

Budget Projections Based on Revised Assumptions

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252018 or Joanne Coadey, Head of Finance on 01743 260215.

1 Purpose of Report

The report updates Members with the projections currently being used by Officers to plan future Service strategy. Members of the Strategic Risk and Planning Working Group have reviewed these figures and agreed that they should form the basis of future Service planning. The report also updates for latest information on future expenditure and income.

2 Recommendations

Members are asked to note the contents of the report.

3 Changed Assumptions

The assumptions changed by the Group are:-

- i pay awards are assumed to increase from the 2% currently estimated to **2.5%** from 2013 onwards;
- ii the tax freeze grant will not be continued in 2015/16; an optimistic variation is also shown which assumes the Tax Freeze Grant will be consolidated into the formula grant; and
- iii A 2.5% increase in precept is assumed for 2012/13 rather than the zero increase previously estimated.

4 Impact of changed assumptions

The effect of these changes is as follows (it should be noted that these figures are in addition to the £3 million reduction previously reported):-

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Current predicted Deficit/Surplus(-)	-241	-92	399	472	596
Increased pay assumption	-	64	148	235	327
Freeze grant discontinued				337	337
2.5% precept rise 2012/13	-338	-346	-356	-366	-378
Possible "worst " case	-579	-374	191	678	882
Add back tax freeze grant				-337	-337
Possible "best" case	-579	-374	191	341	545

5 Latest monitoring information.

Expenditure

- There is no certainty as yet on the major factors affecting expenditure in 2011/12. Pay awards may be limited or zero leaving only residual incremental costs, and any mismatch between the N.I. increase and the higher thresholds.
- There is also an outstanding issue on revaluing employer contributions to the Firefighters' Pension Schemes, although provision has been made for an increase. Another pension cost is incurring "unauthorised payment surcharges" which are an unavoidable cost payable to HMRC through simply operating the Firefighters' Pension Scheme. Costs in 2011/12 could be as high as £20,000 and the situation will be monitored and if necessary covered by the Pensions and Other Staff Costs Reserve.
- The impact of the move to the new and remodelled St Michael's St will need to be monitored. Hopefully the net impact on running costs will be a net saving.
- Public Value Savings - there is some slippage on District Support Team Officers and the Whole Time Watch Managers but it is expected that the planned savings in 2011/12 should be delivered, and that the full year savings will be achieved.
- Inflation - from the close-down of the Final Accounts reported to the Fire Authority in June it is clear that there will be on-going savings from 2010/11 into 2011/12 and later years notably on pay award provision.

6 Reserves and Provisions

There is every prospect that the St Michael's Street Project can be funded from a mixture of further revenue savings etc in 2011/12 and the current Un-earmarked Capital Reserve. This would save a further £101,000 a year in debt charges above those taken into account by the July CFA decisions. It would also reduce the level of reserves and balances to some 15% of net budgeted expenditure.

However, given existing uncertainties about pensions, the national formula funding position from 2013/14 onwards, and the Fire Authority's borrowing prospects, it might be prudent to delay making a decision on this until later in the budget process.

7 The Future for Formula Grant Funding

Members of the Strategic Risk and Planning Working Group agreed at its last meeting that the Authority should do all it can to ensure current flooring protection is not removed and also that the Authority cannot delay planning until the outcome of the funding review is known. Since that meeting Government have published their plans for localising non domestic rate income. However it is by no means clear how this will work out in detail for the Fire and Rescue Service in general or for this Fire Authority in particular but legislation is now underway with the prospect of change from 2013/14. Officers are currently analysing the technical issues surrounding business rate localisation and will report to Members as soon as possible.

8 Summary and Conclusions

- i current Public Value reductions and planning assumptions indicate a surplus in 2012/13;
- ii small surpluses may even subsist to 2014/15 if all current cost reduction plans are fully implemented;
- iii deficits are however forecast for 2015/16 onwards under both sets of assumptions used;
- iv this emphasises the situation that arose during last year's budget whereby dealing with potential service delivery problems in later years required the creation of opportunity savings in the shorter term;
- v financial planning assumptions are difficult to make the further we go into the future. From 2013/14 in particular this is because of the new funding mechanisms and/or grant settlements for that year onwards. Pay awards are also particularly significant as a 1% error is equivalent to £160,000. The Authority has little involvement in pay negotiation and is usually presented with a fait accompli long after it has fixed its budget and precept for the year;
- vi Service planning has therefore still got to contemplate service reductions all of which may or may not be necessary, depending on the accuracy of financial planning; and
- vii Officers are currently analysing options to meet the range of financial challenges set by these assumptions. Plans are also being made for a major round of public and staff consultations using the Public Value format for 2012/13.

9 Financial Implications

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

10 Legal Comment

There are no direct legal implications arising from this report.

11 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part2) 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.

12 Appendix

2012-13 Financial Five Year Projection

13 Background Papers

There are no background papers associated with this report.

2012-13 Financial Five Year Projection

		2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
1	Previous Year's Budget	20,474	20,508	20,427	20,721	21,548
2	<i>Committed Growth</i>					
3	Fire fighters ill-health retirements	40				
4	LGPS Revaluation			60		
5	F/f pensions revaluation	50		50		
6	RDS Development officers	22				
7	Capital in progress	76	-32	-22	-40	
8	Uniforms	-50				
9	Furniture	-15				
9a	Leasing	-8	-63	-9		
10	Loss of grant				337	
12	Total committed	115	-94	79	297	0
13	Pay and Prices	401	425	433	442	450
14	New Developments	200	200	200	200	200
15	<i>Efficiencies</i>					
16	Ill health retirements	-40	-40			
17	Target	-150	-150	-150	-150	
18	Total Efficiencies	-190	-190	-150	-150	-150
19	New Capital Schemes starts	15	7	29	37	50
20	<i>Public Value Reductions</i>					
21	Non-uniformed posts	-50	-50	-50		
22	RDS Posts	-30	-30	-30		
23	RDS Budget	-50				
24	Building Maintenance	-50	-50			
25	Aerial Ladder Platform	-297				
26	Relief Crew Policy	-30				
27	Rescue Tender Costs		-80	-217		
28	Smoke Alarms		-75			
29	Brigade Manager		-100			
30	Training Costs		-43			
31	Total Public Value Reductions	-507	-428	-297	0	0
32	Budget for the Year	20,508	20,427	20,721	21,547	22,098

		2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
1	Transfer to / (- from) Reserves	241	92	-399	-472	-596
2	Government Formula Grant	-7,229	-6,605	-6,004	-6,341	-6,341
3	Collection Fund	-30	-30	-30	-30	-30
4	Council Tax (precept x Band D tax base)					
5	£83.81 x 160,966.27	-13,491				
6	£85.91 x 161,610		-13,884			
7	£88.05 x 162,257			-14,288		
8	£90.25 x 162,906				-14,704	
9	£92.51 x 163,558					-15,131
10	Total Funding	-20,509	-20,427	-20,721	-21,547	-22,098