

Revenue Budget 2019/20

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 incorporates the recommendations made by Strategy and Resources Committee on 31 January 2019, in relation to the revenue budget for 2019/20. The report also confirms the use of assumptions for medium-term financial planning.

2 Recommendations

The Fire Authority is recommended to:

- a) approve a revenue budget for 2019/20, recognising the forward financial projections to 2021/22, as set out in section 6; and
- b) delegate any necessary amendments to the revenue budget to the Treasurer, in consultation with the Chair and the Vice Chair.

3 Strategy and Resources Committee

At its meeting on 31 January 2019, the Fire Authority's Strategy and Resources Committee were informed of a number of developments that had taken place since the last consideration of the revenue budget for 2019/20:

- Provisional grant settlement for 2019/20 was released on 13 December 2018 – this was the last year of the four year settlement issued, following acceptance of the Authority's Efficiency Plan by the Home Office. These figures were broadly in line with provisional estimates provided in 2018/19 and were represented in the strategic planning model.
- The referendum spending limit had remained at 3%.
- Council tax base was confirmed at 161,880.40, an increase of 2.02% on 2018/19.

- Collection funds for both constituent authorities had been confirmed at a total one off surplus of £336,000.

The position following confirmation of the collection funds surpluses were as follows:

| | 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 | 336 | 0 | 0 | 0 | 0 |
| Total | 21,886 | 21,930 | 22,522 | 23,157 | 23,837 |
| Surplus / -Deficit | 1,046 | 12 | 90 | 170 | 276 |

Members commented on the level of surplus in the revenue budget in 2019/20 and requested that Officers produce further options, illustrating the effect of a lower increase in precept.

Officers agreed that further modelling would be completed and illustrations brought to the next meeting of the Authority; however, members were reminded that the increases reported to the Committee were one off in nature. In addition, the revenue consequences of the capital programme, to be considered later in the meeting, were to be added to the revenue budget following recommendation of the programme to the Authority.

4 Further Developments

Business rate income figures have now been confirmed by Shropshire Council and the Borough of Telford & Wrekin, although they are subject to revision in the last two months of the financial year. Total income from the two authorities is £21,000 more than the estimated rates income included in the settlement in December.

These numbers, along with adjustments to further rates-related grants of £45,000, have been factored into planning assumptions.

The Committee considered the capital programme and its revenue consequences later in the meeting. The revenue charges have been added to the planning model below.

| | 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 | 5,493 | 4,903 | 4,658 | 4,415 | 4,174 |
| Other Grants | 230 | 0 | 0 | 0 | 0 |
| Council Tax | 16,229 | 17,027 | 17,864 | 18,742 | 19,663 |
| Collection Fund | 335 | 0 | 0 | 0 | 0 |
| Total | 22,287 | 21,930 | 22,522 | 23,157 | 23,837 |
| Surplus / -Deficit | 1,111 | 12 | 90 | 170 | 276 |
| Capital Programme | -18 | -221 | -498 | -783 | -942 |
| Surplus / Deficit | 1,093 | -209 | -408 | -613 | -666 |

Precept increase – considerations

- The budget being considered by members is based on a precept increase of 2.99%, in line with the referendum spending limit and supported by Government as part of its spending power exemplifications.
- The budget is based on an annual pay award across the planning period of 3%. Indications are that this is the minimum level of increase being considered by both sides of the National Joint Council, who are seeking a multi year settlement for its members.
- There is an expectation created by the recently published reports of HMICFRS, that both local and national improvements are required in areas such as culture, on call sustainability, protection and technology
- Increased employer contributions following the 2016 Fire pension scheme revaluation have been covered by Government in 2019/20, but the full anticipated costs are included in the planning table, from 2020/21. This issue is currently unresolved and although it will be a consideration in the Comprehensive Spending Review, there is currently no indication that these costs will be covered in full.
- Further uncertainty exists around future referendum spending limits, inflation and issues which may require New Burdens funding.
- Following recommendation of the capital programme to the Fire Authority, the revenue consequences of the programme have been reflected in the planning model. These costs represent the full potential cost of borrowing, however the use of internal borrowing is likely to bring this cost down, and this will be monitored and reported to members.

The surplus shown at 2019/20 represents unanticipated costs which are uncontrollable to the Authority – they are made up of collection fund surpluses and s31 grants which are not budgeted for as part of the revenue budget income as they are one off.

The balance of £1m will create a contribution towards the major improvements at Telford and will support the reduction of borrowing costs into future years.

- A reduction in precept of 1% in 2019/20 (i.e. increase precept by 2%), would result in a saving of 97p per Band D household for the year. This would reduce total precept income, and contribution to Telford, by £150,000 in 2019/20, lowering surplus to £935,000.

| | Assumptions – 2019/20 | Surplus / -Deficit | | | | |
|---|--|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 2019/20 £'000 | 2020/21 £'000 | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 |
| 1 | Current option: Precept increase of 2.99% | 1,093 | -209 | -408 | -613 | -666 |
| 2 | Precept increase of 2% | 935 | -374 | -582 | -795 | -857 |
| 3 | No Precept increase | 622 | -703 | -927 | -1,157 | -1,237 |

The table above illustrates that a lower precept increase has a limited effect on the surplus for 19/20, but the cumulative effect of this lost precept income is much more evident in the later years of the planning period.

In light of this illustration and the continued uncertainty of future income and expenditure, members are advised to approve a precept increase of 2.99%.

5 Confirmation of Local Government Finance Settlement

The finance settlement is yet to be debated in Parliament.

There are unlikely to be any changes that will alter the budget and precept recommended to the Authority at this meeting. However, should any changes occur to the revenue budget being approved, members are asked to delegate the necessary amendments to the Treasurer, in consultation with the Chair and the Vice Chair.

Section 4.2 of the Authority's Scheme of Delegations states:

"In agreement with the Chief Fire Officer, and after consultation with the Chair and the Vice Chair, in cases of urgency to approve virement, supplementary revenue and capital votes not otherwise covered by the Treasurer's delegated authority. Action taken under this delegation must be reported to the next meeting of the Authority."

6 Proposed Final Budget Package

The position for 2019/20 and into the medium term can now be summarised as follows:

| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 |
|--------------------------------|-----------------|-----------------|-----------------|
| Expenditure: | | | |
| Budget | 21,194 | 22,139 | 22,930 |
| Surplus / -deficit | 1,093 | -209 | -408 |
| Total | 22,287 | 21,930 | 22,522 |
| | | | |
| Funded by: | | | |
| Grant and business rates | 5,723 | 4,903 | 4,658 |
| Business rates collection fund | -1 | - | - |
| Council tax | 16,229 | 17,027 | 17,864 |
| Council tax collection fund | 336 | - | - |
| | | | |
| Total | 22,287 | 21,930 | 22,522 |

7 Financial Implications

There are no financial implications arising from this report other than those discussed within the report.

8 Legal Comment

There are no legal implications arising directly from this report.

9 Appendices

There are no appendices to this report.

10 Background Papers

There are no background papers associated with this report.