

Revisions to the 2011/12 Budget and Medium Term Financial Planning

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report develops a final revenue budget package for 2011/12 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 £20,837,000 for 2011/12, which together with a transfer to reserves gives a budget requirement of £21,356,000;
- b) Set its current Medium Term Financial Plan on the assumptions considered by the Fire Authority in December; and
- c) Start to develop service and financial planning for the next Service and Medium Term Financial Plan, so that it can fully respond to any consultation by government on changes to the grant system from 2013/14 onward.

3 Background

The Fire Authority, in December 2010, agreed a 2011/12 budget package for consultation, based on:

- i expenditure of £20,837,000 following extensive consultation over service reductions through the Public Value process;
- ii a Council Tax precept of £83.81, i.e. a zero increase presupposed on receiving a tax freeze grant of £336,000;
- iii an assumed Band D equivalent of 160,324.69 and a Collection Fund surplus of £30,000; and
- iv a surplus of income over expenditure of £448,000, which was to be added to the Un-earmarked Capital Reserve with a view to it being used to reduce committed costs in later years.

The 2011/12 budget was set in the context of careful consideration of the disappointing grant settlement for 2011/12 and 2012/13 and the major uncertainty for the following two years.

This report updates the Committee on developments since last December, and seeks its approval to submitting a revised budget to the Fire Authority in February 2011, when the final precept package for 2011/12 must be agreed.

The Committee will also have heard the results of budget consultation and is asked to consider this report in the light of the outcome.

4 Changes to Expenditure

Since December no major changes have arisen, other than the decision by government to stop the Regional Control Centres project. It is expected that the consequences can be dealt with within existing budgets and with no additional cost to the local tax-payer.

5 Changes to Income

There has been no change notified to the Band D base in Borough of Telford & Wrekin (50,954.70), and in Shropshire Council (109,369.99). No formal notification has been received on the Collection Fund, although it is believed that there may be a surplus in the order of £100,000, an increase of £70,000, which can be added to the un-earmarked capital reserve.

No further information has come to light on the grant settlement or future capping / excessiveness rules regarding precept increases. It is, therefore, recommended that the formal assumptions adopted by the Fire Authority be continued for later years, pending a complete re-examination of the inter-relationship of changes in inflation, grant and precept, which will inevitably have to take place during 2011/12. Preliminary issues are addressed at Paragraph 8 below.

6 Summary of Changes

The changed position can be summarised as follows

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Expenditure					
As reported to the Fire Authority in December 2010	20,837	20,892	20,821	21,151	21,640
Variations	-	-	-	-	-
	20,837	20,892	20,821	21,151	21,640
Income					
Grant	-7,482	-7,228	-6,605	-6,004	-6,341
Tax Freeze Grant	-337	-337	-337	-337	-
Council Tax					
£83.81 x 160,324.69	-13,437				
£83.81 x 160,966		-13,491			
£85.91 x 161,610			-13,884		
£88.05 x 162,257				-14,288	
£90.25 x 162,906					-14,704
Collection Fund	-100	-30	-30	-30	-30
Total Income	-21,356	-21,086	-20,856	-20,659	-21,075
Balance (-) to capital reserve or budget deficit	(-519)	(-194)	(-35)	492	565

7 Consultation and Information

The budget has been the subject of extensive consultation through the Public Value process. In addition, views have been sought via the website on the proposals put forward by the Fire Authority in December 2010.

Consideration has been given to the form and lay-out of the Budget Information Leaflet to accompany the Council Tax Bills. It is proposed to base it on that for the current year, amended to reflect any changed requirements. A draft will be available at the meeting for comment by the Committee.

8 Medium Term Financial Planning

Figures presented to the Fire Authority predicted a potential deficit in three years' time of about £500,000, which will be offset by the continuing challenge of all contracts and securing savings through other areas identified through the Public Value review process. The forecast depends on four key factors: pay and price changes and Member decisions about service delivery on the expenditure side; and grant changes and precept increases on the income side.

The Fire Authority has taken decisions on spending and precept planning over the four years following 2011/12 on the best information currently available to it, and it is recommended that the Medium Term Financial Plan (MTFP) is updated for now on that basis.

Clearly, however, there are significant unknown issues, notably inflation changes and grant reductions, over which the Fire Authority has little control. The only direct response the Authority has to adverse changes is to reduce spending further or to increase the precept. As has been argued above, there is little hard evidence to alter current figures, especially as central funding will be subject to a thorough review before 2013/14 and later years' grant support is known.

However, if the current 25% reduction in grant support occurs over the four-year period, and if this Authority bears the full impact of back-loaded reductions potentially still remaining following the grant settlement, then the deficit could widen by another £300,000 in 2014/15. This could be greater, if the Authority were further disadvantaged, as it has been in this settlement. On the other hand, the deficit could reduce, if inflation proves to be nearer zero in 2010/11 and 2011/12, or if the precept for 2012/13 is increased rather than held constant, as planned.

It is, therefore, recommended that the Fire Authority starts to develop its next five-year Service Plan, incorporating the MTFP, in order to be in a position to understand the full implications of the various situations that might occur. This will help it to contribute in a measured way to proposals for change in government financing likely to happen in two years' time.

7 Financial Implications

The financial implications are outlined in the main body of this 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

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.

Business Continuity Planning		Member Involvement	
Capacity		National Framework	
Civil Contingencies Act		Operational Assurance	
Efficiency Savings		Public Value	
Environmental		Retained	
Financial	*	Risk and Insurance	
Fire Control/Fire Link	*	Staff	
Information Communications and Technology		Strategic Planning	*
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Legal	*		