

## 2013/14 and Later Years Revenue and Capital Budgets

### Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, or Joanne Coadey, Head of Finance, on 01743 260215.

#### 1 Purpose of Report

This report brings together the elements of the budget, as set out in the reports that follow, and seeks the Committee's approval for a budget outline to be recommended to the Fire Authority in December 2012.

#### 2 Recommendations

The Committee is asked to approve the revised expenditure figures as a basis for developing the budget at the meeting of the Fire Authority on 12 December 2012.

#### 3 Background

The Committee has based its budget planning in terms of expenditure on the forecasts approved by the Fire Authority in February 2012. However, a number of assumptions have been revised, and these have been taken into account in the report.

This was the position as approved by the Fire Authority in February 2012.

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Base Budget	20,572	20,606	20,339	21,149
Committed Changes	-1	51	387	-
Pay and Prices	399	324	529	591
Efficiencies	-40	-	-	-
Capital Schemes – New Starts	7	25	44	110
Service Transformation Programme	97	-370	-150	-
Public Value Reductions	-428	-297	-	-
Expenditure before Reductions	20,606	20,339	21,149	21,850
Reduction Required	444	409	85	-130
<b>Expenditure</b>	<b>21,050</b>	<b>20,748</b>	<b>21,234</b>	<b>21,720</b>

This was to be funded as follows:

Grant	6,517	5,734	5,734	5,734
Council Tax	14,503	14,984	15,470	15,956
Collection Fund – surplus	30	30	30	30
	<b>21,050</b>	<b>20,748</b>	<b>21,234</b>	<b>21,720</b>

This report deals with existing expenditure budgets. Funding estimates can only be completed once final information is available in early January on the Council Tax Band D base and the Collection Fund surplus, but planning will continue based on current assumptions.

The grant settlement for 2013/14 is not yet confirmed, although indicative data was provided as part of the technical consultation on business rates retention. This indicated that average further grant reductions totalling 16% over the last two years of the settlement period could be expected.

This report adds forecasts for the fifth year of the planning period. The last three years are outside of the current Comprehensive Spending Review, and are speculative at this stage. Grant reductions of 6% per year have been used for forecasting purposes.

## 4 Revised Budget Summary

The changes to revenue expenditure covered in the following papers can be summarised as follows:

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Previous Year's Budget	20,570	20,186	19,970	20,602	21,055
Committed change	-745	-566	187	-28	90
Pay and Prices	399	324	435	476	487
Efficiencies	- 50	-	-	-	-
2012/13 and later Capital Programme	12	26	10	5	5
Service Developments	-	-	-	-	-
	<b>20,186</b>	<b>19,970</b>	<b>20,602</b>	<b>21,055</b>	<b>21,637</b>

## 5 Summary to date

At this stage, further work is needed on all forecasts. However, changes already identified show that the originally planned deficits and, therefore, potential reductions in spending and reserves in 2013/14 through to 2016/17 have been lowered by expenditure reductions from £21.850m to £21.040m, i.e. £810,000.

Points to note are as follows:

- Costs and savings associated with Public Value and Service Transformation Programme have been incorporated into committed costs, as these decisions have already been taken. Public Value savings for 2013/14 included a reduction of £50,000 for 2 non-uniformed staff. Reviews have determined that this saving cannot be achieved in 2013/14; however a reduction of £50,000 remains for 2014/15.
- An additional ongoing efficiency saving has been identified in 2013/14; the way, in which mapping services are provided to the Service has changed, and this service is now provided at no charge.
- As no pay awards have been made to operational or non-operational staff in 2011/12, a sum of £200,000 has been released from the Pay contingency.
- Following the Fire Authority's decision in April to fund capital schemes from reserves and balances, a sum of £203,000 has been released from the base budget, to reflect the reduction in debt charges.
- Council Tax Freeze Grant payable to the Fire Authority from 2011/12 has been added back in 2015/16, as this is the first year of the next spending review, and this Grant is unlikely to continue.
- Assumptions for pay and prices in 2015/16 and 2016/17 have reduced the total amount required by £209,000.

## 6 Funding Assumptions

### Grant

The revenue grant allocated to Fire Authorities for 2013/14 is still unknown, and is unlikely to be announced until late December. Current planning is based on average control total reductions that were made available in the technical consultation on business rates retention, and subsequent documents released by Department of Communities and Local Government. Grant reductions currently used are 9% for 2013/14 and 5.4% for 2014/15.

