

2014/15 and Later Years Budget Summary

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. 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 in February 2014.

2 Recommendations

The Fire Authority is recommended to:

- a) Base its revenue budget planning and consultation on the totals set out in section 7 of this report;
- b) Base its capital programme on that set out in 5c in the Appendix (the Green Booklet), subject to further additions, and to consideration of the prudential guidelines and minimum revenue provision policy by the Strategy and Resources Committee in February 2014;
- c) Agree the recommendations on Reserves and Provisions, set out in report 5d, and confirm the general reserve;
- d) Consider the offer of a two-year council tax freeze grant, and make a decision on whether to accept or decline the offer;
- e)
 - i) If the council tax freeze grant is accepted, base its planning and consultation on a nil precept increase in 2014/15 and 2015/16, and an increase of 2% in the years following; **OR**
 - ii) If the council tax freeze grant is declined, continue to base its planning and consultation on a precept increase of 2% in 2014/15, and the years following; and
- f) Request the Strategy and Resources Committee to prepare a final budget package in January 2014, for final decision by the Fire Authority in February 2014.

3 Background

The Strategy and Resources Committee agreed to submit a six-year revenue and capital budget for consideration by the Fire Authority. These budgets include the implementation of expenditure reductions from the final year of the Public Value process, and the costs associated with the third year of the Service Transformation Programme. Full details are set out in the reports, which were agreed by the Committee and which are attached at the Appendix to this report – the ‘Green Booklet’.

The Committee concentrated on expenditure budgets, but also considered potential resources, including the continued reductions in Revenue Support Grant, and likely precept levels over the coming years.

After consideration of papers 5a to 5d, the position was summarised as follows:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Expenditure budget proposed by the Committee	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
Net (addition)/reduction in reserves	(965)	(271)	164	686	1,125	1,540
	19,972	20,354	20,379	20,862	21,296	21,735

4 Developments in Expenditure

The Government has published plans to reform the current state pension into a single tier system, due to be introduced in April 2016. As a consequence of this change, it is likely that National Insurance contributions for employers will increase.

This change has been exemplified by officers and it is estimated that there will be additional costs of £270,000 for the Fire Authority. However, it is considered that the budget for pay and prices can be realigned to cover this additional cost.

5 Council Tax Freeze Grant and Referendum Threshold

In paper 5 (Appendix, the Green Booklet), the Committee considered the offer from the Government of a two-year grant, in return for a freeze in precept for 2014/15.

As part of the technical consultation on the Grant settlement in September, it was announced that funding equivalent to a 1% increase in precept (pre-council tax support base) would be available to those local authorities, who froze council tax in 2014/15, payable in 2014/15 and 2015/16. In addition, grant would also be payable to those, who froze council tax in 2015/16, payable in 2015/16 only.

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

As this Authority continues to deal with significant cuts in revenue grant, an offer of assistance over two years may be viewed as an attractive option by Members. However, funding of this nature (based on the information provided at the present time), which assists the Authority for a specific period, continues to have longer-term implications. These are detailed in the following table, which summarises the options available to the Authority.

Precept Strategy	2019/20 Surplus / (Deficit)
Budget proposed in this paper – 1.99% Council Tax increase 2014/15 onwards	(1,535,000)
<p>2014/15 Do not increase council tax, accept freeze grant: £141k payable 2014/15 and 2015/16</p> <p>2015/16 Do not increase council tax, accept freeze grant: £141k payable 2015/16</p> <p>Freeze grant is not rolled into base in 2016/17</p>	(2,105,000)
<p>2014/15 Do not increase council tax, accept freeze grant: £141k payable 2014/15 and 2015/16</p> <p>2015/16 Do not increase council tax, accept freeze grant: £141k payable 2015/16</p> <p>Freeze grant is rolled into base in 2016/17</p>	(1,821,000)

The table shows that, if council tax freeze grant is accepted for 2014/15 and 2015/16, and this grant is not rolled into the base from 2016/17, the expected deficit would be £500,000 larger by 2019/20. This is because total freeze grant of around £425,000 over two years has reduced the Authority's ability to raise £500,000 per year in precept income (around 7p per week at Band D).

6 Council Tax Base and Collection Fund

Council Tax Base

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 are currently reviewing plans for new homes in both councils. Based on the information obtained to date, growth on council tax base of 0.7% would be appropriate. This has not been factored into the budget position shown below, and will be amended as more information is gathered.

An increase on council tax base of this size would result in a reduction in deficit in 2019/20 of around £170,000. However, this is subject to changes in households receiving council tax support, and is dependent on the types of houses built.

Collection Fund

It was reported to Strategy and Resources Committee 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 will be confirmed in January 2014, when adjustments can be made to the proposed budget for 2014/15, and realistic variances in Collection Fund can be planned into future years, where appropriate.

7 Latest Position

The latest position can be summarised as follows:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £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

8 Outstanding Issues

An announcement on the grant settlement for local government is expected in mid December. Until this is received, planning will continue, based on the assumptions in these reports.

9 Financial Implications

These are detailed in the main body of the report.

10 Legal Comment

There are no direct legal implications arising from this report.

11 Initial Impact Assessment

An Initial Impact Assessment has been completed.

12 Appendix

The Green Booklet: Shropshire and Wrekin Fire and Rescue Authority Strategy and Resources Committee, 7 November 2013, Reports 5 to 5d

13 Background Papers

There are no background papers associated with this report.