

**TYNE & WEAR FIRE AND RESCUE AUTHORITY**

**Item: 6**

**MEETING: 15<sup>TH</sup> FEBRUARY 2016**

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**SUBJECT: REVENUE BUDGET 2016/2017 AND MTFS 2016/2017 to 2019/2020**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CHIEF EXECUTIVE AND 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 summary draft Revenue Budget for 2016/2017 by the Authority at its meeting held on 16th November 2015. The purpose of this report is to present for consideration and approval by members:

- the Revenue Estimates for 2016/2017;
- the Authority's Council Tax Requirement for 2016/2017;
- the Precept required to be levied on the District Councils in Tyne and Wear for 2016/2017, and
- an updated Medium Term Financial Strategy Statement for 2016/2017 to 2019/2020.

1.2 A more detailed report is included in Appendix 1 for information.

**2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2016/2017**

2.1 The provisional Finance Settlement was issued on 17th December 2015. This continues to follow the funding format introduced from 2013/2014. However the Government's Revenue Spending Power (a combination of grant and other income) has now been replaced by the Core Spending Power (CSP) for 2016/2017 onwards. The Government's Core Spending Power for Tyne and Wear Fire and Rescue Authority will reduce by £0.925m or 1.9% in 2016/2017 to £48.394m compared to an adjusted £49.319m in 2015/2016.

2.2 The Final Local Government Finance Settlement for 2016/2017 has not yet been announced at the time of writing this report and, as such, at this stage it has been assumed that there will be no changes to the Authority's funding allocations to those included in the Provisional Settlement. Any changes will be tabled as necessary for members' information and the implications will be reflected as appropriate in the Budget for 2016/2017 for approval.

2.3 As reported in January, the Authority continues to face a disproportionately greater reduction in funding compared to most other Fire Authorities. The more deprived areas, mainly the Metropolitan Fire Authorities, continue to

see the highest level of overall cuts to their funding over the coming years, despite incurring the greatest level of cuts since 2010/2011 to date.

- 2.4 The bulk of the reduction is in respect of the Authority's modified Settlement Funding Assessment (SFA) allocation which has been reduced by £1.647m in cash terms (-5.67%) in 2016/2017.
- 2.5 Government's settlement for 2016/17 and its projections to 2019/20 contain an assumption of year on year increases to Council Tax levels which effectively sees an end to Council tax Freeze Grant. This can also be seen as a major shift in Government policy as some of the cuts to local government are being passed on to the council tax payer through anticipated council tax increases.

### **3. BUDGET CONSULTATION**

- 3.1 In compliance with the Authority's statutory obligations, Members and Officers are meeting with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 4th February 2016.
- 3.2 The notes of the meeting and any response from the North East Chamber of Commerce will be tabled at the meeting of the Authority.
- 3.3 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.

### **4. REVENUE BUDGET UPDATE 2016/2017**

- 4.1 The 2016/2017 Revenue Budget has been set taking full account of the significant funding reductions facing the Authority this year and the ongoing implications anticipated for the next three years.
- 4.2 The Chief Fire Officer undertakes a base budget review of all delegated Budgets on an annual basis, with the intention of ensuring resources are directed at key strategic priorities as informed by the Strategic Plan, as well as identifying efficiency savings which have also been built into the Medium Term Financial Strategy (MTFS).
- 4.3 It is now clear that the 2016/2017 updated budget position has improved to that indicated in the Provisional Local Government Finance Settlement report presented to Authority in January, mainly due to reviewing cost pressures, implementing planned IRMP actions, and making further budget efficiency savings. In addition, as set out below, both council tax income and business rate share income have seen increases over and above those projected by the government in their Core Spending Power estimates. This has reduced

the anticipated budget gap for 2016/2017.

- 4.4 Taking all of this in to consideration, the Authority is proposing a revenue budget for 2016/2017 of £48.832m and a Council Tax Requirement of £20.960m.

