

Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire

31st January 2019

Status: For Approval

Proposing the 2019/20 Fire Precept

1. Purpose of the Report

- 1.1 The balance of cost of the fire service not paid for by central government is met by local taxpayers through a precept on their council tax. It is the responsibility of the eight local billing authorities namely, Craven District Council, Hambleton District Council, Harrogate Borough Council, Richmondshire District Council, Ryedale District Council, Scarborough Borough Council, Selby District Council and York City Council to collect this.
- 1.2 Legislation requires the precept for 2019/20 to be set before 1st March 2019. The precept on each of the eight billing authorities is set taking account of their individual surpluses/deficits on collection funds.
- 1.3 The PFCC's attention is drawn to the following:
 - The police, fire and crime commissioner must notify the relevant police, fire and crime panel of the precept which the commissioner is proposing to issue for the financial year (the "proposed precept") by the 31st January 2019.
 - A Police, Fire and Crime Panel (PFCP) can veto the proposed precept from the PFCC if 2/3rds of the Membership of the panel vote to do so.
 - The PFCP are required to issue a report to the PFCC on the proposed precept, by the 8th February 2019, including any recommendations that they may have on the proposal and also whether they have voted to veto the proposal.
- 1.4 The PFCC must:
 - Have regard to the report made by the panel including any recommendations in the report,
 - Give the panel a response to the report and any recommendations; and
 - Publish the response.

- 1.5 If the PFCP do not veto the proposed precept:
The PFCC may then:
- Issue the proposed precept as the precept for the financial year, or
 - Issue a different precept, but only if it would be in accordance with a recommendation made in the report to do so.
- 1.6 If the PFCP veto the proposed precept then the PFCC must not issue the precept and further steps must be undertaken in line with legislation. Further information will be provided on this should it be necessary.
- 1.7 A police, fire and crime commissioner may not issue a precept under section 40 of the Local Government Finance Act 1992 for a financial year until the end of this scrutiny process is reached.

2. Financial Background

2.1 Provisional Local Government Finance Settlement 2019/20

The Provisional Local Government Finance Settlement was announced by the Secretary of State for Communities and Local Government, James Brokenshire MP, in an oral statement to the House of Commons on Thursday 13 December 2018. Full details of the Provisional Settlement can be found on the GOV.UK website. The announcements set out provisional allocations for 2019-20. These were originally announced in December 2015 as part of the multi-year settlement offer, accepted by 97% of local authorities.

Headlines

- 2.2 The main points within the provisional settlement are as follows:
- A national increase in the 2019-20 Core Spending Power of 2.8% compared to 2018-19. National Fire Chiefs Council members (exc. London) see an increase in Spending Power of 3.2%, with stand-alone fire authorities seeing an average increase of 2.2%.
 - Maintained council tax referendum principles (3%) for all Fire Authorities, Shire Counties, Single Tier Unitaries, Metropolitan Districts and London Boroughs as announced in the 2018-19 Settlement. Police referendum limit raised from £12 to £24.
 - Announcement of £98.5m grant allocations to support increased pension costs of £108.5m. Expected to be paid in full in early 2019-20.
 - No date has yet been provided for the Comprehensive Spending Review except that it shall be conducted in time for Budget 2019.
 - Publication of Business Rates Retention Consultation on Systems Design, as well as a Fair Funding Review Consultation and 2019-20 business rates pilots.
 - Slight increase in Rural Services Delivery Grant to £81m (equal to 2018-19).

What Impact does this have on Funding for Fire Services in North Yorkshire?

- 2.3 Based on the draft information received to date, then the Core Spending Power for North Yorkshire Fire has increased by circa 2.1% however this doesn't take into account the impact of changes to the contributions that will be made into the Fire Pension Fund and the part funding received for these additional costs.
- 2.4 The Core Spending Power calculation assumes that 'Authorities' will increase their precept by the maximum allowable before triggering a referendum. In terms of the Fire Service this would be 2.99%. When this is factored into the other changes, and compared to 2018/19 then the summary financial picture is as follows:

