

TYNE & WEAR FIRE AND RESCUE AUTHORITY

Item No. 5

MEETING: 17TH FEBRUARY 2014

SUBJECT: REVENUE BUDGET 2014/2015 AND MTFS 2014/2015 to 2016/2017

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

1. PURPOSE OF THE REPORT

- 1.1 Initial consideration was given to the summary draft Revenue Budget for 2014/2015 by the Authority at its meeting held on 20th January 2014. The purpose of this report is to present for consideration and approval by members:
- the Revenue Estimates for 2014/2015;
 - the Authority's Council Tax Requirement for 2014/2015;
 - the Precept required to be levied on the District Councils in Tyne and Wear for 2014/2015, and
 - an updated Medium Term Financial Strategy Statement (for 2014/2015 to 2016/2017) as the resources position has now been updated with information from the Final Local Government Finance Settlement for 2014/2015.
- 1.2 A more detailed report is set out in Appendix 1 for information.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2014/2015

- 2.1 The final Finance Settlement was issued on 5th February 2014. This confirmed the Provisional Settlement with one very minor change. The Government's Revenue Spending Power for Tyne and Wear Fire and Rescue Authority will reduce by £2.077m or 3.8% in 2014/2015 to £52.302m compared to an adjusted £54.379m in 2013/2014. The change in Revenue Spending Power in the final settlement was a small increase of £0.004m in total.
- 2.2 As reported in January, the Authority faces a disproportionately greater reduction in funding compared to most other Fire Authorities and the more deprived areas, mainly the Metropolitan Fire Authorities, continue to see the highest level of overall cuts to their funding.
- 2.3 The bulk of the cut is in respect of the Authority's Settlement Funding Assessment (SFA) allocation which has been reduced by £2.573m in cash terms (-7.5%) in 2014/2015 in the final settlement (which also reflects the minor change of £0.004m).

3. REVENUE BUDGET 2014/2015

- 3.1 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 as informed by the Strategic Plan, as well as identifying efficiency savings which have been built in to the Medium Term Financial Strategy (MTFS).
- 3.2 The table below shows the total updated budget gap for 2014/2015 after taking into consideration final grant changes, spending pressures and planned IRMP actions.

	£m
Reduction in government funding (Net SFA)*	2.426
Less: Other Govt Funding Assumptions	(0.349)
Change in Revenue Spending Power	2.077
Less: Other final funding variations	(0.605)
Change in resources	1.472
Add: Net Cost pressures	1.151
Less: IRMP savings	(0.632)
Total Budget Gap	1.991

* Figure of £2.573m reduced by SFA Adjustment Grant of £0.147m to compensate for the difference between RPI of 3.2% and the government's business rates cap of 2%.

The above cuts are in addition to the £4.209 million of budget reductions made in setting the 2013/2014 revenue budget.

- 3.3 Other funding variations reflect the Authority's notified final allocations in respect for both council tax and business rates income. The main changes include an increase in council tax precept income of £0.449m due to a growth in the council tax base compared to the previous year and the final notifications in respect of the collection fund for council tax (£0.190m surplus) and for business rates (£0.112m deficit), together with a small increase of £0.039m in business rates income for 2014/15 (compared to the government assessment of £4.051m) and some other technical changes to Section 31 grant income in respect of small business rates.
- 3.4 Net cost pressures amounting to £1.151m have been accommodated within the budget. The main components are detailed in Appendix 1 and predominantly relate to pay awards, inflation, final pension figures, leasing charges and other operating cost pressures.
- 3.5 The Authority has continued with the previous 2010 – 2013 Integrated Risk Management Plan (IRMP) reviews and a final saving of £0.632m is estimated

in 2014/2015.

