

MEETING: 18TH FEBRUARY 2019

SUBJECT: REVENUE BUDGET 2019/2020 AND MTFS 2019/2020 to 2022/2023

JOINT REPORT OF THE CHIEF FIRE OFFICER/CHIEF EXECUTIVE (THE CLERK TO THE AUTHORITY) AND THE STRATEGIC FINANCE MANAGER

1 INTRODUCTION

1.1 The purpose of this report is to present for consideration and approval by members:

- the Revenue Estimates for 2019/2020;
- the Authority's Council Tax Requirement for 2019/2020;
- the Council Tax Precept required to be levied on the District Councils in Tyne and Wear for 2019/2020, and
- an updated Medium Term Financial Strategy Statement for 2019/2020 to 2022/2023.

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

2 BACKGROUND

2.1 Under the terms of the Local Government Finance Act, the Authority has a duty to set a balanced budget and make calculations relating to the Council Tax and Precept to be levied to the billing authorities in its area.

2.2 Since 2010/11, the Authority has faced significant cuts in Government Funding and as a result, the Authority's Net Budget Requirement reduced from £59.4m to £48.1m in 2018/19, a reduction of £11.3m. The Authority's Core Spending Power (CSP) has reduced by 18.41%; the third biggest decrease of all Fire & Rescue Authorities. The figure below shows how this reduction compares with other FRA's and the national average and how this Fire Authority has suffered significant cuts to funding which are disproportionately higher than most other FRA's across the country.



3 LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/2020

- 3.1 The Final Local Government Finance Settlement for 2019/2020 was announced on 29th January 2019. This remains the same as the provisional settlement reported to the Fire Authority in January and, in overall terms, the funding details are broadly as expected to those set out in the four year Settlement.
- 3.2 The Government's Core Spending Power for Tyne and Wear Fire and Rescue Authority will increase by £0.732m or 1.54% in 2019/2020. The government figures assume a Council Tax increase of 4.65%, made up from the revised cap put in place last year, which allows an increase of below 3% (2.99%) for the fire service, and an assumption that the Authority's Tax Base will grow by 1.66%. This is the main reason for the increase in the Core Spending Power (CSP).
- 3.3 The Governments figures continue to include optimistic growth forecasts for both Business Rates and Council Tax. These increases boost the CSP measure each year and are considered over optimistic by the Authority. As such, in the planning forecasts, more realistic growth forecasts are used for service planning purposes.
- 3.4 The Authority's Settlement Funding Assessment (SFA) allocation has been reduced by £0.481m in cash terms (-1.96%) in 2019/2020.
- 3.5 The Government continues to allocate the Authority Compensation for the under-indexing of Business Rates income which provides funding to make up the gap between the capped business rates increase applied by the government.
- 3.6 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 reductions to their funding over the coming years, despite incurring the greatest level of cuts since 2010/2011 to date.

4 BUDGET CONSULTATION

- 4.1 In compliance with the Authority's statutory obligations, Members and Officers are meeting with representatives of the North East Chamber of Commerce at the Service Headquarters on 15th February 2019.
- 4.2 The views of the meeting and any formal response from the North East Chamber of Commerce will be provided at the meeting of the Authority as appropriate.
- 4.3 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 as appropriate.

5 REVENUE BUDGET UPDATE 2019/2020

- 5.1 The 2019/2020 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. The future position can only be projected at this stage because of the unknown impact of changes to how the Authority will be funded under the proposed new self-sufficiency agenda and whether austerity measures will still be in place. There is also the added uncertainty that Brexit may have on public sector budgets and the fact that the four year settlement ends at 2019/2020. The MTFS will be updated as these developments become clearer.
- 5.2 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 Community Safety Strategy, as well as identifying efficiency savings, which have been built into the updated Medium Term Financial Strategy (MTFS).
- 5.3 It is now clear that the 2019/2020 updated budget position has improved by almost £0.500m since that indicated in the Provisional Local Government Finance Settlement report presented to Authority in January. The main impact has been a number of positive outcomes received from the District Council's in respect of higher Council Tax Surpluses and higher Business Rates share than anticipated. The combined impact of taking all of these changes into consideration, allows the Authority to propose a revenue budget for 2019/2020 of £48.615m and a Council Tax Requirement of £23.712m.

