

Revisions to the 2016/17 Revenue Budget

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance on 01743 260215.

1 Purpose of Report

This report presents a final revenue budget package for 2016/17 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:

- a) agree a revenue budget of £20.898m for 2016/17, and
- b) agree a financial planning option from paragraph 7 and confirm contribution to reserves and budget requirement for 2016/17.

3 Background

At its meeting in December 2015, the Fire Authority considered a budget package for consultation, which was based on the following:

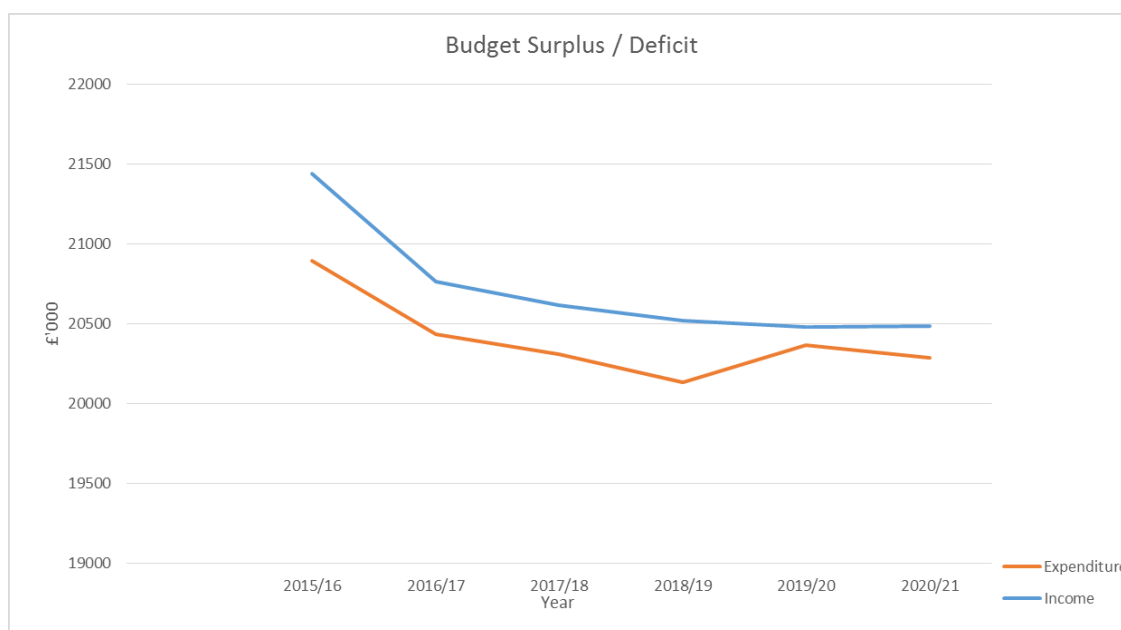
- An expenditure budget of £20.434m for 2016/17 with a projected surplus of £334,000, making a total budget requirement of £20.768m;
- A council tax precept increase of 1.99%, which was in line with a council tax referendum threshold of 2.0%; and
- An assumed council tax base of 148,783.85, with no assumed surplus or deficit.

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

The position in December is summarised as follows:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Expenditure budget proposed by the Committee	20,434	20,309	20,137	20,368	20,129
Income, based upon: 8% grant reduction from 2016/17 2% precept increase from 2016/17	20,768	20,619	20,524	20,480	20,485
Surplus / -deficit on revenue budget	334	310	387	112	356

The budget remains balanced until 2020/21, with an estimated surplus of £356k by the end of 2020/21.



This report updates the Committee on developments since the December meeting, including the publication by Government of the provisional 2016/17 settlement.