- 3.6 At a meeting of the Fire Authority in January, approval was given to start implementing a number of reviews associated with the IRMP 2013-2016. At this initial stage, no efficiencies from these reviews have been built into the budget for 2014/2015. Once savings and timings of these are known, the financial implications will be built into the budget and the MTFS will be updated accordingly.
- 3.7 It will be necessary to consider additional reviews in the future as further government funding reductions are planned up until 2017/18, at least, according to the Chancellor who recently announced £25 billion of further cuts would be necessary in 2016/2017 and 2017/2018. It is however unclear how these will be applied across government departments and the public sector.
- 3.8 It is proposed that, in the interim period, earmarked reserves are used in 2014/2015 and in the following 2 years of the MTFS as necessary in order for the Authority to set a balanced budget, whilst savings from the approved IRMP actions take time to be fully implemented and realised.
- 3.9 The Budget summary position for 2014/2015 is set out below and further details are outlined in Appendix F:

Proposed Net Budget	£51.858
Less: Total Government Funding	£28.152
Less: Business Rates Local Share	£4.090
Less: Collection Fund - Council Tax Surplus	£0.190
Add: Collection Fund - Business Rates (Deficit)	-£0.112
Council Tax Requirement (Precept)	£19.538

After consideration of the final local government finance settlement and the base budget position of the Authority, along with efficiencies to be made in year from current IRMP actions and the planned use of reserves, the Authority is proposing a revenue budget for 2014/2015 of £51.858m and a Council Tax Requirement of £19.538m.

4. MEDIUM TERM OUTLOOK

- 4.1 The Medium Term Financial Strategy (MTFS) sets out the strategic financial position and financial direction of the Authority over the next three years taking into account strategic objectives, government funding reductions, other resources available and service demand and cost pressures. The revised summary MTFS position for 2014/2015 to 2016/2017 is detailed at Appendix F which includes the latest government funding resources position for 2014/2015 (final) and 2015/2016 (indicative).

- 4.2 The projected budgets in future years are based on a series of assumptions and best information available. Depending on the level of future funding reductions, the Authority will need to consider further cost saving options to meet the future demands that are expected to be placed on its budget. Projections show the budget gap, over the next 3 year period, to be £8.8m and approved IRMP actions to date are estimated to address approximately £5.9m of this total once fully implemented. The MTFS will be updated as these plans are firmed up.
- 4.3 To recognise that the approved actions from the IRMP will take time to implement (which are to be phased in over the next 3 years), the Authority has planned to use some of its earmarked reserves to address the anticipated temporary budget gap of approximately £2m in each of the next 3 years. Appendix E shows the fully reviewed and revised reserves position for the Authority as a result of a detailed review carried out by senior management of the Authority, together with the Finance Officer to reflect the current planned usage of reserves and the appropriateness of each reserve in line with the assessed financial risks the Authority faces.
- 4.4 The Authority is also mindful that the Chancellor has confirmed in the Autumn Statement that public sector funding cuts will now extend to 2017/2018, despite an upturn in the economy during the last year and this will need to be factored in to the longer term planning of the service.

5. FIRE AUTHORITY PRECEPT

- 5.1 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 2014/2015 is 19,538,109 and the net surplus on the Collection Fund for 2013/2014 is £190,452.
- 5.2 The Authority's local share of business rates income notified by the five District Councils within Tyne and Wear for 2014/2015 totals £4,090,173. This compares to the Government assessed business rates income total of £4,051,399.
- 5.3 The Authority has an additional cost pressure of £112,169 with regard to their share of the projected net deficit position on the business rates element of the collection funds from each of its district councils for 2013/2014.
- 5.4 An additional factor to take into account from this year is also the actual amount of the Section 31 grant the Authority will receive in 2014/2015 to compensate for the revised business rates measures the government introduced as part of the Autumn Statement 2013. The major change was to cap business rates at 2% rather than using 3.2% (RPI). In the Settlement the grant was estimated at £146,970. Estimates for 2014/2015 have been returned by each district and the Authority will now receive £300,038.