6 FIRE AUTHORITY PRECEPT

- 6.1 The Council Tax Base and the Surplus / Deficit on Collection Funds have now been received from the five District Councils within Tyne and Wear. The Council Tax Base for 2019/2020 is 288,014, a 1.22% increase, which alone will increase Council Tax precept income by £0.277m. This has been taken into account in the MTFS and budget position for 2019/2020. There is also a one-off net surplus on the Council Tax Collection Fund for 2018/2019 of £0.442m, which improves the financing of the 2019/2020 budget.
- 6.2 The Authority's local share of business rates income, as notified by the five District Councils within Tyne and Wear for 2019/2020, totals £3.934m. This compares unfavourably to the Government assessed business rates income total of £4.023m included in the settlement. Fortunately, the Authority had planned for a more realistic income collection of £3.886m. However, there is an added cost pressure of £0.041m in relation to the Authority's share of the net deficit position on the business rates element of the Collection Fund for 2018/2019. In effect, therefore, the actual Business Rates income in total is £0.007m more than that estimated in the MTFS but £0.130m short of the Government's estimate.

- 6.3 Taking all government funding, precept income and the local share of business rates into consideration, it is not possible to construct a balanced budget on the assumption that a 2.99% increase in the Precept (within the capping criteria of 3%) is approved by members. The proposed increase in Council Tax in 2019/2020 would result in a 'basic' Band D Council Tax of £82.33, an increase of £2.39 from the previous years' precept of £79.94. The temporary use of balances of £0.842m is therefore considered unavoidable.
- 6.4 The Localism Act 2011 governs 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.

7 RISK MANAGEMENT

- 7.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

8 FINANCIAL IMPLICATIONS

- 8.1 The financial implications are set out in the report and more details are provided at Appendix 1.

9 EQUALITY AND FAIRNESS IMPLICATIONS

- 9.1 There are no equality and fairness implications in respect of this report.

10 HEALTH AND SAFETY IMPLICATIONS

- 10.1 There are no health and safety implications in respect of this report.

11 RECOMMENDATIONS

- 11.1 The Authority is recommended to:
- (a) Note the revised estimate for 2018/2019, as summarised at Appendix A;
 - (b) Approve the proposed Revenue Estimates for 2019/2020, as summarised at Appendix A;
 - (c) Note the Projected Pensions Account 2019/2020 detailed at Appendix B;
 - (d) Note the associated risks and their mitigation as set out in Appendix C;
 - (e) Approve the updated position on the General Reserves and Earmarked Reserves (Appendix D);

- (f) Note the updated Medium Term Financial Strategy Statement for 2019/2020 to 2022/2023 detailed at Appendix E;
- (g) Note the Council Tax base of 288,014 (known as Item T) for the year 2019/2020, 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 2019/2020 which represents a Council Tax increase of 2.99% for 2019/2020, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:
- (i) £57,924,169 - 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) £34,211,977 - 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) £23,712,192 - 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) £82.33 - 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**

	£	
A	54.89	being the amount given by multiplying the
B	64.03	amount at (iv) above by the number which, in the
C	73.18	proportion set out in Section 5(1) of the Act, is
D	82.33	applicable to dwellings listed in a particular
E	100.63	valuation and divided by the number which that
F	118.92	proportion is applicable to dwellings listed in
G	137.22	valuation band D, calculated by the Authority in
H	164.66	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 2018/2019 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 £23,712,192 for the financial year beginning 1st April 2019, 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 2019/2020

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 Service Headquarters on 15th February 2019.
- 1.2 The views of the meeting and any formal response from the North East Chamber of Commerce will be provided at the meeting of the Authority as appropriate.
- 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 as appropriate.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2019/2020

- 2.1 The Final Local Government Finance Settlement for 2019/2020 was announced on 29th January 2019. This remains the same as the provisional settlement reported to the Fire Authority in January and, in overall terms, the funding details are broadly as expected to those set out in the four year Settlement.
- 2.2 Based on the Government's Provisional Settlement, the key elements for 2019/2020 are summarised below:
 - An increase in the Government's Core Spending Power of £0.732m or 1.54%;
 - A reduction in the Settlement Funding Assessment (SFA) of £0.481m or 1.96% in 2019/2020;
 - Confirmation of the Revenue Support Grant element of the settlement. However this is no longer a comparable measure of funding as those authorities taking part in the 100% Business Rates Retention pilots will not receive RSG;
 - Allocation of fire revenue grants for New Dimensions and Fire Link initiatives have yet to be announced;
 - Government's figures include a 4.65% estimated increase in council tax income for 2019/2020 through growth in the council tax base of 1.66% and an assumed precept increase of 2.99%.