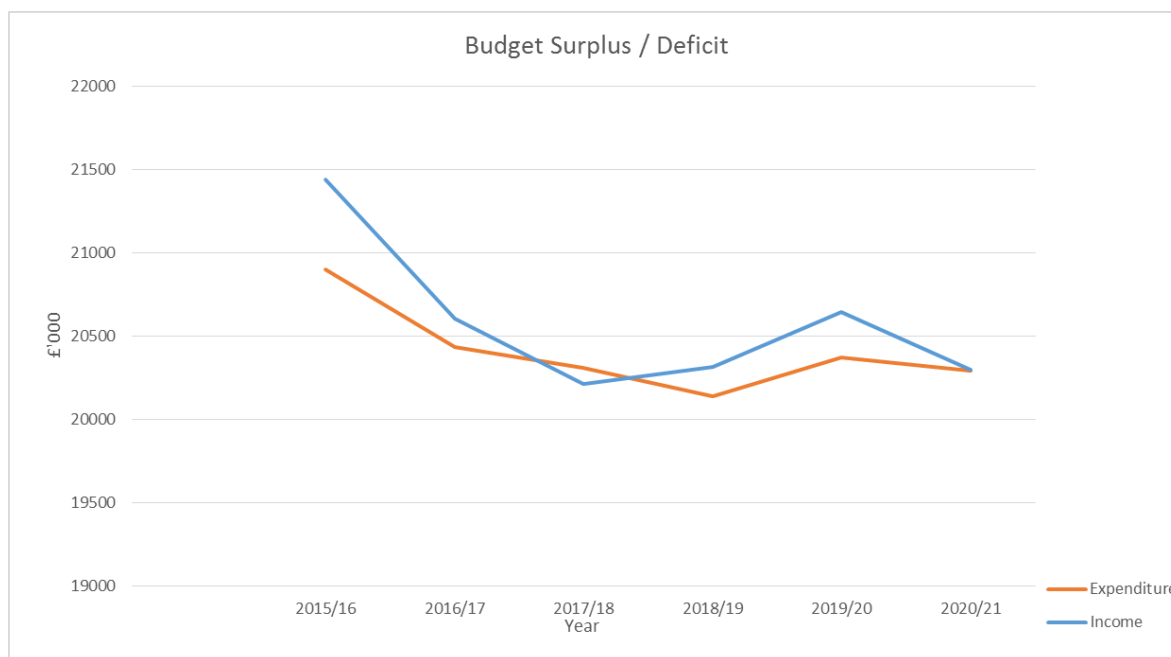
4 Provisional Grant Settlement 2016/17

Provisional figures released on 17 December 2015 show a total grant reduction over 4 years of 26%:

2016/17	2017/18	2018/19	2019/20
9.6%	13%	6.3%	2.7%

Revenue Support Grant and Business Rates income has dropped by 29% over the settlement period; however Rural Services Delivery Grant, which is paid to those authorities in the upper quartile of those areas classified as Super Sparse, will continue. The planning model assumes a rural grant of £37,000 per year, but the provisional amount to be received is £79,000 in 2016/17, rising to £256,000 in 2019/20.

Based on current assumptions, the budget will be in balance in 2019/20, with an estimated surplus of £275k.



The government have announced in the Finance Settlement Consultation that they will provide central funding allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have produced an efficiency plan. The figures published alongside this year's settlement are provisional; they have been used in the Authority's strategic planning, and will be confirmed in the final settlement.

5 Strategic Risk Planning Group

A meeting was held on 19 January 2016 to discuss budget assumptions in light of the finance settlement in December. Members were reminded of the strategic planning undertaken by the Authority over the last five years, and considered options for 2016/17, and provisionally, later years.

Information presented to the Group featured a range of options with varying assumptions, including a zero increase in precept, and making revenue contributions to capital. The Group agreed that increases in precept over the last five years had been beneficial to the ongoing stability of the Service, and that a further increase of 1.99% in 2016/17 would be the preferred option. Officers then undertook to provide further options to the Group, illustrating the effects of a range of precept increases in 2017/18 to 2019/20.

6 Growth

Officers and members discussed the issue of allocating funds for growth into the revenue budget. Over the last three years, the Service Transformation Programme Staff Reserve has funded secondments and consultants, to ensure the completion of key projects; in addition, secondments have been in place in Service departments to lead on operational projects and collaborations. Key personnel will be required on a permanent basis in the Service, in order to consolidate and embed some of these key projects.

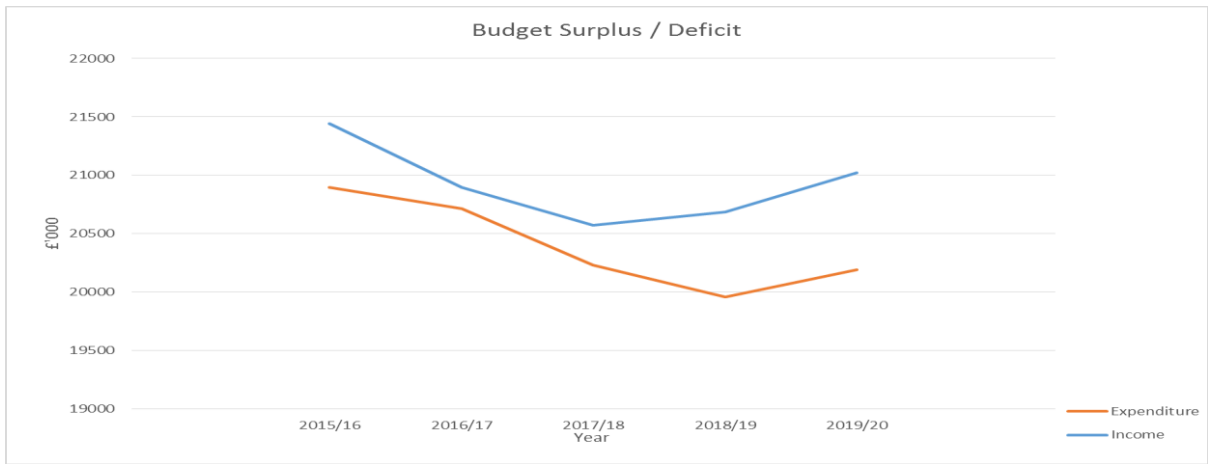
Members agreed with the approach of introducing some growth into some areas of the Service, and tasked officers with providing a schedule of potential growth items. This schedule will be made available for consideration at the Committee, prior to recommending a revenue budget to the Authority.

