Shropshire and Wrekin Fire and Rescue Authority
26 September 2012

Budget Projections from 2013/14

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, 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. The report also updates the Authority with the latest information on future expenditure and income.

2 Recommendations

The Fire Authority is asked to:

a) Note the current position of budget surplus / deficits;
b) Confirm assumptions to plan future budget strategy; and
c) Task officers with the modelling of alternative levels of precept increase.

3 Background

This report updates the Authority on financial planning, including current assumptions. It also details changes to income streams introduced by Government for fire authorities and local authorities from April 2013, and begins to exemplify the effects of these changes on the Fire Authority's financial planning for the next four years.

4 Current Budget Assumptions

In February 2012, the Fire Authority approved a revenue budget of £21.413m, with later year projections as follows:

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Expenditure	20,570	20,605	20,341	21,151	21,852
Income:					
Grant	7,229	6,517	5,734	5,734	5,734
Council tax:	14,025	14,502	14,983	15,467	15,954
Collection fund	159	30	30	30	30
Total income	21,413	21,049	20,747	21,231	21,718
(Surplus) / Deficit	(843)	(444)	(406)	(80)	134

Budgets were based on the following assumptions:

	2012/13	2013/14	2014/15	2015/16	2016/17
Pay	2%	1%	1%	2.5%	2.5%
Prices	2%	4%	3%	3%	3%
Grant reductions	-3.4%	-9.8%	-12%	-	-
Council tax increases:					
6p per week 12/13					
5p per week 13/14 onward	3.72%	2.99%	2.90%	2.82%	2.74%

5 Developments during 2012/13

At its meeting in April 2012, the Fire Authority agreed that reserves and balances would be used to fund those capital schemes which were to be funded originally from borrowing.

The resulting savings in debt charges updated the original projections as follows:

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
February 2012:					
(Surplus) / Deficit	(843)	(444)	(406)	(80)	134
April 2012:					
Savings in debt charges	(203)	(203)	(207)	(255)	(353)
New (Surplus) / Deficit	(1,046)	(647)	(613)	(335)	(219)

In July 2012, the Government published its technical consultation document on Business Rates Retention, and this document confirmed the Spending Review spending control totals for Fire, for the next two years.

Average grant reductions for 2013/14 and 2014/15 were confirmed as 9.8% and 5.5% respectively. These reductions have the following effect on the Authority's projections:

	2013/14 £'000	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**
April 2012: Grant reduction assumptions	-9.8%	-12%	-	-
(Surplus) / Deficit	(647)	(613)	(335)	(219)
July 2012: Revised grant reduction assumptions	-9.0%	-5.5%	-6%	-6%
New (Surplus) / Deficit	(707)	(1,103)	(451)	13

It should be made clear that these projections do not include the impact of the localisation of council tax support.

6 Budget Strategy from 2013/14

Given the uncertainty around future income streams, Members are asked to consider the following issues, prior to the development of budget strategy papers to the Strategy and Resources Committee in November 2012.

Collection Fund
Changes in the way funding is received, particularly the localisation of council tax support, will mean that there will be more uncertainty around the collection of council tax. The Authority has historically included a surplus of £30,000 from the Collection Fund in its projections. In light of these added pressures, it may be prudent to remove this anticipated funding, particularly in 2013/14, until the position is clearer.

Council Tax Increases
At its meeting in February 2012, the Fire Authority set a precept increase of 5p per week for 2012/13, and supported the use of further increases in future years, for projection purposes. Given the current surplus and deficit position on the latest projections at paragraph 5, Members may find it useful to see the impact of alternative precept strategies on the latest position.

7 Localising Support for Council Tax Support in England

At the Spending Review 2010, the Government announced that it would localise support for council tax from 2013/14, reducing expenditure by 10%. The Welfare Reform Bill was published in February 2011, containing provisions for the abolition of council tax benefit and paving the way for new localised schemes.

A consultation document was issued in August 2011 which sought views on the proposed framework for local support of council tax.