- 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 2019/2020

- 3.1 The 2019/2020 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. The overall intention of this is to ensure that resources are directed to address key strategic priorities as informed by the Community Safety Strategy. The delegated budgets have seen an increase of £0.115m, largely due to a reallocation of budgets from contingencies to reflect the ongoing nature of the budget pressures faced by ICT.
- 3.3 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2019/2020 totals £48.615m with a 2.99% 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 2019/2020 has a shortfall in resources of £0.842m. As the Authority must set a balanced Budget position, this will have to be met from a temporary use of reserves.
- 3.5 The proposed budget makes provision for the following:

Integrated Risk Management Plans

- 3.6 The final stage of the Response Model Review with riding four on all appliances was completed in June 2018 with the final full year effect saving of £0.110m in the 2019/20 budget.
- 3.7 Moving forward, the three reviews set out in the IRMP 2017-2020 are currently being progressed and, once actions are approved and savings quantified, they will be added in to the Medium Term Financial Strategy.
- 3.8 Further budget efficiencies continue to be achieved and it is estimated that savings of £0.346m will be made in 2019/2020 from a number of areas. These are detailed in the MTFS. Savings have been made across a number of budgets, in particular travel and accommodation, insurances and HMRC pension charges. This is in addition to an increase in Princes Trust income, an increase in the section 31 business rates grant, and the removal of temporary posts from the staffing establishment.

- 3.9 The revised budget gap into 2022/2023 shows that the Authority's decision to earmark reserves to temporarily help support the budget over the medium term until it can implement its IRMP actions, will now be necessary on a continuing basis and considered prudent, especially as there are also a number of significant uncertainties that could impact on the Authority's resources..

Fire Revenue Grants

- 3.10 The Government did not publish any New Burdens Fire Revenue Firelink grant allocations in the final financial settlement. However, the Airwave contract relating to telecommunications services (firelink) due to terminate on 31st December 2019 has been extended to December 2022. As a result, the Firelink service will remain in place, with fire and rescue services continuing to make use of these services. Subject to funding and ministerial approvals, the Home Office will continue with the payment of Firelink grant, as established under the New Burdens principles. Accordingly, the Home Office has advised that they will be allocating Firelink grant funding for 2019/2020. The precise level of this grant funding has not yet been determined. Therefore, for planning purposes, the same level of Grant as 2018/2019 has been assumed until formal notification is received.
- 3.11 The allocation of New Dimensions funding for 2019/2020 is also still unknown. However the Home Office have indicated that this element of the Section 31 Grant will be received before 31st March 2019. As in previous years, an assumption has had to be made that this will be at the same level as 2018/2019 and any variation will be met by a combination of strategic contingencies / reserves if necessary.
- 3.12 The Government has typically circulated the Fire Revenue Grant determinations to Fire and Rescue Authorities in the first quarter of the financial year. It is currently expected that the remaining actual 2019/2020 allocations will be published in a similar timescale which is not considered helpful for setting the revenue budget.
- 3.13 The government has included a specific grant for 2019/2020 to help fire authorities meet the significant cost of changes to the pensions discount factor for the firefighters pension scheme. In setting the 2018/19 revenue budget, the Authority prudently included £0.48m in the MTFs as a spending pressure based on the likely increase at that time, but recent revisions have escalated this cost to a liability of about £2.6m. The Authority's share of the new grant from government is expected to be £2.2m so this, along with the provision in the MTFs, can accommodate the cost in 2019/2020. However there is uncertainty around the funding in future years and the government has indicated that this funding issue will need to be considered as part of the wider context of its public sector spending plans (SR2019).