## **5. FIRE AUTHORITY PRECEPT**

- 5.1 The Council Tax Base and surplus / deficit on Collection Funds have now been received from the five District Councils within Tyne and Wear. The Council Tax Base for 2016/2017 is 275,392, which alone will increase council tax precept income by almost £0.285m. There is also a net surplus on the Council Tax Collection Fund for 2015/2016 of £240,519 which improves the financing of the 2016/2017 budget.
- 5.2 The Authority's local share of business rates income, as notified by the five District Councils within Tyne and Wear for 2016/2017, totals £4,285,471. This compares to the Government assessed business rates income total of £4,163,222. In addition, the Authority will receive £171,804 from its share of the Section 31 grant for Business Rates Relief. However, there is an added cost pressure of £277,307 in relation to the Authority's share of the net deficit position on the business rates element of the Collection Fund for 2015/2016. In effect, the actual Business Rates income is £0.016m more than the Government assessed figure.
- 5.3 An additional factor to take into account is the amount of SFA adjustment Section 31 grant that the Authority will receive in 2016/2017. This compensates for the gap between the business rates capped at 2% and the applicable (higher) actual RPI that was prevalent in the past two financial years (2014/15 and 2015/16). This grant will be paid separately outside of the Core Grant funding system and an assumption of £0.207m has been made based on last years allocation. Any variation will be met from strategic contingencies.
- 5.4 Taking all government funding, precept income and the local share of business rates into consideration, it is possible to construct a balanced budget assuming a 1.99% increase in the Precept (within the capping criteria of below 2%) is also approved by members. It should be noted that the government has included an increase in Council Tax in each of the next 4 financial years, which means Council Tax Freeze grant is no longer available. This also points to a shift in government policy where Council Tax increases now form part of the future funding of local government services whereas in previous years Authorities were encouraged to freeze Council Tax. The proposed increase in Council Tax would result in a 'basic' Band D Council Tax for 2016/2017 of £76.11, an increase of £1.49 from the previous years precept of £74.62.

5.5 However the Budget for 2016/2017 has a shortfall in resources of £0.289m which still needs to be addressed and should the proposed increase in the precept of 1.99% not be approved by members, then the Budget deficit position will increase to £0.699m. The Authority will need to consider how this position is addressed as the Authority must set a balanced Budget position for 2016/2017.

5.6 The Localism Act 2011 changed some of the details governing the calculation of the Council Tax Precept and the Authority has to set out its Council Tax Requirement annually, further details of which are set out in Section 5 of Appendix 1.

## **6. RECOMMENDATIONS**

6.1 The Authority is requested to:

- (a) Note the revised estimate for 2015/2016, as summarised at Appendix A;
- (b) Approve the proposed Revenue Estimates for 2016/2017, as summarised at Appendix A;
- (c) Note the Projected Pensions Account 2016/2017 detailed at Appendix B;
- (d) Note the associated risks and their mitigation as set out in Appendix C; and,
- (e) Approve the updated position on the General Reserves and Earmarked Reserves (Appendix D);
- (f) Note the updated Medium Term Financial Strategy Statement for 2016/2017 to 2019/2020 detailed at Appendix E;
- (g) Note the Council Tax base of 275,392 (known as Item T) for the year 2016/2017, as notified by the billing authorities within Tyne and Wear under the new regulations;
- (h) Approve the following amounts for the Authority for the year 2016/2017 which represents a Council Tax increase of 1.9999% for 2016/2017, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:
  - (i) £60,813,927 - 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) £39,853,842 - 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) £20,960,085 - 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) £76.1100 - 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**  
£
 

<b>A</b>	<b>50.7400</b>	being the amount given by multiplying the
<b>B</b>	<b>59.1967</b>	amount at (iv) above by the number which, in
<b>C</b>	<b>67.6533</b>	the proportion set out in Section 5(1) of the Act,
<b>D</b>	<b>76.1100</b>	is applicable to dwellings listed in a particular
<b>E</b>	<b>93.0233</b>	valuation and divided by the number which that
<b>F</b>	<b>109.9367</b>	proportion is applicable to dwellings listed in
<b>G</b>	<b>126.8500</b>	valuation band D, calculated by the Authority in
<b>H</b>	<b>152.2200</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 2016/2017 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 £20,960,085 for the financial year beginning 1<sup>st</sup> April 2016, 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 2016/2017**

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**1. BUDGET CONSULTATION**

- 1.1 In compliance with the Authority's statutory obligations, Members and Officers are meeting with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 4th February 2016.
- 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 2016/2017**