7 Options

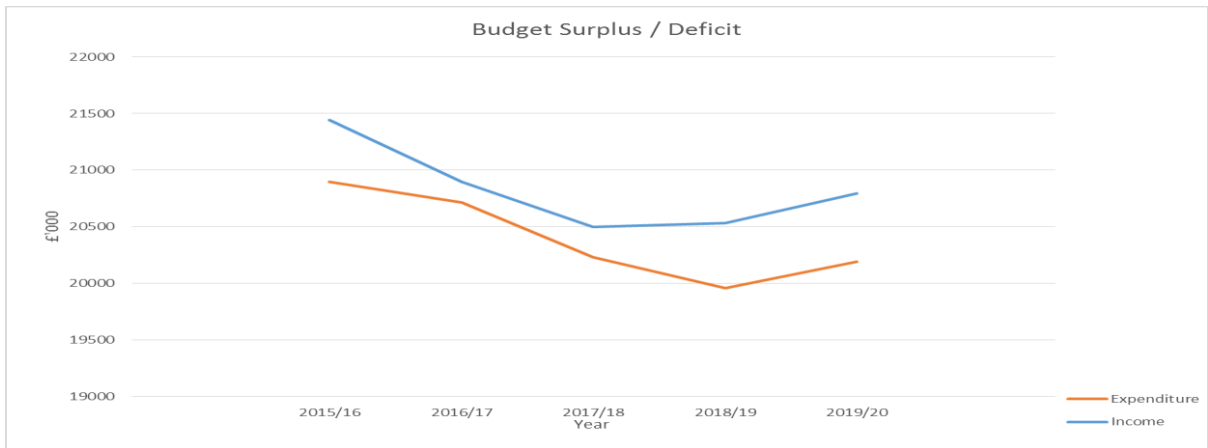
A number of options were discussed during the Strategic Risk Planning Meeting, and members recommended that the following options were brought forward for consideration by the Committee. The numbered table below shows the predicted surplus resulting from the option, with the surplus shown graphically on the facing page.

		Estimated surplus / -deficit			
		2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
1	Fund capital schemes for 2016/17, make £500k contribution to Telford 2017/18 1.99% precept increase 16/17 to 19/20 £300k added to budget for growth	184	337	723	830
2	Fund capital schemes for 2016/17, make £500k contribution to Telford 2017/18 1.99% precept increase 16/17, 1.5% to 19/20 £300k added to budget for growth	184	265	575	602
3	Fund capital schemes for 2016/17, make £500k contribution to Telford 2017/18 1.99% precept increase 16/17, 1% to 19/20 £300k added to budget for growth	184	194	430	381
4	Fund capital schemes for 2016/17, make £500k contribution to Telford 2017/18 1.99% precept increase 16/17, 0.5% to 19/20 £300k added to budget for growth	184	122	283	157