5.5 Taking all government funding, precept income and the local share of business rates into consideration, and the planned use of reserves, it is possible to construct a budget which will allow the Authority to freeze Council Tax in 2014/2015 at the same level as 2013/2014. This would result in a 'basic' Band D Council Tax for 2014/2015 of £73.16.

5.6 The Localism Act 2011 changed some of the details governing the calculation of the Council Tax Precept. The Authority is required to set its Council Tax Requirement annually and more details of this are set out in Appendix 1 Section 5.11 of this report.

6. RECOMMENDATIONS

6.1 The Authority is therefore requested to:

- (a) Note the revised estimate for 2013/2014, as summarised at Appendix A;
- (b) Approve the proposed Revenue Estimates for 2014/2015, as summarised at Appendix A;
- (c) Note the Projected Pensions Account 2014/2015 detailed at Appendix B;
- (d) Note the associated risks and their mitigation as set out in Appendix C; and,
Approve the updated position on the General Fund Balance (Appendix D) and Earmarked Reserves (Appendix E);
- (e) Note the updated Medium Term Financial Strategy Statement for 2014/2015 to 2017/2018 detailed at Appendix F;
- (f) Note the Council Tax base of 19,538,109 (known as Item T) for the year 2014/2015, as notified by the billing authorities within Tyne and Wear under the new regulations;
- (g) Approve the acceptance of the Council Tax Freeze Grant and a Council Tax freeze for 2014/2015;
- (h) Approve the following amounts for the Authority for the year 2014/2015 which represents a Council Tax freeze for 2014/2015, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:
 - (i) £64,321,621 - 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) £44,783,512 - 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) £19,538,109 - 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**

	£	
A	48.7733	being the amount given by multiplying the
B	56.9022	amount at (iv) above by the number which, in
C	65.0311	the proportion set out in Section 5(1) of the Act,
D	73.1600	is applicable to dwellings listed in a particular
E	89.4178	valuation and divided by the number which that
F	105.6756	proportion is applicable to dwellings listed in
G	121.9333	valuation band D, calculated by the Authority in
H	146.3200	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 2014/2015 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 £19,538,109 for the financial year beginning 1st April 2014, 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.

Appendix 1

DETAILED REVENUE BUDGET 2014/2015

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 2014.
- 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 2014/2015

- 2.1 The Final Local Government Finance Settlement for 2014/2015 was issued on 5th February 2014. 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 20th January 2014. The key elements of the Authority's Final Settlement for 2014/2015 are summarised below:

- A reduction in the Government's Revenue Spending Power of £2.077m or 3.8% to £52.302m compared to an adjusted £54.378m in 2013/2014. This is made up of a number of components, as detailed in the Provisional Grant Settlement 2014/2015 and Draft Revenue Budget report, presented at the meeting in January. The final settlement saw a minor improvement to the Revenue Spending Power of £4,055 compared to the provisional settlement of £2.081m.
- The bulk of the cut is in respect of a reduction in the Settlement Funding Assessment (SFA) of £2.572m or 7.5% in 2014/2015 and this also reflects the minor improvement seen from the provisional settlement set out above.

Other factors remain as in the provisional settlement and comprise:

- An increase of £0.028m in other revenue grants (Firelink Link initiatives and New Dimensions),
- Provision of Council Tax Freeze Grant for 2014/2015 of £0.241m.
- An additional grant of £0.300m (actual) to fund the 1.2% gap between the capped business rates of 2% and RPI of 3.2% (the SFA Adjustment) and other business rate concessions. This has increased

from £0.147m in line with district councils' latest business rates returns.

- 2.3 It is recommended that Members note the final grant settlement.