Funding the Net Budget Requirement				
	2019/20	2018/19	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Total Settlement Funding	(8,555)	(8,848)	293	-3.3%
Rural Services Grant	(514)	(514)	0	0.0%
Levy Allowance	(92)		(92)	
Total Government Funding	(9,161)	(9,362)	201	-2.1%
Additional Fire Pensions Grant	(1,466)	0	(1,466)	
Additional Fire Pension Contributions	1,615	0	1,615	
Actual Impact of Settlement changes	(9,012)	(9,362)	350	-3.7%
Impact of a 2.99% increase in Band D Precept				
Net Surplus on Collection Funds	(94)	(150)	55	
Council Tax Requirement	(21,450)	(20,559)	(892)	
Total Local Funding	(21,545)	(20,708)	(836)	4.0%
Total Government + Local Funding	(30,556)	(30,070)	(486)	1.6%

- 2.5 It is important to recognise that a number of these figures are estimates at this stage and should be finalised during February. It is unlikely however that any will change significantly.
- 2.6 In overall terms then even with a 2.99% increase in Precept the overall impact of the funding changes, once the overall financial impact of the changes to Pensions have been accounted for, will only have increased by circa 1.6%. Given that pay inflation is currently forecast to be 2% and both RPI and CPI are higher than this then the funding available to the PFCC for 2019/20 will be lower than 2018/19 in real terms by circa £150k.
- 2.7 2019-20 represents the last year of the Multi-Year Offer and today's announcements included reference to the upcoming Comprehensive Spending Review. Multi-Year Settlements are expected to continue going forward following the CSR. No date has yet been provided for the CSR except that it shall be conducted in time for Budget 2019.

3. Consultation with the Public

3.1 To further inform the decision around the proposed fire precept for 2019/20 consultation has been undertaken with the Public to ascertain their feedback and thoughts on this subject.

3.2 The Public were asked the following question, via both a representative telephone interview and a separate Online survey the following:

3.3 How much more would you be prepared to pay per year through your council tax for the fire and rescue service?

- No more than I pay now – a precept freeze. This would mean a real terms cut to the fire and rescue budget when inflation is taken into account
- As per last year – an extra £2 per year for a Band D property raising £600k
- Between £2 and £5 – raising up to £1.5m
- More than £5 – raising more than £1.5m

3.4 In total, 2,741 responses were received from North Yorkshire residents. The consultation was undertaken in numerous ways. A representative telephone survey was conducted, supported by an open, online survey. The open survey was publicised on the Police, Fire and Crime Commissioner's website and promoted via social media. Leaflets located in libraries and other accessible locations across North Yorkshire further promoted the survey as well as providing a paper-based return option. The results of the consultation are detailed in Appendix 1.

3.5 The results of consultation with the public of North Yorkshire in relation to the level of fire precept for 2019/20, which had 2,741 responses, has resulted in 76% of the telephone survey and 74% of the Open On-Line survey supporting an increase.

3.6 Overall, a large majority (75%) support the maximum increase allowable before a referendum would be required of circa £2 in the fire and rescue precept. Half of all respondents (49%) are prepared to pay over the referendum limit of circa £2 with one in five people (22%) prepared to pay over £5, more than double the referendum limit.

	Telephone (n=975)	Online (n=1735)	Total (n=2710)
Freeze	24%	26%	25%
£2 as per last year	24%	25%	25%
£2 - £5	30%	26%	27%
More than £5	22%	22%	22%
TOTAL who support an increase	76%	74%	75%

*figures may not add to 100% due to rounding

3.7 In looking at the public opinion, a clear majority support an increase to the precept.

4. Financial Implications

4.1 The Tax Base

The eight local Councils have notified the PFCC of their tax bases for 2019/20 as set out in the table below:

Tax Base		
	2019/20	2018/19
	Net Tax Base	Net Tax Base
Craven District Council	22,525	22,455
Hambleton District Council	36,847	36,033
Harrogate Borough Council	62,461	61,898
Richmondshire District Council	19,831	19,608
Ryedale District Council	21,812	21,581
Scarborough Borough Council	38,397	38,007
Selby District Council	31,395	30,837
York City Council	67,706	66,671
Total	300,974	297,090
Annual Increase	3,884	
Percentage Increase	1.31%	

- 4.2 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.
- 4.3 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.
- 4.4 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has increased in 2019-20, in comparison to 2018-19, by 3,884 – this equates to an increase of 1.31%.
- 4.5 The financial impact of this permanent increase in the number of calculated Band D properties of 3,884 is a recurring increase in precept funding of £275k from 2019/20 onwards, which has helped to reduce budget reductions and savings.
- 4.6 The 2019/20 tax base is therefore 300,974.02 Band D Equivalent properties.

