

Revisions to the 2018/19 Revenue Budget

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance on 01743 260215.

1 Purpose of Report

This report presents a final revenue budget package for 2018/19 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

2 Recommendations

The Committee is asked to recommend that the Fire Authority approve

- a) a precept increase for 2018/19, and
- b) a revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2017, the Fire Authority considered a budget package for consultation, which was based on the following:

- A net budget requirement of £20.615m for 2018/19, made up of total expenditure of £20.536m and a contribution to reserves of £79,000;
- A council tax precept increase of 1.99%, following increased pay awards for firefighters and a reduction in inflation assumptions; and
- An assumed council tax base of 156,420.13 with no assumed surplus or deficit on collection funds for council tax and business rates.

At the date upon which the meeting was held, the local government finance settlement had not been released.

The position in December is summarised as follows:

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Expenditure budget proposed by the Committee	20,536	20,966	21,354	21,800	22,205
Income, based upon: Grant as per provisional settlement 1.99% precept increase from 2018/19	20,615	20,966	21,144	21,591	22,051
Surplus / deficit on revenue budget	79	0	-210	-209	-154

This report updates the Committee on developments since the December 2017 meeting, including the publication by Government of the provisional 2018/19 settlement.

4 Provisional Grant Settlement 2018/19

The finance settlement was announced on 19 December, and the income for 2018/19 was in line with the provisional numbers issued in December 2017:

- Base funding was within £10k of strategic modelling
- The planned reduction in Rural Services Delivery Grant was cancelled, and the Authority received £60k more than anticipated
- Additional grant was received to compensate for changes in the uprating of the business rate multiplier from RPI to CPI (£78k 18/19, £118k 19/20)
- The Government now aim to localise 75% of business rates from 2020/21, and there will be a consultation on the relative needs and resources formula.

The major change for local government is the announcement of referendum principles. The spending limit has been adjusted in line with inflation, and the maximum precept increase before a referendum is triggered is now 3% for 2018/19, rather than 2%, and indications are that the limit will remain at 3% for 2019/20, although this has not been confirmed. The effects of this change are considered later in the report.

It was also confirmed as the settlement was announced that the authorities involved in the Marches LEP were not successful in their bid to participate in the pilot for 100% business rates retention.

5 Council Tax Base and Collection Fund

Council Tax Base

The council tax bases for Shropshire Council and Telford & Wrekin Council have been approved for 2018/19, and total growth of 2.25% for 2018/19 has been confirmed, compared to an estimate of 0.8%. The strategic planning model has been updated accordingly, and has resulted in additional income of £212,000.

Given that Shropshire Council are modelling an increase of 1.75% per year, assumptions will be reviewed in future years and increased in line with both constituent authorities.

Collection Funds

It was reported to the Authority that, given the changes around localisation of council tax support, which took effect in 2013/14, and the resulting pressures on the council tax 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 for Shropshire Council and Borough of Telford & Wrekin are not yet available.

