

Revisions to the 2014/15 Budget and Medium Term Financial Planning

Report of the Treasurer

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1 Purpose of Report

This report develops options for a final revenue budget package for 2014/15 for consideration by the Fire Authority, taking into account latest information. The report also addresses the options for dealing with planning for later years.

2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Agree a revenue budget of £19.972m for 2014/15;
- b) Agree a financial planning option from paragraph 6 and confirm contribution to reserves and budget requirement for 2014/15;
- c) Task officers to update the Medium Term Corporate Plan, with assumptions considered by the Fire Authority, when the revenue budget for 2014/15 is agreed.

3 Background

At its meeting in December 2013, the Fire Authority considered a budget package for consultation, which was based on the following:

- An expenditure budget of £19.972m for 2014/15 with a projected surplus of £965,000, making a total budget requirement of £20.937m;
- A council tax precept increase of 2.0%, following the announcement of a council tax referendum threshold of 2.0%; and
- An assumed council tax base of 143,351.33, with no assumed surplus or deficit.

At that meeting, the Fire Authority also considered the long-term financial implications of the proposed council tax freeze grant, available to those authorities that held precept levels at the same as those charged in 2013/14, but payable for two years.

The Fire Authority concluded that the freeze grant for 2014/15 should be declined, and that planning and consultation should continue to be based on a precept increase of 2% in 2014/15 and the years following.

The position in December is summarised as follows:

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Expenditure budget proposed by the Committee	19,972	20,354	20,379	20,862	21,296	21,735
NI increases	0	0	270	0	0	0
Pay and prices	0	0	-270	0	0	0
Total	19,972	20,354	20,379	20,862	21,296	21,735
Funded by:						
Revenue Support Grant (RSG)	7,975	7,326	6,570	6,176	5,806	5,457
Council Tax	12,962	13,299	13,645	14,000	14,365	14,738
Collection Fund	0	0	0	0	0	0
Deficit / (Surplus)	(965)	(271)	164	686	1,125	1,540
	19,972	20,354	20,379	20,862	21,296	21,735

This report updates the Committee on developments since the December meeting, including the publication by Government of the provisional 2014/15 and 2015/16 settlements.

4 Provisional Grant Settlements 2014/15 and 2015/16

Information relating to the provisional settlement for 2014/15 and 2015/16 was made available to local authorities on 18 December 2013. The provisional grant announced was unchanged from the Authority's strategic planning model.

The settlement confirmed that 2011/12 council tax freeze grant will be rolled into the base from 2016/17. For planning purposes, it had been assumed that this would cease in 2015/16, therefore, grant income for the Authority is increased by around £335,000 per year from 2016/17.

As part of the technical consultation on the grant settlement in September, Government had announced that those local authorities that chose to increase precept levels by more than 2% would trigger a referendum. However this threshold was not confirmed at the grant settlement, and an announcement is due in February.

5 Council Tax Base and Collection Fund

Council Tax Base

Council tax base for 2014/15 has now been confirmed at 144,781.56, an increase of 1.6% on the base in 2013/14. The strategic planning model has been updated accordingly.

For 2015/16 onwards, council tax base is currently increased by 0.6% per year, to reflect increases in the number of houses built in Shropshire and Telford & Wrekin in future years.

Officers have reviewed plans for new homes, and planning assumptions in both councils. Based on the information obtained to date, growth on council tax base of 0.8% would be appropriate. This has now been factored into the budget position shown below.

Collection Fund

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 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 £21,980, a share of the Collection Fund surplus. Final figures for Collection Fund at Shropshire Council have not yet been received.

6 Final Budget Options

As the referendum threshold limit has not yet been announced, it is not possible to present a single budget package to Members for consideration. Instead, the table on the following page provides options on possible movements in the referendum limit, and shows the effect on the 2014/15 budget, and deficits which may be faced in later years.

It should also be pointed out that, should the referendum limit be lowered to 1%, the income to be raised by a precept increase of 1% would be slightly less than council tax freeze grant at 1%, which has now been rolled into the baseline. Members may, therefore, wish to revisit the decision in December to decline freeze grant.

Strategy	Surplus / -Deficit					
	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Fire Authority December 2013	969	275	-159	-681	-1,121	-1,535
2011/12 freeze grant in base, 2% precept increase, 0.8% increase in CT base	1,090	423	356	-132	-536	-913
2011/12 freeze grant in base, 1.5% precept increase, 0.8% increase in CT base	1,026	291	154	-408	-891	-1,350
2011/12 freeze grant in base, 1% precept increase, 0.8% increase in CT base	962	160	-47	-681	-1,239	-1,776
2011/12 freeze grant in base, accept 2014/15 freeze grant, nil precept increase, 0.8% increase in CT base	980	176	-33	-670	-1,231	-1,770

7 Medium Term Corporate Plan

Strategy options presented to Members predict potential deficits of between £0.9m and £1.7m in 2020, based on a number of assumptions around pay and prices levels, potential grant reductions and precept strategy over the next five years.

The Medium Term Corporate Plan will require changes to reflect these updated assumptions, and it is, therefore, recommended that the document is updated, when the budget is set for 2014/15.

Financial modelling will continue to be used to exemplify the possible scenarios faced by the Fire Authority over the coming months and years.

The 2020 planning process has enabled officers and Members to consult on possible changes to the service, in readiness for budget deficits anticipated in later years.

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 Appendices

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.