The financial year 2015/16 is the first year of the next Comprehensive Spending Review. Assumptions for grant from 2015/16 are based on the expectation that the Authority will experience further reductions of 6% per year. It is also assumed that the Council Tax Freeze Grant payable from 2011/12 will cease at the end of this Spending Review, and the effect of this has been incorporated into the budget strategy.

It should be noted that no adjustments have yet been made in relation to the localisation of council tax support, although provision has been made in reserves and balances for volatility. Work is ongoing with constituent authorities to determine the impact of this policy on the Fire Authority.

### Precept

As the budget was set in February 2012, the Authority's precept strategy was as follows:

	2012/13	2013/14	2014/15	2015/16	2016/17
<b>Precept Increase</b>	3.72% (5p per week at Band D)	2.99% (5p per week at Band D)	2.90% (5p per week at Band D)	2.82% (5p per week at Band D)	2.74% (5p per week at Band D)

In September the Fire Authority tasked officers with the modelling of alternative precept strategies, as projected deficits over five years had reduced, following its decision to fund capital schemes from reserves and balances.

At the Conservative party conference in October, it was announced that funding equivalent to a 1% increase in precept would be available to those authorities, who froze council tax in 2013/14. Unlike the funding offered last year, the grant would be payable in 2013/14 and 2014/15. Authorities are not mandated to accept this freeze grant.

It was also announced at the conference that those local authorities that chose to increase precept levels by more than 2% would trigger a referendum.

The implications of these two developments have been taken into account in the following exemplifications, for consideration by the Committee.

<b>Precept Strategy</b>	<b>16/17 Surplus / (Deficit)</b>	<b>17/18 Surplus / (Deficit)</b>
Approved at February Fire Authority meeting – Council tax 5p per week 13/14 onwards	(130,000)	-
Following April Fire Authority meeting – strategy as above, surpluses used to pay for capital schemes, resulting in debt charge savings	223,000	-
Budget proposed in this paper – 2% Council Tax increase 13/14 onwards	(132,000)	(672,000)
0% 13/14, 2% increase 14/15 onwards (£141k pa freeze grant payable 13/14 and 14/15, if accepted)	(435,000)	(982,000)

### **Collection Fund**

Planning for the revenue budget is historically based on the assumption of a total surplus on the Collection Fund of £30,000. Given the changes around localisation of council tax support and added pressures on the Collection Fund, it has been considered prudent to remove any anticipated surplus from our planning.

### **Income**

Income forecast for the five-year period is as follows:

	<b>2013/14 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Revenue Support Grant	6,577	6,222	5,849	5,498	5,168
Precept	14,363	14,709	15,063	15,426	15,797
Collection Fund	0	0	0	0	0
<b>Total Income</b>	<b>20,940</b>	<b>20,931</b>	<b>20,912</b>	<b>20,924</b>	<b>20,965</b>

Given the range of forecasts possible in the light of the unknowns set out above, it is difficult to select any particular assumptions. However, the table above makes the following assumptions:

- Precept increases are 2% for 2013/14 and thereafter;
- Grant reduces by 14.4% in 2013/14 and 2014/15, grant for 2015/16 onwards is assumed to reduce by 6% per year;
- There is an increase in Band D base in line with experience in recent years; and
- No surplus or deficit is anticipated on the collection fund.

The net changes to expenditure and income produce the following deficits:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Forecast Expenditure	20,186	19,970	20,602	21,055	21,637
Forecast Income	20,940	20,931	20,912	20,924	20,965
Deficits / (Surplus)	(754)	(961)	(310)	131	672

At this stage it is proposed to go forward to the Authority on the basis of these figures, subject to further work being carried out with officers, and continuing discussions around the most effective way to use the predicted surpluses in the early years of the plan to reduce committed expenditure in later years.

## **7 Financial Implications**

The financial implications are as outlined in the main body of the report.

## **8 Legal Comment**

There are no direct legal implications arising from this report.

## **9 Equality Impact Assessment**

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 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 has not, therefore, been completed.

## **10 Appendices**

There are no appendices attached to this report.

## **11 Background Papers**

Reports 7a to 7e on the agenda for this meeting of the Committee