

2010/11 and Later Years Budget Summary

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260201.

1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. These are updated for subsequent events. The results are put forward to the Fire Authority for approval as the basis for consultation, leading to a final decision at the Fire Authority meeting on 9 February 2011.

2 Recommendations

The Fire Authority is recommended to:

- a) Base its revenue budget planning and consultation on the totals set out in paragraph 6 (2011/12 £20,837,000);
- b) Base its capital programme on that set out in 5d Appendix A, (the Green Book) subject to adjustment of the Wellington scheme and to consideration of the prudential guidelines and minimum revenue provision policy by the Strategy and Resources Committee in January;
- c) Agree the recommendations on Reserves and Provisions set out in report 5f, and confirm the general reserve;
- d) Continue to base its planning and consultation on a nil increase in the precept in 2011/12, subject to obtaining the tax-freeze grant; and annual increases of zero in 2012/13 and 2.5% in later years;
- e) Request the Strategy and Resources Committee to prepare a final budget package on 20 January 2011, (including adding the projected surplus in 2011/12 and 2012/13 to the un-earmarked capital reserve to reduce future costs,) for final decision by the Fire Authority on 9 February 2010.

3 Background

The Strategy and Resources Committee agreed to submit a five year revenue and capital budget for consideration by the Fire Authority. These budgets include the implementation of expenditure reductions from the Public Value process. Full details are set out in the reports that were agreed by the Committee and which are attached at Appendix A – the ‘Green Book’.

The Public Value Review has been managed via the Member led Strategic Risk and Planning Group. The outcomes and proposals arising from the review have been duly considered through the Strategy and Resources Committee and Audit and Performance Management Committee as appropriate. In addition, the proposals have been presented to representative bodies and the community through Public Value Focus Groups. A framework document setting out the findings of the review is presented at Appendix B. The document sets out measures necessary to address the expected budget reductions over a four-year period.

The Committee concentrated on expenditure budgets, but also considered potential resources. These included a 25% back-ended cash reduction in Revenue Support Grant, and a tax-freeze grant equivalent to a 2.5% increase in precept. Otherwise the resource assumptions were unchanged from those in the pre budget planning process that identified a potential £2.8 million shortfall.

The position can be summarised as follows:

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Anticipated expenditure	21,808	22,376	22,733	23,360	23,849
Public Value Reductions (not included above)	<u>-883</u>	<u>-1,390</u>	<u>-1,818</u>	<u>-2,115</u>	<u>-2,115</u>
Expenditure Budget proposed by the Committee	20,925	20,986	20,915	21,245	21,734
Funded by:					
Revenue Support Grant (RSG)	7,855	7,441	6,821	6,201	6,536
Tax Freeze Grant	335	335	335	335	
Council Tax	13,408	13,454	13,840	14,237	14,634
Collection Fund	30	30	30	30	30
Net (addition)/reduction in reserves	(703)	(274)	(111)	442	534
	<u>20,925</u>	<u>20,986</u>	<u>20,915</u>	<u>21,245</u>	<u>21,734</u>

4 Latest Developments – Expenditure

The main developments since the Strategy and Resources Committee met are:

- a) Monitoring of expenditure has confirmed a number of under spends in 2010/11 totalling £341,000 which are reported by the Strategy and Resources Committee.
- b) A provision of £200,000 each year is currently included for meeting potential pressures on the service. A number of issues have been raised and have been considered by officers. The majority are one-off items and it is proposed to bring these forward for member consideration if required. The Authority is **recommended** to meet the costs of these issues if approved from the under spend predicted in the current year and therefore remove the £200,000 contingent budget for growth in 2011/12.
- c) An unidentified total of £115,000 of further efficiencies is also included but to date only the £35,000 has been confirmed. It is **recommended** that the £115,000 unidentified efficiencies are removed from the budget.
- d) A detailed examination of capital works required to meet the current difficulties with the Wellington Station has been undertaken. It is **recommended** that a capital vote for £100,000 is approved to carry out the necessary improvements funded from revenue savings in 2010/11, and that the capital project included in the 2011/12 programme is therefore removed. This would reduce expenditure on debt charges by £3,000 in 2011/12 and £9,000 in a full year.
- e) No further information has emerged on the key outstanding concerns for reserves and balances; i.e. retained firefighters' conditions and pensions 2000 to 2006; unbudgeted capital schemes; the consequences of Regional Control Centre developments; or the adequacy of the general reserve to meet unforeseen pay or price increases, It is therefore **recommended** that the reserves provisions and balances being put forward by the Strategy and Resources Committee are agreed

5 Latest Developments – Funding

The Local Government Minister established the 2011/12 and 2012/13 formula grants at £7.482m and £7.228m respectively. The following two years were not set out and therefore some working assumptions will be needed for the following period during which cuts will apparently be back-loaded. The current situation as far as it is known is shown in the following extract from the Minister's letter¹ of the 20 October 2010:

Government is aware of the particular importance of fire and rescue services to their local communities. The reduction in formula grant funding for Fire and Rescue Authorities will be 25 per cent over the Spending Review period.

