

2012/13 and Later Years Revenue and Capital Budgets

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

This report brings together the elements of the budget, as set out in the reports that follow, and seeks the Committee's approval for a budget outline to be recommended to the Fire Authority in December 2011.

2 Recommendations

The Committee is asked to approve the revised expenditure figures as a basis for developing the budget at the meeting of the Fire Authority on 14 December 2011.

3 Background

The Committee, through the Strategic Risk and Planning Working Group (STRaP), has based its budget planning in terms of expenditure on the forecasts approved by the Fire Authority in February 2011. However, the Group recommended that pay assumptions were increased to 2.5% from 2013/14.

This was the position as approved by the Fire Authority in February 2011.

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | £000 | £000 | £000 | £000 |
| Base Budget | 20,472 | 20,506 | 20,426 | 20,720 |
| Committed Changes | 115 | -94 | 79 | 297 |
| Pay and Prices | 401 | 425 | 433 | 442 |
| Service Developments | 200 | 200 | 200 | 200 |
| Efficiencies | -190 | -190 | -150 | -150 |
| Capital Schemes – new starts | 15 | 7 | 29 | 37 |
| Public Value Reductions | -507 | -428 | -297 | 0 |
| <i>Expenditure before reductions</i> | <i>20,506</i> | <i>20,426</i> | <i>20,720</i> | <i>21,546</i> |
| Reduction Required | 243 | 94 | -397 | -470 |
| Expenditure | 20,749 | 20,520 | 20,323 | 21,076 |

This was to be funded as follows:

| | | | | |
|---------------------------|---------------|---------------|---------------|---------------|
| Grant | 7,229 | 6,607 | 6,006 | 6,343 |
| Council Tax | 13,490 | 13,883 | 14,287 | 14,703 |
| Collection Fund – surplus | 30 | 30 | 30 | 30 |
| | 20,749 | 20,520 | 20,323 | 21,076 |

This report deals with existing expenditure budgets. Funding estimates can only be completed once final information is available in early January on the Council Tax Band D base and the Collection Fund surplus, but planning will continue based on current assumptions.

The grant settlement for 2012/13 is already known; however there is still some uncertainty surrounding a further, one-off, council tax freeze grant for 2012/13.

This report adds forecasts for the fifth year of the planning period. However the final two years are outside of the current Comprehensive Spending Review and are speculative at this stage.

4 Revised Budget Summary

The changes to revenue expenditure covered in the following papers can be summarised as follows:

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|--|---------------|---------------|---------------|---------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Previous Year's Budget | 20,472 | 20,057 | 20,085 | 20,381 | 21,341 |
| Committed change | -258 | -1 | 51 | 387 | 0 |
| Pay and Prices | 402 | 490 | 517 | 529 | 542 |
| Efficiencies | -67 | -40 | 0 | 0 | 0 |
| 2012/13 and later Capital Programme | 15 | 7 | 25 | 44 | 110 |
| Service Developments | 0 | 0 | 0 | 0 | 0 |
| | 20,564 | 20,513 | 20,678 | 21,341 | 21,993 |
| Public Value Savings | -507 | -428 | -297 | 0 | 0 |
| | 20,057 | 20,085 | 20,381 | 21,341 | 21,993 |

5 Summary to date

At this stage, further work is needed on all forecasts. However, changes already identified show that the originally planned deficits and, therefore, potential reductions in spending and reserves in 2012/13 through to 2015/16 have been lowered by expenditure reductions from £21.546m to £21.341m, i.e. £205,000.

