this Revenue Budget 2013/2014 report, including specifically:

- the Risk Analysis set out at Appendix C;
- the Statement of General Balances set out in Appendix D;
- the Earmarked Reserves and Provisions set out at Appendix E, and
- the updated Medium Term Financial Strategy summary set out at Appendix F.

the Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2013/2014 after an assessment of the financial risks faced by the Authority has been taken into account.'

- 4.7 It is recommended that Members note the updated Medium Term Financial Strategy Statement and the Finance Officer's comments on the robustness of the estimates, the adequacy of reserves and the risks in the budget.

## **5. FIRE AUTHORITY PRECEPT**

### **Council Tax Options**

- 5.1 The Localism Act 2011 provides for the provision of referendums to allow a veto of 'excessive' council tax increases. This effectively places a limit on council tax increases and if authorities exceed the government limits, the public will be able to vote to agree or veto any considered 'excessive' increase.
- 5.2 The potential additional costs of a referendum and rebilling would be significant, but more so in a year when no local government elections are taking place. Therefore, any proposal to increase council tax above the

Government's principles would need careful consideration, as, regardless of the outcome of the vote, there would be costs which could, in effect, negate the benefits from the proposed council tax increase.

- 5.3 The Government has lowered the threshold council tax limit to hold a referendum from 4% to 2% in 2013/2014. This reduces the flexibility in considering the options available to the Authority. In addition the Government has announced that they will provide a 1% Council Tax freeze grant for both 2013/2014 and 2014/2015 for those Authorities that freeze Council Tax levels. For Tyne and Wear Fire and Rescue Authority this would be worth approximately £0.241m in each of the next 2 years. The minister has indicated that this is to be built into the base in the next Spending Review (2013) however this position will need to be kept under review to ensure this is the case.
- 5.4 The settlement also confirms the third year funding for the 2011/2012 Council Tax freeze grant for the Authority of £0.598m. This funding will be provided until 2015/2016 to compensate authorities for not increasing their council tax in 2011/2012. The risk to the Authority is that this funding ends and is not built into the base for the next Spending Review. If not then this loss of funding will become a budget pressure in 2015/16.
- 5.5 As expected the one-off Council Tax Freeze Grant of £0.720m for 2012/2013 dropped out of the funding settlement in 2013/2014. This was prudently used for one-off revenue costs in the 2012/2013 but nevertheless is a reduction in funding.
- 5.6 Since the Draft Revenue Budget for 2013/2014 was presented to Members in January, final adjustments have been made to budgets and figures have been received in relation to Council Tax Bases and the Collection Fund positions of each of the billing authorities.
- 5.7 Taking these facts into account, alongside the revenue resources, the base budget and efficiency proposals in year, it is possible to construct a budget which would allow the Authority to freeze Council Tax in 2013/2014 at £73.16, the same level as that set for 2012/2013.

### **Calculation of the Precept**

- 5.8 The calculation of the Council Tax Requirement (precept) takes into account the Authority's proposed Net Revenue Budget and the new funding contributions from Government and its local share of business rates. Allowance also has to be made for the Authority's share of any surplus or deficit on the five District Council's collection funds in this calculation.

- 5.9 The estimated balances at the year ending 31st March 2013 on the billing authorities' Council Tax Collection Funds are as follows:

	£
Gateshead	101,000
Newcastle	-212,520
North Tyneside	1,602
South Tyneside	11,329
Sunderland	30,844
<b>Total</b>	<b>-67,745</b>

It is of concern that the deficit position for Newcastle of £212k impacts adversely on the Fire Authority's revenue budget and that the position has worsened from the £126k deficit position reported last year.

- 5.10 Assuming a net budget of £53,329,846 is approved, the calculation of the legally required Council Tax Requirement (precept) is shown in the following table below:

<b>2013/2014</b>	£	£
Fire Authority's Net Budget		53,329,846
Less: Government Funding:		
Revenue Support Grant	(20,412,797)	
Top-Up Grant	(9,606,091)	
Council Tax Freeze Grant 2013/14	(240,592)	
Transitional Grant	(113,046)	(30,372,526)
Local Share of Business Rates		(4,015,610)
		18,941,710
Add: Estimated net deficit on Collection Fund at 31st March 2013 (Council Tax)		67,745
<b>Council Tax Requirement (Amount required from Precept)</b>		<b>19,009,455</b>

### **Council Tax Base**

- 5.11 The 'council tax bases' of the five District Councils are used to calculate the proportion of the Fire Authority's total precept to be levied on each Authority. The tax base is the estimated full year equivalent number of chargeable 'Band D' dwellings with two or more liable adults in respect of which tax will be received.
- 5.12 The 'council tax bases' for 2013/2014, as notified to the Fire Authority, and the total precepts proposed to be levied are set out in the table below:



<b>District Council</b>	<b>Council Tax Base</b>	<b>Precept £</b>
Gateshead	46,765	3,421,327
Newcastle	61,282	4,483,391
North Tyneside	53,006	3,877,919
South Tyneside	34,687	2,537,701
Sunderland	64,094	4,689,117
<b>Total</b>	<b>259,834</b>	<b>19,009,455</b>

### Calculation of Fire Authority's Basic Council Tax

- 5.13 The Basic Council Tax for the Fire Authority is calculated by dividing the total precept by the aggregate of tax bases as shown below:

$$\frac{\text{Council Tax Requirement}}{\text{Total Council Tax Base}} = \text{Basic Council Tax (at Band D)}$$

$$\frac{£19,009,455}{259,834} = £73.16$$

- 5.14 A Basic Council Tax (at Band D) of £73.16 for the year 2013/2014 represents a 0% increase as compared to the 2012/2013 level.

- 5.15 **Based on the Council Tax Requirement of £19,009,455 (known as Item R) and a basic Council Tax of £73.16 (R / T) it is recommended that the Authority adopts the following resolutions:**

That for the year ended 31st March 2014:

- (i) the 'council tax base' for the whole of the Authority's area be noted as 259,834 (known as Item T);
- (ii) the 'basic amount of council tax' be £73.16 and the amount of council tax for each category of dwelling be approved as follows:

Valuation Band	(Proportion of 'Basic Amount')	Council Tax
		<b>£</b>
A	6/9	48.77
B	7/9	56.90
C	8/9	65.03
<b>D</b>	<b>9/9</b>	<b>73.16</b>
E	11/9	89.42
F	13/9	105.68
G	15/9	121.93
H	18/9	146.32

- (iii) Under Section 52ZB of the Local Government Finance Act, the Authority's relevant basic amount of council tax for 2013/14 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required as the authority is freezing its council tax for 2013/2014).
- (iv) Approve that in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority be issued with precepts in the amount of £19,009,455 for the financial year beginning 1<sup>st</sup> April 2013, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.