3. REVENUE BUDGET 2014/2015

- 3.1 The 2014/2015 Revenue Budget has been set taking full account of the significant funding reductions facing the Authority this year and the ongoing implications set out by the Chancellor for future years.
- 3.2 In recent years the Authority has set comparatively low increases in its precept with no increase for the last four years. Considering the residents of Tyne and Wear and the current economic climate and hardships faced, the 2014/2015 Revenue Budget has been set with a proposed further freeze in Council Tax. Detail of this is outlined in section 5.
- 3.3 Accordingly, the Chief Fire Officer has 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).
- 3.4 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2014/2015 totals £51.858 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.
- 3.5 The proposed budget makes provision for the following:

Spending Priorities

Integrated Risk Management Plan 2013-2016

- 3.6 The Integrated Risk Management Plan (IRMP) was brought in line with the Medium Term Financial Strategy (MTFS) to assist with managing the cuts in government funding. The previous IRMP actions (2010-2013) have now been implemented and have realised significant savings of £6.398m that has allowed the Authority to achieve a balanced budget during 2011/2012 to 2013/2014.
- 3.7 In light of the prolonged funding cuts indicated by the Chancellor, a review of frontline appliances and diversionary activities was considered unavoidable and a set of new actions were built into the IRMP for the period 2013 to 2016. These 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

3.8 At a meeting of the Fire Authority in January, approval was given to start implementing a number of these reviews. At this initial stage, no efficiencies from these new reviews have been built in to the budget for 2014/2015. Once savings and timings of these are known, the financial implications will be built in to the budget.

National and Regional Initiatives

3.9 Firelink Project

Following installation of the Firelink radio system, the Government continues to meet some of the costs of the new system. However 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. For budget purposes, prudent estimates of both cost and grant income have been assumed, and the position will continue to be monitored to ensure that there is no adverse impact for this Authority.

Service Pressures

- 3.10 A number of spending pressures were identified within the MTFS and have been incorporated into the final revenue budget for 2014/2015. These include:
- Pay – agreed pay award of 1% for corporate staff and a prudent provision of 1% for firefighters has been made for pay awards. This 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 10% in charges for gas, electricity and vehicle fuel;
 - Ill health pension awards – provision has been made for limited future ill health retirements;
 - Increase in pension costs;
 - Leasing charges;
 - 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

- 3.11 The 2014/2015 Capital Programme is presented for Members attention elsewhere on today's Agenda. It is proposed to fund the Programme through a combination of Fire Capital Grant, Specific Capital Grant for Day Crewing,

contributions from the Development Reserve and Carbon Management Plan Reserve, and Revenue Budget Carried Forward in respect of 'slipped' schemes from 2013/2014.

Revenue Implications of the Capital Programme

- 3.12 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.
- 3.13 The Estates Development Strategy outlines a number of proposals for future development of the Authority's estate portfolio. This building programme will be funded from the Development Reserve on a phased basis; this is included in the Capital Programme. 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

- 3.14 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.
- 3.15 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;
 - 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

- 3.16 The estimated level of General Fund Balances as at 31st March 2014 and 31st March 2015 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 £3.872 million by 31st March 2014, representing 7.25% of the proposed revenue budget for 2014/2015 and within the minimum range specified. 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

- 3.17 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 over the next 3 years is provided at Appendix E for information.
- 3.18 It is proposed that a planned contribution from earmarked reserves is necessary to balance the budget for 2014/2015 and in future years, as it is recognised that the implementation of the approved IRMP actions will take some time to be fully implemented and realise their full savings.
- 3.19 The table below reflects the known use of earmarked reserves at this stage in the 3 year MTFS cycle and will be further updated as necessary and reported to members for approval. The figures also reflect the fact £2m will be required in each of the next 3 years to balance the assessed budget gap whilst IRMP actions are progressed and implemented.

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.