The reasons for these reductions are set out below:

| | Committed Growth | Pay and Prices | Efficiencies and Service Developments | Capital Programme | Total |
|---------|---------------------|-------------------|---|----------------------|-------------|
| | £000 | £000 | £000 | £000 | £000 |
| 2012/13 | -73 | -299 | -77 | 0 | -449 |
| 2013/14 | 93 | 65 | -50 | 0 | 108 |
| 2014/15 | -28 | 84 | -50 | -4 | 2 |
| 2015/16 | 90 | 87 | -50 | 7 | 134 |
| | 82 | -63 | -227 | 3 | -205 |

The main reasons for the changes are summarised below:

| | £000 |
|--|-------------|
| Increase in pay assumptions from 2013/14 | 236 |
| Reduction in base pay prices | -300 |
| No provision yet for growth and efficiencies | -227 |
| Changes in committed costs | 86 |
| | -205 |

6 Funding Assumptions

Grant

The revenue grant allocated to Fire Authorities for 2012/13 is already known and can be used with certainty in its funding assumptions. However, detail around the settlements for 2013/14 and 2014/15 is still unknown and it is unlikely that any indications will be given until late 2012.

Assumptions for grant in later years continue to be based on the expectation that reductions in grant for fire services will be back loaded and will total around 27.5% over the four-year settlement period, with consolidation of the 2011/12 council tax freeze grant into the fourth year settlement with no further reduction.

Precept

As the budget was set in February 2011, the Authority's precept strategy was as follows:

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Precept Increase | 0% | 2.5% | 2.5% | 2.5% | 2.5% |

In June the STRaP Group reviewed the Authority's precept strategy and agreed to recommend that, rather than continuing to plan for a 0% increase in 2012/13, the Authority should plan for an increase of 2.5%, to balance inflationary pressures and deficit control.

The Government announced in October that it is to offer a further, one-off grant to those local authorities, who freeze council tax for a second year. The implications to this Authority of accepting the grant will require consideration as part of the five-year budget planning process.

There remain a number of significant uncertainties but at least such an exercise enables a re-appraisal of the work done through the Public Value process to identify the further spending reductions required.

The main uncertainties surrounding the Authority's funding are:

- i Precept increase excessiveness criteria in later years, particularly relevant if the Authority chooses to accept the one-off freeze grant in 2012/13, and rebalance funding streams in the following year. This could be perceived as being 3%, given that grant equivalent to such an increase is available (if only in 2012/13); this would exceed the 5% required to bring the planned income from precept back into balance.
- ii The detail of phasing the back-loading of Revenue Support Grant reductions;
- iii Grant formula or data change increases (or decreases) from 2013/14 onward;
- iv Other potential grant changes, e.g. the effect of specific grant consolidation in revenue support, or the redistribution of business rates to local authorities;
- v The meaning of real-term and cash equivalent reductions;
- vii The Band D base; and
- viii The collection fund surplus or deficit.

Income forecast for the five-year period is as follows:

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Revenue Support Grant | 7,229 | 6,607 | 6,006 | 6,006 | 6,006 |
| Precept | 13,829 | 14,230 | 14,644 | 15,070 | 15,509 |
| Collection Fund | 30 | 30 | 30 | 30 | 30 |
| Total Income | 21,088 | 20,867 | 20,680 | 21,106 | 21,545 |

Given the range of forecasts possible in the light of the unknowns set out above, it is difficult to select any particular assumptions. However, the table above makes the following assumptions:

- a Precept increases are 2.5% for 2012/13 and thereafter;
- b Grant reduces by 17.7% in 2013/14 and 2014/15 to reflect the back loading of the Spending Review reductions; grant for 2015/16 and 2016/17 is assumed to remain the same;
- c There is an increase in Band D base in line with experience in recent years; and
- d The collection fund remains in surplus at 2010/11 levels.

The net changes to expenditure and income produce the following deficits:

| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|----------------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Forecast Expenditure | 20,057 | 20,085 | 20,381 | 21,341 | 21,993 |
| Forecast Income | 21,088 | 20,867 | 20,680 | 21,106 | 21,545 |
| Deficits / (Surplus) | (1,031) | (782) | (299) | 235 | 448 |

At this stage it is proposed to go forward to the Authority on the basis of these figures, subject to further work being carried out with officers, and continuing discussions around the most effective way to use the predicted surpluses in the early years of the plan to reduce committed expenditure in later years.

7 Financial Implications

The financial implications are as outlined in the main body of the 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

Reports 7a to 7g on the agenda for this meeting of the Committee.