

**LANCASHIRE COMBINED FIRE AUTHORITY
RESOURCES COMMITTEE**

Meeting to be held on 27 March 2019

2019/20 BUDGET UPDATE

Contact for further information:

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Executive Summary

The report provides an update on 2019/20 budget in respect of pension costs and amended council tax collection fund surplus figures.

Dependent upon whether any additional funding is provided to meet the increased costs of the employer pension contributions, the Authority is potentially looking at an increase in its budget requirement of £0.4m, which it would have to meet from reserves.

Recommendation

Resources Committee is requested to note the increased costs and endorse the action taken.

Information

Pension Costs

At the time of setting the 2019/20 budget the Treasurer highlighted that the Home Office had advised that the latest valuation of the Firefighter pension's scheme had identified an average increase of 12.6% in employer contribution rate, moving from 17.6% to 30.2%. This equated to an additional cost of £3.3m. However the Government had allowed an additional £2.6m of funding in 2019/20 to offset some of this pressure hence the net additional cost to the Authority, and allowed for in the budget, was £0.7m.

At the time the Treasurer confirmed that the split by individual pension scheme had not been provided, only the average, and hence the actual additional cost would vary according to the mix of personnel in each pension scheme.

The Home Office released the results of the valuation in March, providing details of the increase in employer contributions for each scheme as set out below:-

	92 Scheme	2006 Scheme	2015 Scheme
Previous Employer Contribution Rate	21.7%	11.9%	14.3%
New Employer Contribution Rate	37.3%	27.4%	28.8%
Increase	15.6%	15.5%	14.5%

As can be seen, the lowest increase is actually 14.5% and whilst the actual increase for each Authority will be dependent upon their mix of personnel in each scheme it is clear that as a minimum the increase cannot be lower than this, and definitely not the 12.6% quoted.

Having looked at this for ourselves, based numbers of personnel in each scheme our actual average increase is 14.7% and our therefore our forecast cost increase is £0.5m higher than allowed for in the budget.

We have been back to the Home Office to identify where the 12.6% increase came from, as it is obviously too low, and have been advised that this took account of the change in mix of personnel since the last valuation. What this means is that as personnel have transferred from the more expensive 92 Scheme to the 2015 Scheme, the average employer costs have fallen. Whilst this is factually correct, we have already adjusted previous budgets to account for this, taking out £0.6m over the last 3 years.

It should be noted that the majority of Authorities are in similar positions.

It is worth highlighting that at the time of publishing the average increase, the Home Office advised that the estimated total increased costs for the sector was £107m and that HM Treasury had indicated that they would provide additional funding in 2019/20 to mitigate most of the increase with public sector bodies standing only the additional costs announced at Budget 2016. This means that Fire will only stand £10m of the additional cost with the remaining £97m being met by additional grant. They went on to say that costs in subsequent years would be considered as part of the next Spending Review. Given the fact that the basis of the additional costs were under-estimated the Sector has gone back to the Home Office asking them to review the actual position and seek additional funding to offset this, to ensure that the sector only stands the additional £10m costs referenced above. It is too early to say what the outcome of this will be, but if funding remains unchanged we are looking at an additional in-year cost pressure of £0.5m. If no funding is provided this will have to be met from reserves.

An update will be provided at a future Committee once the final position becomes clear.

Council Tax Collection Fund

As part of the budget setting process billing authorities provide details of their overall council tax collection fund, and our share of that. After setting the budget we write out to each billing authority confirming the level of council tax, their share of the precept, the collection fund and business rates, so that they can arrange the relevant payments. As a result of this it has been identified that we had shown one of the Authorities as having a £28.5k deficit in the collection fund, whereas it was actually a £28.5k surplus. Therefore our share of the County wide collection fund is £59k higher than shown in the budget.

It should be noted that this would simply have reduced the funding gap shown in the budget report, reducing it from £495k to £436k, and we would therefore have identified a lower additional savings target of £136k (Members will recall that the final budget allowed for an additional savings target of £195k.)

Financial Implications

Dependent upon whether additional funding is provided to meet the additional costs of the pension increase, the Authority is potentially looking at a net increase in its budget shortfall of £0.4m.

It is unrealistic to think this can be met from increasing the in-year savings target; as such it is proposed that any eventual additional costs should be met from reserves.

Business Risk Implications

None

Environmental Impact

None

Equality and Diversity Implications

None

Human Resource Implications

None

Local Government (Access to Information) Act 1985**List of Background Papers**

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate: N/A		