

Revisions to the 2019/20 Revenue Budget

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance on 01743 260215.

1 Purpose of Report

This report presents a final revenue budget package for 2019/20 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

2 Recommendations

The Committee is asked to recommend that the Fire Authority approve

- a) Changes to the revenue budget from 2019/20;
- b) A precept increase for 2019/20, and
- c) A revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2018, the Fire Authority was presented with a number of scenarios for its revenue budget in 2019/20 and its medium term planning requirements. Given the uncertainty surrounding the mid to late years of the planning period, Members were advised to approve assumptions for the budget to 2019/20, and to task officers to continue to work on a range of scenarios as further information became available.

The assumptions for the budget for 2019/20 were agreed as follows:

- Business rates / top up grant to increase by 2%;
- Revenue Support Grant as per year 4 of the four year local government finance settlement;
- Council tax base growth of 1.87%;
- Precept increase of 2.99%, and
- Pay award of 3%

The various assumptions considered by the Authority are shown below.

| | Assumptions | Surplus / -Deficit | | | | |
|---|---|--------------------|------------------|------------------|------------------|------------------|
| | | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
| 1 | Rates / top up grant increase 2% RSG reduced to zero by 2023/24 CT Base growth 1.87% Precept increase 2.99% Pay award 3% | 578 | 12 | 88 | 168 | 66 |
| 2 | Rates / top up grant increase 2% <i>RSG reduced to zero by 2022/23</i> CT Base growth 1.87% Precept increase 2.99% Pay award 3% | 578 | -96 | -127 | -155 | 66 |
| 3 | Rates / top up grant increase 2% RSG reduced to zero by 2023/24 CT Base growth 1.87% <i>Precept increase 2.99% 2019/20, then 1.99%</i> Pay award 3% | 578 | -153 | -256 | -372 | -678 |
| 4 | Rates / top up grant increase 2% RSG reduced to zero by 2023/24 CT Base growth 1.87% Precept increase 2.99% <i>Pay award 3% 2019/20 to 2020/21, then 2%</i> | 578 | 12 | 208 | 445 | 507 |

At the date upon which the meeting was held, the local government finance settlement had not been released.

This report updates the Committee on developments since the December meeting, including the publication by Government of the provisional 2019/20 settlement.

4 Developments on Revenue Budget

There have been some developments since the Authority reviewed the revenue budget:

- **Fire pensions schemes – employer contributions** – following the outcomes of the 2016 revaluation of fire schemes, as reported to the Committee in November, it has been confirmed that the Treasury will provide funding for 90% of the additional costs faced by fire services in 2019/20. The Authority will receive additional funding of £943,000. Costs in future years will be considered as part of the Spending Review.

Nb – the additional cost of employer contributions for the Authority is included in the options shown above.

- **Command Support Unit** – In 2015/16 a capital scheme was approved for a Command Support Unit, which has been procured in collaboration with Hereford & Worcester Fire and Rescue Service. Some additional revenue expenditure has been identified as the procurement process has progressed, relating to the need to run the same software across all units purchased by both services. This is to ensure resilience across both service areas.

As a result, an additional £25,000 is required in the Communications budget from 2019/20.

5 Provisional Grant Settlement 2019/20

The finance settlement was announced on 13 December, and the income for 2019/20 was in line with the provisional numbers issued in December 2018:

- Base funding was within £11,000 of strategic modelling
- The planned reduction in Rural Services Delivery Grant was cancelled, and the Authority received £63,000 more than anticipated.
- The Government is distributing the balance on the business rates levy account, with the Fire Authority due to receive £59,000.

There was also confirmation of the referendum spending limit; the maximum precept increase before a referendum is triggered remains at 3% for 2019/20.

Two consultations were published as part of the settlement:

- **Business Rates Retention Reform** – covers the reform of the current business rates retention system, which the Government is hoping to introduce in 2020, but will not cover how local authorities will transition from the old to the reformed system.
- **Review of Local Authorities' Relative Needs and Resources** – the Government is seeking views on its intention to update the current funding distribution formula, which has been in place since 2013/14. The review will enable the Government to reconsider the drivers of local authorities' costs.

Officers will prepare a response to the consultations and submit prior to the closing date of 21 February.

6 Council Tax Base and Collection Fund

Council Tax Base

The council tax bases for Shropshire Council and Telford & Wrekin Council have been approved for 2019/20, and total growth of 2.02% for 2019/20 has been confirmed, compared to a revised estimate of 1.87%. The strategic planning model has been updated accordingly, and has resulted in additional income of £24,000.

Collection Funds

It was reported to the Authority that, given the changes around localisation of council tax support, which took effect in 2013/14, and the resulting pressures on the council tax collection fund, it was considered prudent to remove any anticipated surplus from our planning. This approach has continued for this budget setting process.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are being finalised.

7 Final Budget Options

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below. The surplus for 2019/20 is the same across all scenarios, with Option 1 being shown below for future years for illustration purposes. The figures are subject to change following the confirmation of one off balances on collection funds for both constituent authorities.

The Committee is asked to recommend a precept increase of 2.99% to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Expenditure budget proposed by the Committee | 21,176 | 21,918 | 22,432 | 22,987 | 23,561 |
| Funded by: | | | | | |
| Revenue Support Grant and Business Rates Income | 5,152 | 4,903 | 4,658 | 4,415 | 4,174 |
| Other Grants | 505 | 0 | 0 | 0 | 0 |
| Council Tax | 16,229 | 17,027 | 17,864 | 18,742 | 19,663 |
| Collection Fund | | 0 | 0 | 0 | 0 |
| Total | 21,886 | 21,930 | 22,522 | 23,157 | 23,837 |
| Surplus / -Deficit | 710 | 12 | 90 | 170 | 276 |

8 Financial Implications

There are no financial implications other than those outlined in the report.

9 Legal Comment

There are no legal implications arising directly from this report.

10 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

11 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

12 Appendices

There are no appendices attached to this report.

13 Background Papers

There are no background papers associated with this report.