

Revisions to the 2013/14 Budget and Medium Term Financial Planning

Report of the Treasurer

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1 Purpose of Report

This report develops a final revenue budget package for 2013/14 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 recommended to:

- a) Propose to the Fire Authority a revenue budget of £20.232m for 2013/14, which, together with a transfer to reserves, gives a budget requirement of £20.760m; and
- b) Task officers to update the Medium Term Corporate Plan, with assumptions considered by the Fire Authority, when the revenue budget for 2013/14 is agreed.

3 Background

At its meeting in December 2012, the Fire Authority considered a budget package for consultation, which was based on the following:

- An expenditure budget of £20.232m for 2013/14 with a projected surplus of £658,000, making a total budget requirement of £20.890m;
- A council tax precept increase of 2.0%, following the announcement of a council tax referendum threshold of 2.0%;
- An assumed council tax base of £161,988.22, with no assumed surplus or deficit.

At the 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 2012/13, but payable for two years.

This report updates the Committee on developments since the December meeting, including the publication by Government of the provisional 2013/14 and 2014/15 settlements.

4 Visit to the Fire Minister

On 17 December 2012, the Deputy Chief Fire Officer, Councillors Carter and West, and the Head of Finance visited Brandon Lewis MP, Fire Minister, at the Department of Communities and Local Government. The purpose of the visit was to discuss the referendum threshold for the 2013/14 financial year, and to propose that either a higher percentage threshold was put in place for fire authorities (which had been offered for 2012/13), or that a cash limit for precept increases was available to those authorities whose precept was low in cash terms.

The following is a resumé of the main points of the discussion;

The Minister was clear that an increased percentage for fire authorities was not an option at this time. He was interested in the level of council tax the Authority required and it is now apparent, since the provisional Local Government Finance Settlement announcement has been made, that he realised that Shropshire Fire and Rescue Service (SFRS) would not qualify for a cash limit precept, because it is not in the lower quartile of council tax for fire.

The inequality in the funding formula was highlighted and the Minister said he would look into this. The failure of the referendum Spending Threshold mechanism to provide a method of increasing funding for authorities with low precepts, such as SFRS, was also highlighted. The group briefed the Minister on the survey undertaken by the Service in January 2012 to support the approval for the council tax increases proposed in future years. The group also set out the implications that further reductions in funding would have on the Authority, in terms of reductions in fire cover and consequent increases in attendance times.

The meeting was very well supported by local MPs and the Minister recognised SFRS's relatively high precept and yet only average level of spending.

5 Provisional Grant Settlements 2013/14 and 2014/15

Information relating to the provisional settlement for 2013/14 was made available to local authorities on 19 December 2012, and individual authority information for 2013/14 and the following year was released on 20 December 2012.

The grant reductions being used for modelling purposes were the average percentages published in the Business Rates Retention Technical Consultation, namely 9% for 2013/14 and 5.4% for 2014/15.

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Expenditure budget proposed by the Committee	20,232	20,014	20,619	21,074	21,654
Funded by:					
Revenue Support Grant (RSG)	6,577	6,222	5,849	5,498	5,168
Council Tax	14,313	14,659	15,013	15,376	15,747
Collection Fund	0	0	0	0	0
Net (addition)/reduction in reserves	(658)	(867)	(243)	200	739
	<u>20,232</u>	<u>20,014</u>	<u>20,619</u>	<u>21,074</u>	<u>21,654</u>

However, grant reductions announced for the Fire Authority in December were larger than those anticipated, and also included an additional 2% reduction announced as part of the Autumn Statement earlier in the month.

Reductions for 2013/14 and 2014/15 were 10.8% and 8.2% respectively, and affect modelling as follows:

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Expenditure budget proposed by the Committee	20,232	20,014	20,619	21,074	21,654
Funded by:					
Revenue Support Grant (RSG)	6,447	5,918	5,563	5,229	4,916
Council Tax	14,313	14,659	15,013	15,376	15,747
Collection Fund	0	0	0	0	0
Net (addition)/reduction in reserves	(528)	(563)	43	469	991
	<u>20,232</u>	<u>20,014</u>	<u>20,619</u>	<u>21,074</u>	<u>21,654</u>

Extension of modelling period

Officers have extended the modelling period for the revenue budget up to and including 2020, in line with the Service's scenario planning. A cap on pay awards has also been incorporated for 2015/16 and 2016/17. Current estimates for this updated planning period are shown in the table on the following page.

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Expenditure budget proposed by the Committee	20,232	20,014	20,487	20,774	21,315	21,808	22,312
Funded by:							
Revenue							
Support Grant (RSG)	6,447	5,918	5,563	5,229	4,916	4,916	4,916
Council Tax	14,313	14,659	15,013	15,376	15,747	16,127	16,517
Collection Fund	0	0	0	0	0	0	0
Net (addition)/reduction in reserves	(528)	(563)	(89)	169	652	765	879
	20,232	20,014	20,487	20,774	21,315	21,808	22,312

6 Medium Term Corporate Plan

Figures presented to the Fire Authority predict a potential deficit in 2017/18 of £652,000 and £879,000 in 2020, based on a number of assumptions around pay and prices levels, potential grant reductions and precept strategy over the next five years. These have been updated and extended in this paper.

Some of these assumptions have changed since the Medium Term Corporate Plan was published, and therefore it is recommended that the document is updated to reflect the current planning strategy agreed by Members, when the budget is set for 2013/14.

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

It is fortunate that the Authority made prudent decisions in 2010 through its Public Value Review. These decisions give the Authority three or four years to identify and implement changes to make the significant savings necessary from 2016/17.

This process began in 2012 and will continue through spring 2013 with options for public consultation ready for May 2013.

The necessary changes to this Service will necessitate the removal of many of the previous 'red lines' but the aim will still be to protect local people and, as far as possible, protect the futures of colleagues across the Service.

7 Addressing the Budget Shortfall

Through the auspices of the Fire Authority's Strategic Risk and Planning Group (STRaP), Members and officers are currently developing the 2020 strategic planning process for 2013/14. The proposed process will be submitted to the February 2013 meeting of the Fire Authority for approval and implementation.

In summary, the process will define the foreseeable risks that the Fire Authority is legally mandated to address, identify any capability gaps in guarding against those defined risks and develop a range of options for consultation to align the assets of the Service to those risks. An outcome of the process will be formalised recommendations to the Fire Authority in December 2013 identifying any necessary structural changes to the Service (which may include reductions in current service provision) in future years to align a shrinking budget to the defined risk.

8 Financial Implications

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

9 Legal Comment

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

10 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.

11 Appendices

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.