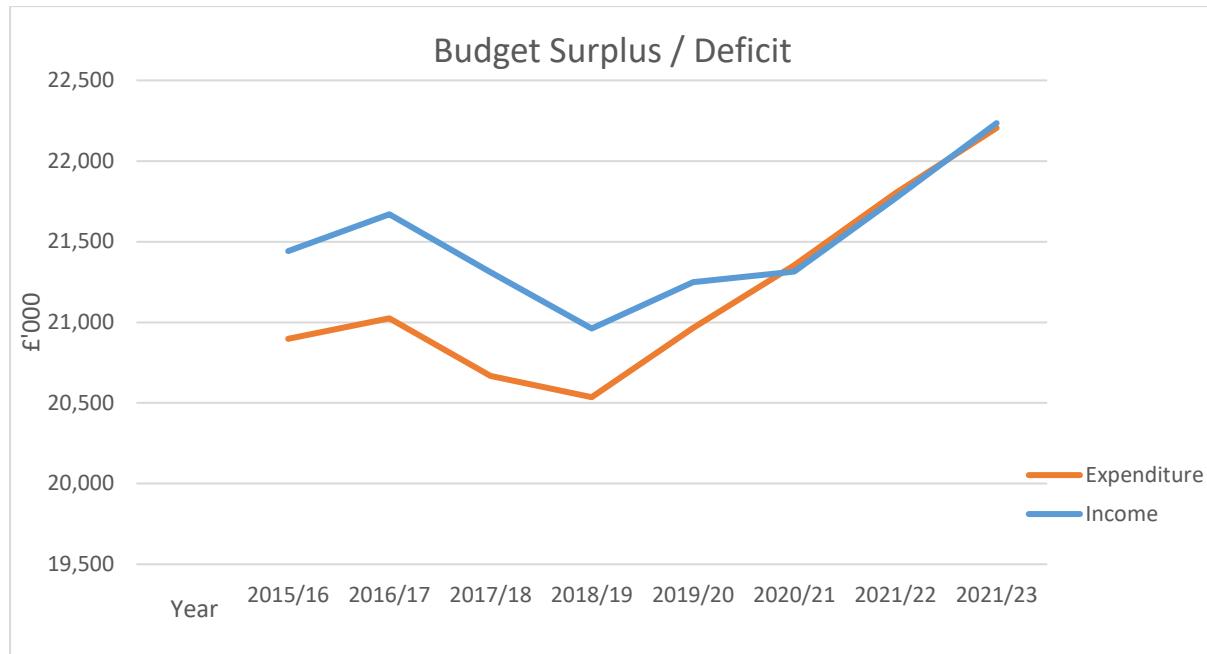
6 Final Budget Options

As confirmed above, fire authorities are now able to increase precept by up to 3% before a referendum is necessary. This gives the Authority some flexibility in setting its budget for 2018/19 and potentially 2019/20; however the increase should be in line with budget requirements and should be transparent and justifiable.

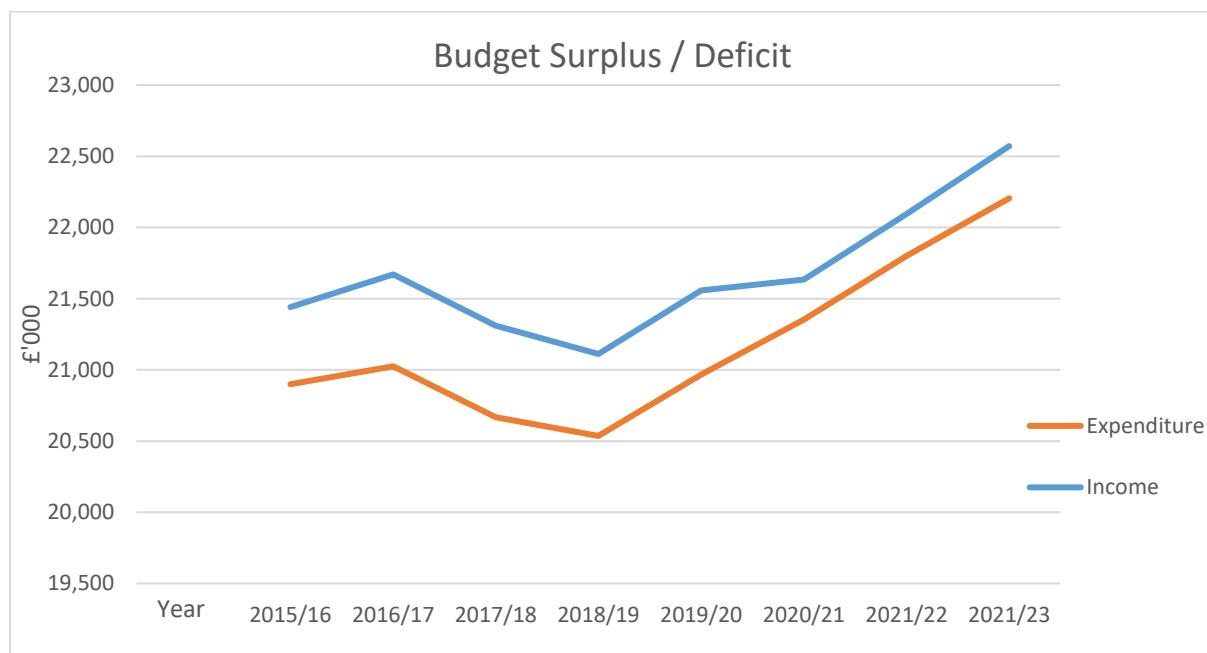
The exemplifications below demonstrate the effect of the changes in council tax base and finance settlement, and show the surplus or deficit based on precept increases of 1.99% and 2.99%.