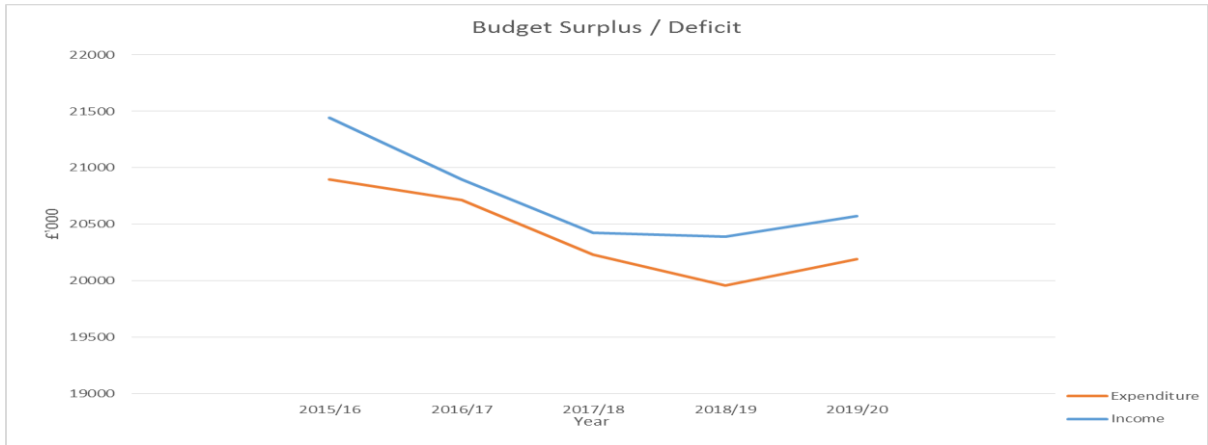
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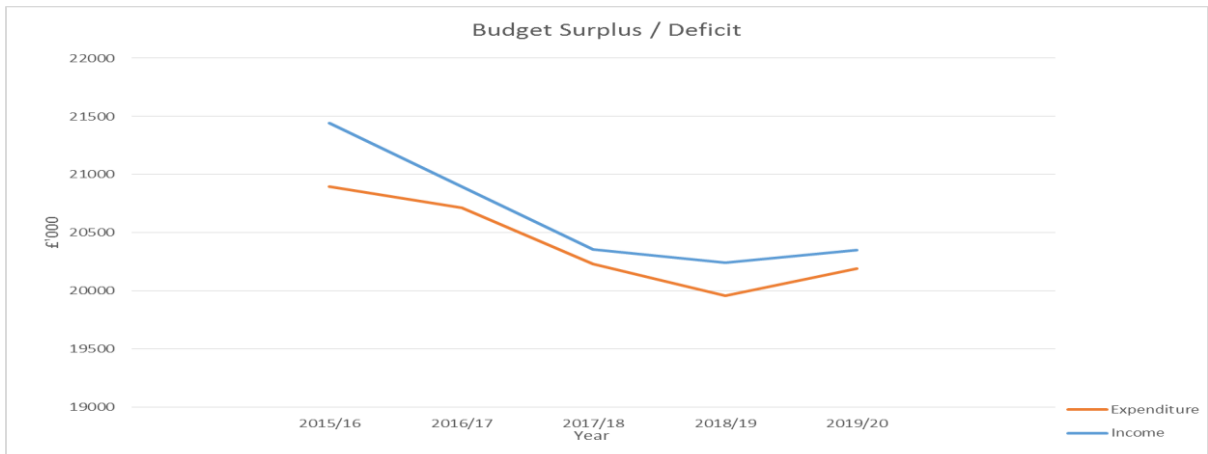
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8 Council Tax Base and Collection Fund

Council Tax Base

The council tax base for Shropshire Council for 2016/17 has been confirmed, and a provisional number has been provided by the Borough of Telford & Wrekin. It is likely that the base will rise by around 2.9%, compared to an estimate of 0.8%. The strategic planning model has been updated accordingly, and has resulted in additional income of £288,000.

For 2017/18, council tax base is increased by 1.2%, and from 2018/19 onwards, by 0.8%, to reflect increases in the number of houses built in Shropshire and Telford & Wrekin in future years.

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.

Collection fund balances for Borough of Telford & Wrekin have been confirmed, and the Authority will receive £267,940, a share of the Collection Fund surplus. This has not yet been factored in to the options shown below, but will add £268,000 to the surplus in 2016/17 only.

Final figures for collection fund at Shropshire Council have not yet been received.

Business rate collection fund balances for constituent authorities are not yet available.

9 Final Budget Options

Based on the revised assumptions recommended by the Strategic Planning Group, a final budget package for 2016/17 is shown in the table below for approval by the Committee, and recommendation to the Authority. Possible surpluses for the years following are dependent upon the settlements finalised for each year, and the circumstances surrounding the Fire sector's move from Department of Communities and Local Government to the Home Office. The variations shown above can be exemplified in the Service Plan, and can be updated when more information becomes available. The budget is subject to the confirmation of the council tax base for Telford & Wrekin, collection fund surplus or deficit for Shropshire, and the business rates collection funds balances for both authorities.

	2016/17
	£000
Expenditure budget proposed by the Committee	20,714
Funded by:	
Revenue Support Grant and Business Rates Income	6,612
Council Tax	14,286
Collection Fund	0
Total	<u>20,898</u>
Surplus / -Deficit	<u>184</u>

10 Financial Implications

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

11 Legal Comment

There are no legal implications arising directly from this report.

12 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

13 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.

14 Appendices

There are no appendices attached to this report.

15 Background Papers

There are no background papers associated with this report.