	Actual 31st March 2013	31st March 2014	31st March 2015	31st March 2016
	£m	£m	£m	£m
Earmarked Reserves	28.171	26.206	20.958	18.455
General Fund Balance	3.872	3.872	3.872	3.872
Total Reserves	32.043	30.078	24.830	22.327

- 3.20 It is recommended that the Authority considers the above position and approves the proposed revenue estimates for the year ended 31st March 2015 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 2014/2015 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 level of government funding / grant support beyond 2015/2016;
- 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 which will 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;
- 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 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 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 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 2014/2015 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 2014/2015 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 retained the threshold council tax limit to hold a referendum at 2% in 2014/2015. This measure however still reduces the flexibility available to the Authority in considering the options available to fund its budget. In addition the Government has confirmed that Council Tax Freeze grant funding for both 2014/2015 and 2015/2016, for authorities that freeze council tax in both of these years, (based on a 1% council tax increase) will be made available. For Tyne and Wear Fire and Rescue Authority this would be worth approximately £0.242m in each year, if taken up.
- 5.4 The settlement also confirms inclusion of previous years' Council Tax Freeze grant in the funding base for the Authority. This includes the fourth year funding of the 2011/2012 freeze grant for the Authority of £0.598m (this will be provided until 2015/2016 to compensate authorities for not increasing their council tax in 2011/2012), and the second and final year funding of the 2013/2014 freeze grant of £0.241m.
- 5.6 Since the Draft Revenue Budget for 2014/2015 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 in respect of both council tax and business rates 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, and the planned use of reserves it is possible to construct a budget which would allow the Authority to freeze Council Tax in 2014/2015 at £73.16, the same level as that set for 2013/2014.

Calculation of the Precept

- 5.8 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.

- 5.9 The estimated balances at the year ending 31st March 2014 on the billing authorities' Collection Funds in respect of Council Tax are as follows:

	£
Gateshead	101,000
Newcastle	24,158
North Tyneside	463
South Tyneside	33,987
Sunderland	30,844
Total	190,452

- 5.10 The estimated balances at the year ending 31st March 2014 on the billing authorities' Collection Funds in respect of Business Rates are as follows:

	£
Gateshead	-14,764
Newcastle	-29,475
North Tyneside	-31,372
South Tyneside	-4,993
Sunderland	-31,565
Total	-112,169

- 5.11 Assuming a net budget of £51,857,654 is approved, the calculation of the Council Tax Requirement (precept) is shown in the following table below:

2014/2015	£	£
Fire Authority's Net Budget		51,857,654
Less: Government Funding:		
Revenue Support Grant	(17,816,336)	
Top-Up Grant	(9,793,223)	
SFA Adjustment	(103,962)	
Section 31 Grant	(196,076)	
Council Tax Freeze Grant 2014/15	(241,492)	(28,151,089)
Local Share of Business Rates		(4,090,173)
		19,616,392
Less: Estimated net surplus on Collection Fund at 31st March 2014 (Council Tax)	(190,452)	
Add: Estimated net deficit on Collection Fund at 31 st March 2014 (Business Rates)	112,169	(78,283)
Council Tax Requirement / (Precept)		19,538,109

Council Tax Base

- 5.12 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.
- 5.13 The 'council tax bases' for 2014/2015, 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	49,372	3,612,055
Newcastle	62,362	4,562,404
North Tyneside	55,400	4,053,064
South Tyneside	35,367	2,587,450
Sunderland	64,559	4,723,136
Total	267,060	19,538,109

Calculation of Fire Authority's Basic Council Tax

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

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

$$\frac{£19,538,109}{267,060} = £73.16$$

- 5.15 A Basic Council Tax (at Band D) of £73.16 for the year 2014/2015 represents a 0% increase as compared to the 2013/2014 level.
- 5.16 **Based on the Council Tax Requirement of £19,538,109 (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 2015:

- the 'council tax base' for the whole of the Authority's area be noted as 267,060 (known as Item T);
- the 'basic amount of council tax' be £73.16 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	48.77
B	7/9	56.90
C	8/9	65.03
D	9/9	73.16
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 2014/15 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 2014/2015).
- (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 £19,538,109 for the financial year beginning 1st April 2014, 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.