		Estimated surplus / -deficit				
		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
1	1.99% precept increase 18/19 to 22/23	426	283	-39	-32	30
2	2.99% precept increase 18/19 and 19/20, 1.99% thereafter	576	593	280	296	367

Option 1



Option 2



The budget at the end of the planning period if the Authority raised precept by 1% would be in balance. The savings of £450k from IRMP1 (Shift pattern changes) have not yet been factored in, because some borrowing will be necessary to pay for the major development scheme at Telford; however it is unlikely that all of the savings would be required for Telford.

The additional precept increase of 1% now available to the Authority would raise £150k in 2018/19 and £310k in 2019/20 and each year thereafter.

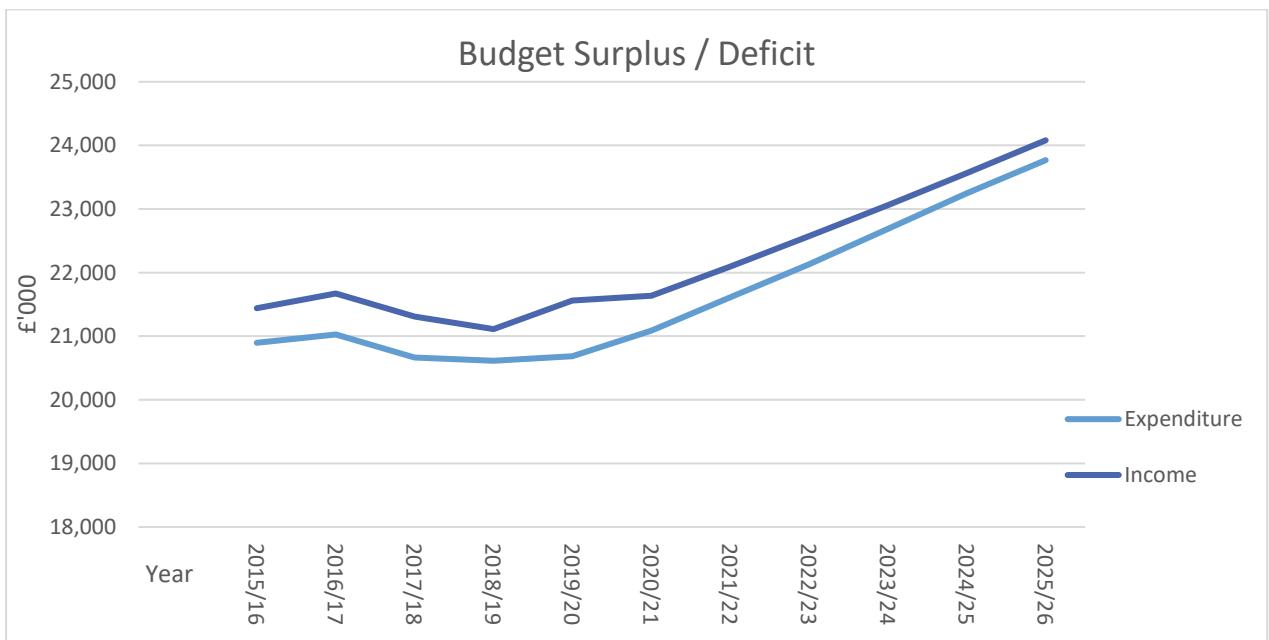
If no changes were made to the revenue account, this amount could be used to contribute to the capital reserves to contribute towards the Telford scheme initially.

The strategic planning model includes all known changes in income and expenditure; however slight changes in assumptions can affect the budget to varying degrees.

