

Revisions to the 2021/22 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 2021/22 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) a precept increase for 2021/22, and
- b) a revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2020, the Fire Authority was presented with a number of scenarios for its revenue budget in 2021/22 and its medium term planning requirements. These were based on assumptions currently in use by officers in the Service's scenario planning, but had been expanded to reflect the Chancellor's announcement on the Spending Review in November. It was announced that, due to the pressures of the pandemic, there would be a one year settlement, with an inflationary increase in Revenue Support Grant (RSG) and continuation of the Rural Services Delivery Grant.

Members considered the options presented and approved the following as a realistic basis upon which to base the Service's planning:

- RSG to increase by 2%, then reduce to zero by 25/26
- Business Rates to increase by 2% and Top Up Grant by 1.5%
- Council Tax Base to grow by 0.3%
- Precept increase of 1.99% in 21/22
- No pay award for 21/22, 2% from 22/23
- Continuation of pensions grant

Given the ongoing uncertainty surrounding the mid to late years of the planning period, members were again advised to approve a budget for 2021/22, using the information available, and to task officers to continue to work on a range of scenarios, that can be adapted as and when more definite information becomes available.

4 Provisional Grant Settlement 2021/22

The provisional finance settlement was announced on 17 December:

- Revenue Support Grant has increased by 0.55% - the planning option adopted by the CFA at its December meeting (Option 1) showed a slightly higher inflation rate
- Rates and top up grant remain the same in cash terms
- Rural Services Delivery Grant has continued with an increase of 4.9%
- Grants have been awarded for compensation on business rates (£204,000) and increased costs for council tax support, which affect council tax base (£249,000)
- It was also announced that 75% of losses on collection funds would be covered with additional grant, with the remainder payable over 3 years rather than 1 year.

Since the announcement of the settlement, it has also been confirmed that pensions grant would continue to be payable, to offset increases in employer contributions following the revaluation of the Fire pension schemes. It is also likely that this will be rolled into the base settlement; strategic planning will include this scenario.

5 Capital Programme

The capital programme will be considered by the Committee later on the agenda, with schemes and their associated debt charges taken into account. The benefits of the Authority's capital reserves have been clearly demonstrated through reduced borrowing and capital charges. Therefore, it is recommended that a further contribution of £500,000 is made to the Major Projects Reserve for the developments at Telford Fire Station and Training Centre.

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 2021/22 and total growth of 0.3% for 2020/21 has been confirmed; this confirmed latest planning assumptions. Estimates for future movement in tax bases are being provided by the local authorities and these will be factored into planning options.

Collection Funds

It was reported to the Authority in December 2020 that the levels of council tax collected by constituent authorities in 2020/21 has reduced due to the pandemic, and this will lead to deficits in the collection funds held by each authority at the end of the financial year. The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are being finalised, and 75% of any deficits reported will be covered by government grant, with the remaining 25% payable over 3 years.

7 Medium Term Budget Considerations

The global pandemic has had a major effect on financial planning for the Authority:

- in the short term, ensuring that delays in cash flow did not affect the day to day operation of the Service,
- for the year ahead, mitigating the immediate impact on funding streams such as council tax and collection fund income, as more households were supported, and
- into the medium term, anticipating how these funding streams will change as constituent authorities adapt their collection and support strategies.

The assumptions upon which budget planning is based have been carefully considered to ensure that they reflect the best estimated outcomes for the Fire Authority.

The budget position for 2021/22 has been updated to reflect the information available following the settlement. However, there is still a great deal of uncertainty into the medium term, with a one-year finance settlement and delays to the Comprehensive Spending Review, Fair Funding Review and Business Rates Reform. Estimates from constituent authorities for collection fund balances, council tax base growth and rates receipts and will also be important for realistic scenarios into the medium term. Therefore, as in previous budget cycles, the years following 2021/22 are estimates only, and will be updated when further information becomes available.

8 Final Budget Options

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below. 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 1.99% to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure budget proposed by the Committee	22,740	22,797	23,281	23,775	24,820
Funded by:					
Revenue Support Grant and Business Rates Income	5,243	4,979	4,717	4,455	4,194
Other Grants	789	0	0	0	0
Council Tax	17,303	17,978	18,678	19,406	19,951
Collection Fund	-80	0	0	0	0
Total	23,255	22,957	23,395	23,861	24,145
Surplus / -Deficit	515	160	114	86	135

9 Financial Implications

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

10 Legal Comment

There are no legal implications arising directly from this report.

11 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

12 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.

13 Appendices

There are no appendices attached to this report.

14 Background Papers

There are no background papers associated with this report.