4.7 Setting the Council Tax

The precept calculation needs to take account of any net surplus or deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below.

Collection Funds Surplus/ (Deficit)	£
Craven District Council	29,180
Hambleton District Council	14,960
Harrogate Borough Council	(12,187)
Richmondshire District Council	(3,836)
Ryedale District Council	(3,910)
Scarborough Borough Council	50,184
Selby District Council	(6,842)
York City Council	26,664
Net Surplus on Collection Fund	94,213

4.8 The surpluses/deficit that have arisen need to be returned through the precept. The final precept to be levied will reflect the position on each council's collection fund.

4.9 The collective collection surplus is the lowest that it has been since 2013/14, which may suggest that the collection of Council Tax is becoming more challenging.

4.10 This will need to be closely watched over the coming years as the current financial plans assume a surplus on the collective collection funds of £150k per annum across the eight councils.

4.11 Financial Summary

Net Budget Requirement

Based on the proposed precept increase of 2.99% the Net Budget Requirement (NBR) for 2019/20, in comparison to 2018/19, is set out in the table below:

Funding the Net Budget Requirement	Budgeted Figures		(Increase)/Reduction	%age Change
	2019/20	2018/19		
	£000s	£000s	£000s	
Funding				
Total Settlement Funding	(8,555)	(8,850)	295	-3.3%
Rural Services Grant	(515)	(415)	(100)	24.1%
Levy Allowance	(90)	0	(90)	
Council Tax Precept	(21,450)	(20,560)	(890)	4.3%
Collection Fund/NNDR Surplus/Deficit	(94)	(150)	56	-37.2%
Net Budget Requirement	(30,705)	(29,975)	(730)	2.4%

4.12 As can be seen from the above the NBR is expected to increase in 2019/20, by £730k (or 2.4%,) if the precept is increased by 2.99%.

4.13 It is worth noting however that this increase is reduced by the additional, unfunded Pension costs, estimated at £150k. This is then further absorbed by unavoidable additional costs to the organisation in 2019/20, in comparison to 2018/19, primarily

from 2% National Pay Awards and more general inflation, where CPI is currently 2.1% and RPI 2.7%.

4.14 Therefore despite what appears to be better a funding position than previously forecast there is still a need for the organisation to generate savings, to not only balance the budget but also to address the underlying budget imbalance, that the PFCC inherited from the Former Fire Authority, which was an initial recurring imbalance of £1.2m.

4.15 Any reduction from the proposed 2.99% increase in precept would therefore increase the savings needed and/or require reduced services.

4.16 Precept Calculations

The final precept calculations are set out in the tables below based on a 2.99% increase:

Proposed Precepts - 2.99% Increase			
	Unadjusted Precept	Collection Fund Balance	Council Tax Requirement
	£	£	£
Craven District Council	1,634,537	29,180	1,605,357
Hambleton District Council	2,641,061	14,960	2,626,101
Harrogate Borough Council	4,439,388	(12,187)	4,451,575
Richmondshire District Council	1,409,521	(3,836)	1,413,357
Ryedale District Council	1,550,616	(3,910)	1,554,526
Scarborough Borough Council	2,786,738	50,184	2,736,554
Selby District Council	2,230,693	(6,842)	2,237,535
York City Council	4,852,078	26,664	4,825,414
Total Precept	21,544,631	94,213	21,450,418

4.17 The 'basic amount' of council tax is the rate for a Band D property. It is calculated by dividing the Council Tax Requirement by the total tax base i.e. £21,450,418 by 300,974.02 giving a council tax rate for Band D properties of £71.27.

4.18 The proposed council tax rate for each property band is determined in accordance with the statutory proportions and is set out in the table below, it also shows the increases for each Band in comparison to 2018/19. It is advised that the tax rates should be calculated to more than 2 decimal places.

Council Tax Band Amounts and Increases				
	2.99% increase			
Property Band	2019/20	2018/19	Increase per Annum	Increase per Week
	£	£	£	£
A	47.513	46.133	1.38	0.03
B	55.432	53.822	1.61	0.03
C	63.351	61.511	1.84	0.04
D	71.270	69.200	2.07	0.04
E	87.108	84.578	2.53	0.05
F	102.946	99.956	2.99	0.06
G	118.783	115.333	3.45	0.07
H	142.540	138.400	4.14	0.08

Precept Consultation Results 2019/20

Approach

The Police, Fire and Crime Commissioner's precept consultation aimed to understand how much the North Yorkshire public would be prepared to pay via their council tax for policing and separately for the fire and rescue service next year (2019/20).