¹ CLG Fire and Rescue Service. Immediate Bulletin, Bulletin Number: 1, 20 October 2010

To give Fire and Rescue Authorities time to make the necessary changes without affecting the quality and breadth of services to communities, the reduction is back loaded to 2013–14 and 2014–15.

In the first year the formula grant reduction that will face Fire and Rescue Authorities collectively will be in single figures (in percentage terms), with the larger proportion of the cuts falling to years three and four. December's Local Government Settlement consultation will detail provisional figures for individual Fire and Rescue Authorities.

For want of any firmer indications it is proposed to continue with the 7.5% annual reductions assumed each year as back-end loaded reductions but built on the lower cash settlement figures announced by the Minister in the provisional grant settlement.

The figures are a disappointment representing reductions of 9.5% in grant in 2011/12 and a further 3.1% in 2012/13 compared with a total assumed of 10% over the two years. Assuming annual inflation of about 3% this equates to a real reduction of some 18 to 19%. Even this reduction was only secured thanks to flooring protection of £0.634m in 2011/12 and £0.363m in 2012/13. Without this protection the loss in grant would have been 17% over the two years (or 23% in real terms).

The Band D tax base will not be known formally until early January, but preliminary estimates show the base to be 160,324.69. This would produce Council Tax income of £13.437m i.e. an increase of £29,000 over the previous estimate. The base has increased by 0.9% compared with an estimate of 0.6% but does include the residual effect of Shropshire Council's decision last year to phase in taxation of long-term empty properties. Excluding any special factors therefore it seems reasonable to maintain the assumption for about a 0.4% annual increase in future years on the new base for 2011/12.

This change also has a minor affect on the Tax Freeze Grant which is calculated on the 2011/12 tax base and should increase by £1,000 to £336,000.

The likely balance on the collection fund attributable to the Fire Authority is not currently known, so the assumed surplus of £30,000 is continued.

6 Revised Potential Budget Position 2011/12 and 2012/13

The latest developments would firm-up the previous position for 2011/12 and 2012/13 and subject to assumptions about subsequent years' grants the situation can be set out as follows:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Expenditure as at Strategy and Resources Committee	20,925	20,986	20,915	21,245	21,734
<i>Less</i> Growth contingency	-200	-200	-200	-200	-200
<i>Add</i> balance of unidentified efficiencies	115	115	115	115	115
<i>Less</i> Adjustment for the Wellington Capital Scheme	-3	-9	-9	-9	-9
	<u>20,837</u>	<u>20,892</u>	<u>20,821</u>	<u>21,151</u>	<u>21,640</u>
Funded by:					
Grant	7,482	7,228	6,605	6,004	6,340
Tax Freeze Grant	336	336	336	336	-
Council Tax	13,437	13,491	13,884	14,288	14,704
Collection Fund	30	30	30	30	30
(Surplus)/ Deficit	(448)	(193)	(34)	493	566
	<u>20,837</u>	<u>20,892</u>	<u>20,821</u>	<u>21,151</u>	<u>21,640</u>

The immediate implications of these projections are that there are predicted surpluses in 2011/12 and 2012/13 which will reduce to deficits in later years. It would be possible to use the surpluses in the early years to increase service expenditure although this would increase deficits in later years unless the service increases are either one-off or could be reduced in later years. The surpluses could be used to reduce the level of the precept below 2010/11 levels, but this would increase the level of deficits in later years. Another option is to add the projected surplus to the un-earmarked capital reserve with the intention of using it to reduce the costs of funding the capital programme. This would have the advantage of making the financial position in later years better rather than potentially more difficult. It is therefore proposed that this is done. In addition work should commence to identify a potential strategy during 2011/12 and 2012/13 to meet potential deficits from 2013/14 onwards as the national financial picture becomes clearer and the possible future plans for funding local government begin to crystallise.

7 Financial Implications

These are set out in the report

8 Legal Comment

There are no direct implications arising from this report

9 Equality Impact Assessment

Officers have considered the Brigade Order and 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

Appendix A Shropshire and Wrekin Fire and Rescue Authority, Strategy and Resources Committee, 16 November 2010, approved reports 5-5f

Appendix B Public Value Review 2010

11 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link	*	Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*