- 2.1 The Final Local Government Finance Settlement for 2016/2017 has not yet been announced at the time of writing this report and, as such, it has been assumed that there will be no changes from the Provisional Settlement that was presented to Members at the meeting on 18th January 2016. Any changes will be tabled as necessary for members' information and the implications will be reflected as appropriate in the Budget for 2016/2017 for approval.
- 2.2 Based on the Government's Provisional Settlement, the key elements for 2016/2017 are summarised below:
  - A reduction in the Government's Core Spending Power of £0.925m or 1.9% to £48.394m compared to an adjusted £49.319m in 2015/2016. This is made up of a number of components, as detailed in the Provisional Local Government Finance Settlement 2016/2017 report.
  - The bulk of the cut is in respect of a reduction in the Settlement Funding Assessment (SFA) of £1.647m or 5.67% in 2016/2017.
  - Allocation of fire revenue grants for New Dimensions and Fire Link initiatives are not included in this new measure and have yet to be announced / clarified.
  - There will be no further allocations of Council Tax Freeze Grant.
  - Government's figures include a 3.6% estimated increase in council tax income for 2016/2017 through growth in the council tax base of 1.85% and an assumed precept increase using CPI of 1.75%.
  - The SFA Adjustment Section 31 grant will be paid separately outside the Core funding system. This additional grant funds the gap between the capped business rates of 2% and the applicable (higher) actual RPI

that was prevalent in the past 2 financial year (2014/15 and 2015/16).  
The Authority's SFA Adjustment grant allocation for 2016/2017 is still not known.

- 2.3 Where grant allocations are unknown, the previous year's figures have been assumed. Any variation will be reflected in Strategic Contingencies in the first instance, but reserves may need to be utilised depending on the variation of the actual grant allocations.
- 2.4 It is recommended that Members note the Local Government Finance Settlement and the assumptions made at this stage.

### **3. REVENUE BUDGET 2016/2017**

- 3.1 The 2016/2017 Revenue Budget has been set taking full account of the significant funding reductions facing the Authority this year and the ongoing implications anticipated for future years.
- 3.2 The Chief Fire Officer has also undertaken a base budget review of all delegated budgets. Whilst the overall intention is to ensure that resources are directed to address key strategic priorities as informed by the Strategic Plan, this review has identified efficiency savings on delegated budgets which have been built in to the Medium Term Financial Strategy (MTFS).
- 3.3 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2016/2017 totals £48.832m with a 1.99% increase in the Council Tax precept. 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.
- 3.4 In summary the Budget for 2016/2017 has a shortfall in resources of £0.289m which still needs to be addressed and should the proposed increase in the precept of 1.99% not be approved by members, then the Budget deficit position will increase to £0.699m. The Authority will need to consider how this position is addressed as the Authority must set a balanced Budget position for 2016/2017.
- 3.5 The proposed budget makes provision for the following:

#### **Spending Priorities**

#### **Integrated Risk Management Plans**

- 3.6 Further savings from the IRMP actions that have been implemented are anticipated over the three year period of the Medium Term Financial Strategy (MTFS). These will be generated from additional savings in 2016/2017 made

through the review of Control, continued phasing in of the Response Model Review up to 2018/2019 and payment of the anticipated surplus on the Trading Company in 2018/2019. The estimated savings have been included in the MTFS.

- 3.7 A further two IRMP 2014-2017 reviews, an organisational review (including management) and greater collaboration with external partners are being progressed and, once completed, will help to address the gap in resources currently identified. However, depending on the amount of savings realised, further IRMP actions may need to be developed by the Authority.
- 3.8 Further budget efficiencies continue to be achieved and it is estimated that initial savings of at least £50k will be made in 2016/2017 as a result of a detailed review of the Lead Authority's SLA charges which has recently been completed.
- 3.9 The revised budget gap into 2018/2019 shows that the Authority's decision to earmark reserves to help support the budget over the medium term until it can implement its IRMP actions, may be both necessary on a continuing basis and considered prudent.

### **Fire Revenue Grants**

- 3.10 The Government did not publish any Fire Revenue Grant provisional figures in the consultation on the financial settlement. However the department has confirmed that it will continue to meet its commitment to provide New Burdens funding to FRA's for the provision of Firelink. The precise allocation is anticipated to be in line with previous years, subject to confirmation of the contractual RPI to be applied for 2016/2017. For planning purposes an increase of 0.83% has been assumed to the 2015/2016 allocation.
- 3.11 In addition, the Government has stated that national resilience will continue to be funded in 2016/2017, with a total of £20m to be shared across the sector. The allocation of New Dimensions funding for Tyne and Wear is still unknown and can only be assumed to be at the same level as 2015/2016 for planning purposes. Any variation will be met by a combination of strategic contingencies / reserves if necessary.
- 3.12 The Government has typically circulated the fire and revenue grant determinations to fire and rescue authorities in April. It is currently expected that actual 2016/2017 allocations will be published in a similar timescale, which is not helpful for setting the revenue budget.