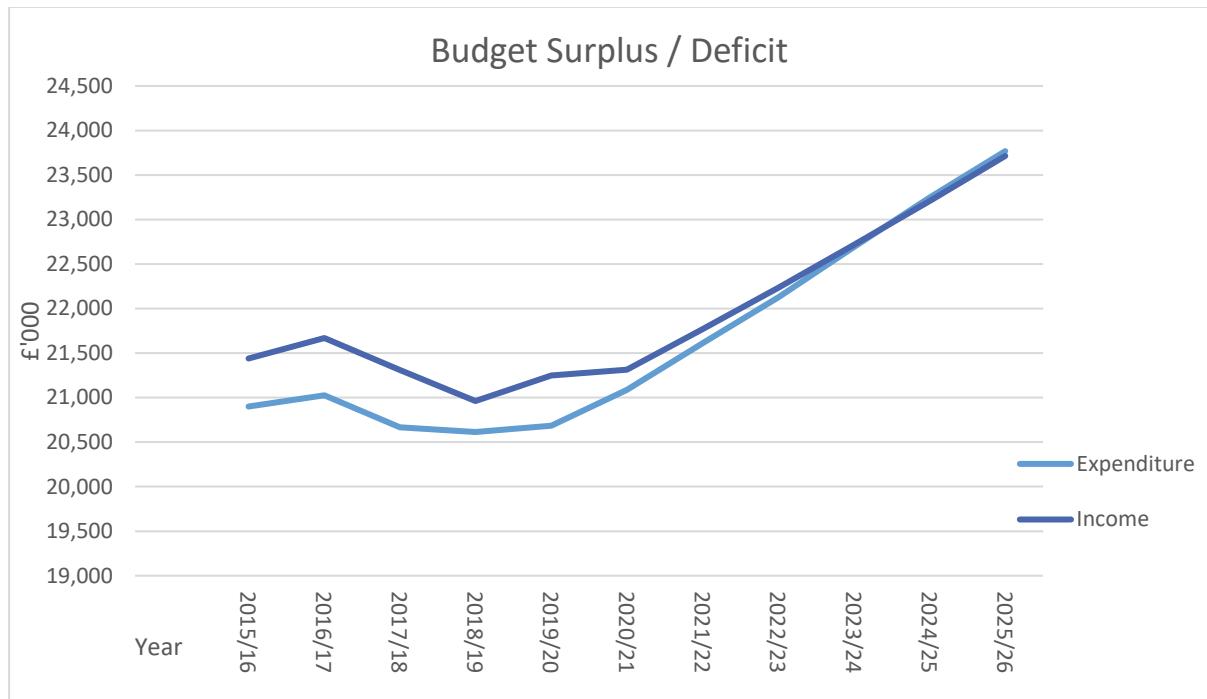
- The pay contingency allows for an increase of 2% per year. An increase in pay award of more than this would cost an additional £150k per percentage point per year.
- The capital reserves will be depleted by the end of 2019/20. In the absence of any further capital grant from Government, borrowing would be required to fund new capital schemes. An appliance costing £270k would cost around £22k per year in interest charges and minimum revenue provision.
- Several of the Authority's loans mature between 2020 and 2025, requiring repayment of principal of £653k. Once these loans are repaid, the associated borrowing costs are available in the budget for future loans.
- The total funding received in Revenue Support Grant, business rates and top up grant totals £5.15m in 2019/20. A reduction in income of 1% in each of these areas would reduce the total grant by £50k per year.

The graph below, for illustrative purposes only, shows the effect on the revenue budget when savings from shift pattern changes have been applied, and the debt charges associated with the Telford scheme and the capital programme to 2026 have been included. Due to the time period that the graph covers, this illustration can only be an estimate, but it attempts to show the possible long term impact of decisions being considered now.

The precept increase of 3% offered in 2018/19 and 2019/20 is accepted in this illustration. Should the grant reductions be greater than those assumed, the budget could be reduced further.



In the graph below, precept increases are held at 2% throughout the planning period.



The Committee is requested to consider the options available for increasing precept, and make the preferred recommendation to the Authority. Both options are summarised below, and are subject to change following the confirmation of one off balances on collection funds for both constituent authorities.

	Precept increase 1.99%		Precept increase 2.99%	
	2018/19	2019/20	2018/19	2019/20
	£000	£000	£000	£000
Expenditure budget proposed by the Committee	20,536	20,966	20,536	20,966
Funded by:				
Revenue Support Grant and Business Rates Income	5,666	5,524	5,666	5,524
Council Tax	15,296	15,725	15,446	16,035
Collection Fund	0	0	0	0
Total	20,962	21,249	21,112	21,559
Surplus / -Deficit	426	283	576	593

7 Financial Implications

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

8 Legal Comment

There are no legal implications arising directly from this report.

9 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

10 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 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 is not, therefore, required.

11 Appendices

There are no appendices attached to this report.

12 Background Papers

There are no background papers associated with this report.