A representative telephone survey was undertaken with 1000 North Yorkshire residents, screened to ensure respondents were council tax payers, aged over 18. Quotas were set by gender, age and district to reflect the demography of North Yorkshire. The telephone interviews were undertaken by an independent market research company. In addition, an online, self-completion survey was publicised on the Police, Fire and Crime Commissioner's website and promoted via social media and leaflets distributed to libraries and other public buildings. Residents could respond via post, phone, email or the online survey resulting in a further 1741 responses. Combined, the total number of participants was 2741. The consultation period ran from 8th December 2018 to 20th January 2019.

All districts were well represented:

Area	Craven	Hambleton	Harrogate	Richmondshire	Ryedale	Scarborough	Selby	York	Total
Responses	175	398	543	284	324	305	249	463	2741
% of Total	6%	15%	20%	10%	12%	11%	9%	17%	100%

Results

The results of the consultation have been analysed by methodology type (representative telephone survey vs open online survey) and are very similar.

Those who support a freeze for the fire and rescue precept are extremely likely (91%) to suggest a freeze for policing. There is a strong correlation between the amount people are prepared to pay and household income with lower income households most likely to opt for a freeze in both precepts and higher income households prepared to pay in excess of the caps.

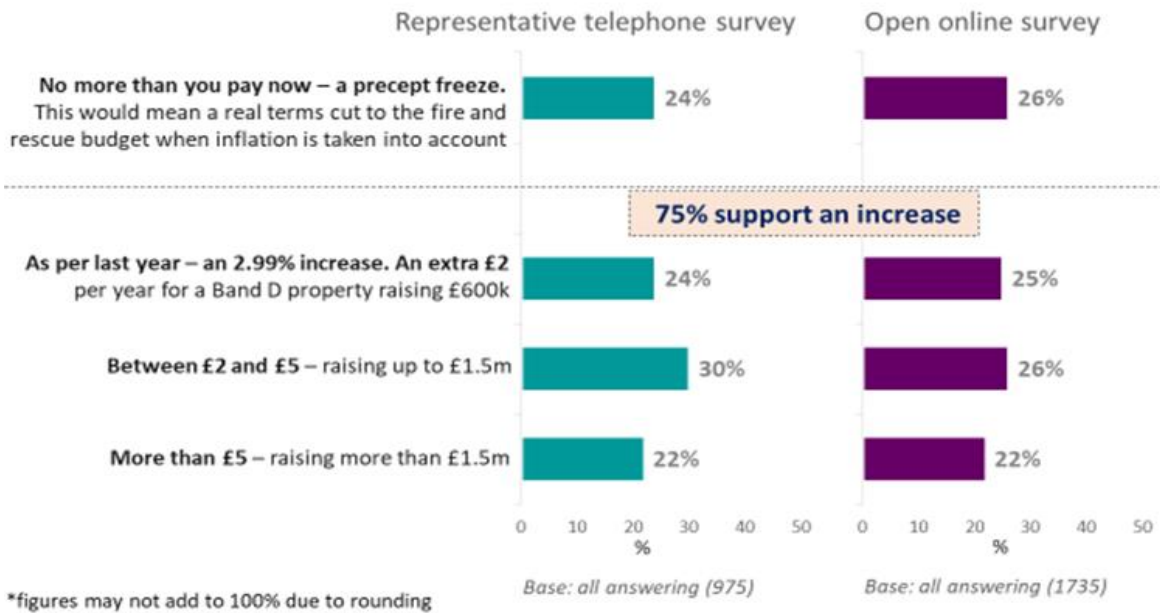
Fire and Rescue

The options presented to participants, based on a Band D property, were:

- **No more than you pay now – a precept freeze.** This would mean a real terms cut to the fire and rescue budget when inflation is taken into account
- **As per last year - a 2.99% increase.** An extra £2 per year for a Band D property raising £600k
- **Between £2 and £5** – raising up to £1.5m
- **More than £5** – raising more than £1.5m

A clear majority (75%) of respondents support an increase of at least the 2.99%/£2 cap in their council tax for the fire and rescue service. Of note is the significant proportion of residents who would pay in excess of the cap (52% telephone survey and 48% online).

Q How much more would you be prepared to pay per year through your council tax for fire and rescue?



*figures may not add to 100% due to rounding