### **Service Pressures**

- 3.13 A number of spending pressures were identified within the MTFs and have been incorporated into the final revenue budget for 2016/2017. These include:
- Pay – the agreed pay award of 1% for non-uniformed staff and a prudent provision of 1% for uniformed staff have been made. This will be reviewed subject to the outcome of any national pay agreements;
  - National Living Wage - the impact of the proposal to increase the national living wage from 2017/2018 has been estimated and built in to the MTFs. This is a pressure both in increased staff costs and possible increased contract prices;
  - Local Government Pension Scheme – the impact of the Triennial Actuarial review has been factored in to the 2016/2017 budget and prudent provision made for the next review in 2016;
  - Firefighters Pension Scheme - the impact of the changes to the employer and employee contribution rates have been estimated and reflected in the 2016/2017 budget and the MTFs. This will be kept under review and amended accordingly;
  - National Insurance - the Pensions Act 2014 (abolition of NI contracted out rate) and proposed government changes to the Firefighter Pension Scheme have been factored in to the budget for 2016/2017 and will be reviewed as developments progress;
  - Ill health pension awards – provision has been made for limited future ill health retirements;
  - Insurances – as advised by Insurance, an average increase of 1.8% has been applied across the insurer's rates;
  - Interest on Balances – preparation has been made on the basis that the comparatively low interest rate will continue into the foreseeable future.

### **Capital Programme**

- 3.14 The 2016/2017 Capital Programme is presented for Members' attention elsewhere on today's Agenda. It is proposed to fund the Programme through previous allocations of Capital Grant and earmarked Capital Reserves.

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

- 3.15 The Capital Programme has been reviewed to identify any revenue implications. These are considered minimal and can be contained within the Revenue Budget as presented.

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

#### **General Balances Policy**

- 3.16 In considering a prudent minimum level of balances, the Authority considers:

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- 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.

3.17 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 prudent 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;
- 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 ongoing firefighter disputes;
- the Financial Risk Analysis included at Appendix C.

### **Minimum Level of General Fund Balances**

3.18 The estimated balance of the General Fund as at 31st March 2016 and 31st March 2017 remains at £3.882m. 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. The current balance represents 8% of the proposed revenue budget for 2016/2017 and is within the minimum range specified.

### **Earmarked Reserves**

3.19 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFs and Risk Analysis. A Statement of the Estimated Earmarked Reserves and Provisions and their planned usage in 2016/2017 is provided at Appendix D for information.

3.20 The reserves have been subject to a thorough review by senior management of the Authority, along with the Finance Officer, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority. Contribution from earmarked reserves may be necessary to meet the

assessed budget gap in 2017/2018 while IRMP actions are progressed and savings realised.

- 3.21 It is recommended that the Authority considers the above and approves the proposed revenue estimates for the year ended 31st March 2017 as detailed in Appendix A.

#### **4. MEDIUM TERM OUTLOOK**

- 4.1 An updated Medium Term Financial Strategy Statement is set out at Appendix E. 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 2016/2017 Revenue Budget;-
  - the position and policies in relation to General Fund Balances and Major Reserves;
- Spending Pressures and Commitments;
- Revenue implications associated with the implementation of the IRMP;
- 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 Government's 'offer of a 4 year settlement', what the 'acceptance' entails and what form and period of cover the required efficiency plan must take;
- the impact of the proposed Business Rates Review and the move to 100% Retained Business Rates;
- the changes to funding of local government in terms of sustained reduced funding from central government and the shift towards local self-sufficiency;
- proposed legislation to allow Police and Crime Commissioner's (PCC's) to take on responsibility for fire and rescue authorities where there is a local will to do so;
- transfer of both the policy and funding of fire and rescue services from the DCLG to the Home Office and possible funding implications;
- the future of Fire Service revenue grant funding for New Dimensions and Fire Link following removal from the Government's Core Spending Power (CSP) from 2016/2017;
- the government's optimistic assumptions of high and sustained levels of growth in the council tax base over the four year period and annual

- increases to the precept in line with CPI;
  - the proposed flexible use of capital receipts (from the sale of assets generated between 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2019), to fund revenue costs of projects designed to make on-going revenue savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years;
  - 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 which will continue to be affected by the current economic position and the 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;
  - the impact of the business rates retention scheme and the level of business rates income receivable from each district, and
  - the level of Business Rates Collection Fund deficits that create a budget pressure to the Fire Authority.
- 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 and other key partners 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 relies on information provided to her 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 Appendix D regarding the adequacy of the reserves.

4.6 The Finance Officer states:

'Based upon the information used in determining this Revenue Budget 2016/2017 report, including specifically:

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

the Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2016/2017 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. 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 retained the threshold council tax limit to hold a referendum at 2% in 2016/2017 and has advised that Council Tax Freeze Grant funding will no longer be made available. This is seen as a major shift in government policy as the Provisional Settlement for 2016/17 to 2019/20 has included assumed Council Tax increases year on year.