Service Pressures

- 3.14 A number of spending pressures were identified within the MTFs and have been incorporated into the final revenue budget for 2019/2020. These include:

- Pay (green book) – Trade unions accepted a two year pay offer for Local Government covering the period to 31st March 2020. Provision for the impact of the agreed 2% pay award which included a restructure of Spinal Column Points for 2019/2020 has been factored into the budget planning;
- Pay (grey book) – A provision of 2% remains factored into the budget for operational staff following agreement of this, on account, with effect from 1st July 2018;
- Local Government Pension Scheme – the Triennial Actuarial review was concluded in March 2017. The outcome has been included in the budget and factored in to the MTFS. The next Actuarial review is scheduled to impact from 2020/2021 and prudent provision has been included in the MTFS for the potential impact;
- Firefighters Pension Scheme – Employer Contributions - the Quadrennial Actuarial review is scheduled to impact from 2019/2020. The output of this valuation will be updated employer contribution rates expected to apply from April 2019. Latest indications suggest a significant additional cost pressure to the Authority of about £2.6m. The government has included a special grant in the finance settlement to help fire authorities meet the cost of the changes, the allocation for the Authority is expected to be £2.2m. The Authority had prudently included £0.48m in the MTFS so the costs can be accommodated in 2019/2020;
- Firefighters Pension Scheme – Ill Health- the Authority had one ill health retirement in 2017/2018. The associated future payments to be made have been built in to the budget for 2019/2020 and the MTFS;
- Apprenticeship Levy – a cost of £0.126m has been built in to the 2019/2020 budget. The Authority has acquired a managed apprenticeship service and is considering options on how it can best utilise government levy funds available to the Authority. The outcomes will be reflected in the 2019/2020 budget as plans are developed with the providers Learning Curve;
- Energy Prices - energy and vehicle fuel prices continue to fluctuate. Prudent provision has been made but increases are lower than anticipated because of the Authority's proactive approach and actions it has taken in developing and implementing its carbon management policy;
- Capital Financing - No prudential borrowing has been included within the medium term financial position. However, because of the one-off nature of the surpluses on the Collection Funds 2019/2020 reported by the district councils, the Authority is able to retain the £0.500m Revenue Contribution to Capital Outlay (RCCO) in year to help support the Authority's Capital Programme and provide for a further £0.250m, recognising the fact that there is no capital grant funding from government. The position will be monitored continuously to ensure that the use of the Authority's resources reflects best value and can be adapted to enable strategic priorities of the Authority to proceed in future years.

Capital Programme

- 3.15 The 2019/2020 Capital Programme is presented for Members' attention elsewhere on today's Agenda. Remaining Fire Capital Grant has now been fully utilised so it is proposed to fund the majority of the Programme through earmarked Capital and other Reserves. The Authority continues to monitor its available resources to fund the Capital Programme.

Revenue Implications of the Capital Programme

- 3.16 The Capital Programme has been reviewed to identify any revenue implications. These can be contained within the Revenue Budget as presented and takes into account the proposed £0.750m RCCO in 2019/2020.

General Balances and Earmarked Reserves

General Balances Policy

- 3.17 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.
- 3.18 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 unknown 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 interest 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;
 - uncertainty of Brexit and its impact on both public sector funding and the cost of goods and services;
 - uncertainty of the proposed changes to how local government is to be funded from 2020/21 and the implications of the Fair Funding Review.
 - expectations to grow Council Tax by 4% despite a reduction in the government assessed tax base;
 - uncertainty on the amount of business rates allocated from its constituent councils;

The Financial Risk Analysis included at Appendix C.

Minimum Level of General Fund Balances

- 3.19 The estimated balance of the General Fund as at 31st March 2019 and 31st March 2020 remains at £3.943m. 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 2019/2020 and is within the range specified.

Earmarked Reserves

- 3.20 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 2019/2020 is provided at Appendix D for information.
- 3.21 The reserves have been subject to a thorough review by senior management of the Authority, including the Strategic Finance Manager, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority. Contribution from earmarked reserves will be necessary to meet the assessed budget gap while IRMP actions are progressed and savings realised.
- 3.22 It is recommended that the Authority considers the above and approves the proposed revenue estimates for the year ended 31st March 2020 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 2019/2020 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 "aim" to localise 75% of business rates from 2020/2021 and to implement a new needs assessment;
 - the changes to funding of local government in terms of sustained reduced funding from central government and the shift towards local self-sufficiency from 2020/2021;
 - the outcome of the Government's Fair Funding Review;
 - the future of Fire Service revenue grant funding for New Dimensions and Firelink;
 - the government's optimistic assumptions of high and sustained levels of growth in the council tax base and annual increases to the precept in line with CPI;
 - the extension of flexible use of capital receipts (from the sale of assets generated between 1st April 2016 to 31st March 2019) to fund revenue costs of projects;
 - the level of pay awards;
 - the level of inflation;
 - the impact of the BREXIT and future Government austerity measures on the national economy;
 - the impact of national projects;
 - the actual 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;
 - the level of business rates income receivable from each district, and
 - the level of deficits on the Collection Fund that create a budget pressure to the Fire Authority.
- 4.3 There is 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 (Invest to Save Initiatives).
- 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 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 Appendix D regarding the adequacy of the reserves.