As a major precepting authority, the Fire Authority will be affected by these proposals, because council tax support in Shropshire and Telford & Wrekin will reduce the council tax base in each area. A proportion of the grant payable for council tax support will be paid directly by central government to the Authority. However, as government will be withholding 10% of the costs of council tax support, the Authority will face a proportionate shortfall in funding, which will differ in each area depending on each constituent authority's local scheme.

Localised schemes should provide support for the most vulnerable, including pensioners, and should also assist with lifting the poorest people off benefits and supporting them into work.

Billing authorities must consult on their schemes with major precepting authorities, including fire authorities.

Shropshire Council - Latest Position

In Shropshire, a total of 22,900 people are receiving council tax benefit, with 12,600 (55%) being pensioners, and the remaining 10,300 (45%) being working age claimants.

Current council tax benefit expenditure at Shropshire is £19.7m. As well as the Government's reduction of 10% of this total (£1.97m), the Office of Budget Responsibility (OBR) has factored in a fall in claimants of 1.03%, which is unlikely at the Council. The total shortfall for Shropshire is therefore around 11.03%, or £2.17m.

As the Government has stated that pensioners should not see a reduction to their benefit, this shortfall would have to be covered by reductions in the benefits of working age claimants.

In Shropshire, officers at the Council are briefing members about possible reductions to current council tax discounts which may mitigate some of the shortfall in funding for council tax support. This means that recovery of the shortfall will be spread across a wider group of people.

Borough of Telford & Wrekin – Latest Position

Current predictions at Telford & Wrekin are based on the Government's reduction in funding for council tax support, plus an increased caseload of 2%. The total shortfall for Telford is around 15%, or £3.1m.

The Council have released a public consultation document on its website, to gather views on the proposed new scheme from residents, community and voluntary groups, current benefit claimants, landlords and other organisations.

The document states that if the Council continues to pay Council Tax Benefit at current rates, a further £3.1m saving would have to be made elsewhere in the budget. Instead, the Council is proposing to apply the funding cut to all working age claimants of the new Council Tax Support, to ensure that the cut is shared equally across all groups.

The Council will consult with stakeholders during September and October, and the proposed new scheme will then be taken to full council in November 2012, so that there is sufficient time to implement the scheme prior to 1 April 2013.

Changes to Precept Levels

Schedule 4 of the Local Government Finance Bill, states that a billing authority may vary payments of precept to a major precepting authority.

- A fire authority will issue a precept demand notice to a billing authority at the beginning of a financial year, to collect council tax from residents on its behalf.
- If collection levels on the Collection Fund are worse than originally anticipated partway through the year, the billing authority may reduce the precept amounts payable to the fire authority.
- If precept levels are not reduced during the year, and collection assumptions are worse than anticipated, the fire authority may have to take a share of the Collection Fund deficit at the start of the following year, therefore reducing future income.

Therefore, it is important that accurate and realistic assumptions are made by billing authorities about collection levels at the start of a financial year. Regular monitoring of Collection Fund performance will also be important, for both billing and major precepting authorities.

8 Local Government Resource Review Business Rates Retention – update

The Strategy and Resources Committee was informed at its November 2012 meeting that officers had responded to the Government's consultation on the proposed retention of business rates income by local authorities.

The main question for fire and rescue authorities within the consultation was the way in which single purpose authorities would receive their funding under the new scheme.

The Government's response to the consultation was published in December 2011 and confirms that business rates retention will be introduced from April 2013.

It also confirmed that, despite the fact that single purpose authorities were generally in favour of being removed from the rates retention scheme and being funded from fixed funding allocations, the Government believe that all fire authorities should be funded through the same route.

As such, in the new rates retention scheme, all fire and rescue authorities will be funded through a percentage share of each district or council's billing authority business rates baseline, subject to tariffs and top ups required to bring them to their baseline funding level.

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 (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.

12 Appendices

There are no appendices attached to this report.

13 Background Papers

There are no background papers associated with this report.