5.4 Since the Draft Revenue Budget for 2016/2017 was presented to Members in January, final adjustments have been made to budgets and figures have been

received from each of the Authority's billing authorities in relation to Council Tax Bases and the Collection Fund positions, in respect of both council tax and business rates.

- 5.5 Taking these factors into account, alongside the revenue resources, the base budget and efficiency proposals in year, it is proposed that members agree an increase in Council Tax by 1.99%, in order to comply with the council tax 'referendum' regulations.
- 5.6 Failure to increase the precept would mean a further gap of £0.410m in the Authority's Budget for 2016/2017 which would need to be met through a range of options as set out in 4.3 of this report, to ensure a balanced budget is set.

### Calculation of the Precept

- 5.7 The calculation of the Council Tax Requirement (precept) takes into account the Authority's proposed Net Revenue Budget, Government funding and the 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 council tax collection fund and business rates collection fund.
- 5.8 The estimated balances at the year ending 31st March 2016 on the billing authorities' Collection Funds in respect of Council Tax are as follows:

	£
Gateshead	1,000
Newcastle	24,150
North Tyneside	1,398
South Tyneside	56,672
Sunderland	157,299
<b>Total</b>	<b>240,519</b>

- 5.9 The estimated balances at the year ending 31st March 2016 on the billing authorities' Collection Funds in respect of Business Rates are as follows:

	£
Gateshead	-60,029
Newcastle	-188,115
North Tyneside	-23,848
South Tyneside	-5,315
Sunderland	0
<b>Total</b>	<b>-277,307</b>

- 5.10 Assuming a net budget of £48,831,621 is approved, the calculation of the Council Tax Requirement (precept) is shown in the following table below:

<b>2016/2017</b>	<b>£</b>	<b>£</b>
<b>Fire Authority's Net Budget</b>		<b>48,831,621</b>
Less: Government Funding:		
Revenue Support Grant	(13,180,058)	
Top-Up Grant	(10,063,524)	
Section 31 Grant	(171,804)	
Estimated SFA Adjustment (to be confirmed)	(207,467)	(23,622,853)
Local Share of Business Rates		(4,285,471)
Less: Estimated net surplus on Collection Fund at 31st March 2016 (Council Tax)	(240,519)	
Add: Estimated net deficit on Collection Fund at 31 <sup>st</sup> March 2016 (Business Rates)	277,307	36,788
<b>Council Tax Requirement / (Precept)</b>		<b>20,960,085</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 2016/2017, 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	50,480	3,842,033
Newcastle	63,426	4,827,353
North Tyneside	56,948	4,334,312
South Tyneside	36,982	2,814,700
Sunderland	67,556	5,141,687
<b>Total</b>	<b>275,392</b>	<b>20,960,085</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:

$$\begin{array}{r}
 \text{Council Tax Requirement} \\
 \hline
 \text{Total Council Tax Base}
 \end{array}
 = \text{Basic Council Tax (at Band D)}$$

$$\begin{array}{r}
 \underline{\underline{\pounds 20,960,085}} \\
 275,392
 \end{array}
 = \pounds 76.11$$

5.14 A Basic Council Tax (at Band D) of £76.11 for the year 2016/2017 represents a 1.99% increase as compared to the 2015/2016 level.

**5.15 Based on the Council Tax Requirement of £20,960,085 (known as Item R) and a basic Council Tax of £76.11 (R / T) it is recommended that the Authority adopts the following resolutions:**

That for the year ended 31st March 2017:

- (i) the 'council tax base' for the whole of the Authority's area be noted as 275,392 (known as Item T);
- (ii) the 'basic amount of council tax' be £76.11 and the amount of council tax for each category of dwelling be approved as set out over leaf:

Valuation Band	(Proportion of 'Basic Amount')	Council Tax
		<b>£</b>
A	6/9	50.74
B	7/9	59.20
C	8/9	67.65
<b>D</b>	<b>9/9</b>	<b>76.11</b>
E	11/9	93.02
F	13/9	109.94
G	15/9	126.85
H	18/9	152.22

- (iii) Under Section 52ZB of the Local Government Finance Act, the Authority's relevant basic amount of council tax for 2016/17 is not excessive in accordance with the principles determined under Section



52ZC(1) of the Act (i.e. no referendum is required).

- (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 £20,960,085 for the financial year beginning 1<sup>st</sup> April 2016, 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.