- 4.6 The Strategic Finance Manager, in his role as Finance Officer, states:

'Based upon the information used in determining this Revenue Budget 2019/2020 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 2019/2020 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 Revenue Budget.

5. FIRE AUTHORITY PRECEPT

Council Tax Options

- 5.3 The Government increased the threshold council tax limit to hold a referendum from 2% to 3% for both 2018/2019 and 2019/2020. 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 (in excess of £1m). 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 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 2.99%, in order to comply with the council tax 'referendum' regulations.

Calculation of the Precept

- 5.4 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.

- 5.5 The estimated balances at the year ending 31st March 2019 on the billing authorities' Collection Funds in respect of Council Tax are as follows:

	£
Gateshead	(93,267)
Newcastle	(202,950)
North Tyneside	(71,668)
South Tyneside	(53,026)
Sunderland	(20,758)
Total	(441,669)

- 5.6 The estimated balances at the year ending 31st March 2019 on the billing authorities' Collection Funds in respect of Business Rates are as follows:

	£
Gateshead	10,900
Newcastle	29,007
North Tyneside	4,922
South Tyneside	11,114
Sunderland	(14,758)
Total	41,185

- 5.8 Assuming a net budget of £49,456,576 is approved, the calculation of the Council Tax Requirement (precept) is shown in the following table below:

2019/2020	£	£
Fire Authority's Net Budget		49,456,576
Less: Government Funding:		
Revenue Support Grant	(8,796,225)	
Top-Up Grant	(11,273,373)	
SFA Adjustment	(498,445)	(20,568,043)
Contribution from Reserves		(841,796)
Local Share of Business Rates		(3,934,061)
		24,112,676
Less: Estimated net surplus on Collection Fund at 31st March 2018 (Council Tax)	(441,669)	
Add: Estimated net deficit on Collection Fund at 31 st March 2018 (Business Rates)	41,185	(400,484)
Council Tax Requirement / (Precept)		23,712,192

Council Tax Base

- 5.9 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.
- 5.10 The 'council tax bases' for 2019/2020, as notified to the Fire Authority, and the total precepts proposed to be levied are set out in the table below:

District Council	Council Tax Base	Precept £
Gateshead	52,066	4,286,594
Newcastle	66,761	5,496,433
North Tyneside	60,179	4,954,537
South Tyneside	38,619	3,179,502
Sunderland	70,389	5,795,126
Total	288,014	23,712,192

Calculation of Fire Authority's Basic Council Tax

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

$$\begin{array}{rcl}
 \frac{\text{Council Tax Requirement}}{\text{Total Council Tax Base}} & = & \text{Basic Council Tax (at Band D)} \\
 \frac{\pounds 23,712,192}{288,014} & = & \pounds 82.33
 \end{array}$$

- 5.12 A Basic Council Tax (at Band D) of £82.33 for the year 2019/2020 represents a 2.99% increase as compared to the 2018/2019 level.
- 5.13 Based on the Council Tax Requirement of £23,712,192 (known as Item R) and a basic Council Tax of £82.33 (R / T) it is recommended that the Authority adopts the following resolutions:

That for the year ended 31st March 2020:

- (i) the 'council tax base' for the whole of the Authority's area be noted as 288,014 (known as Item T);
- (ii) the 'basic amount of council tax' be £82.33 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
		£
A	6/9	54.89
B	7/9	64.03
C	8/9	73.18
D	9/9	82.33
E	11/9	100.63
F	13/9	118.92
G	15/9	137.22
H	18/9	164.66

- (iii) Under Section 52ZB of the Local Government Finance Act, the Authority's relevant basic amount of council tax for 2019/20 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 £23,712,192 for the financial year beginning 1st April 2019, 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.

