

Precept Planning 2012-15

Report of the Chief Fire Officer

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1 Purpose of Report

This report further discusses precept proposals for 2012 and onwards,
following recent announcements by the coalition government.

2 Recommendations

The Committee is asked to:

- a) Direct officers to continue planning assumptions on an increase in council tax equivalent to 2.5% or 4p per week for the average family;
- or**
- b) Direct officers to base the planning assumptions on accepting the tax freeze grant equivalent to 2.5% and identify further annual budget reductions equivalent to around £337,000 from 2013/14 onwards;
- and**
- c) Produce a communication strategy for the selected option above.

3 Background

At previous meetings of Strategy and Resources Committee and the Fire Authority, Members were minded to base their financial and corporate planning assumptions on a 2.5% (4p per week) increase in council tax for 2012/13. Members identified the difficult nature of this decision for local tax payers but also agreed that alternative reductions in front line service delivery would be even more challenging for the Authority and local communities.

Members will be aware that the Authority set a zero percent increase in precept in 2011/12, and in return received funding equivalent to a 2.5% increase from government. This funding is likely to cease from 2014/15, meaning that the Authority will need to find further budget cuts of £337,000 to balance the budget.

At the Conservative party conference earlier this year, the Chancellor stated that, due to savings made in central government departments, funding equivalent to a 2.5% increase in precept would be available to those authorities, who froze council tax for a second year. Authorities are not mandated to accept this freeze grant offered for 2012/13.

The current offer of tax freeze grant is for one year only, and will offer no ongoing increase to the Authority's base budget.

For local authorities, facing front-loaded cuts to grant, this offer will be attractive but it does delay grant reductions for 12 months only. Fire authorities, however, have their cuts back-loaded and for some the first 2 years see little, if any, reduction in grant and would perhaps have preferred this offer to be made in 2013/14, when the cuts really bite across the country.

Grant Reductions for similar Combined Fire Authorities

Service	2011	2012
Shropshire	-9.5%	-3.4%
Cheshire	+1.26%	+1.9%
Devon and Somerset	-1.2%	-1.9%
Dorset	-1.05%	+1.88%
Hereford and Worcester	-2.4%	+1.6%

This authority is dealing with significant cuts in the first two years, so Members may see this one year offer of money as an attractive option.

4 Implications

As this Authority is dealing with significant cuts in revenue grant in the first two years of the Spending Review, Members may view an offer of assistance as an attractive option. However, funding of this nature, which assists the Authority for one year in isolation, will have longer-term implications, which are detailed in the following section.

5 Financial implications

Within our five-year precept strategy, the Authority has set an average increase of 2.5% per year, equating to around 4p per week for the average family, in order for the Service budget to be kept in line with inflation. However, with inflation now running at around 5% the 2.5% increase is actually half the level of inflation.

There are perhaps 5 options open to Members, details of which are set out on the following pages.

Option 1

If Members decide **not** to apply a 2.5% or 4p per week increase, the deficit predicted for 2014/15 onwards would increase by £338,000.

This is on top of the current budget programme of £3,000,000 reduction to our £21,000,000 budget.

Option 2

Members could accept the tax freeze grant and add the 2.5% increase to the following year's precept. This would make the precept rise in 2013/14 equivalent to 5% or 8p per week. However, the Authority may be prevented from taking this decision by the threat of capping.

Option 3

The Authority may decide to set a 2.5% precept increase and turn down the single year offer of money from Government. This would reduce the deficit in future years by around £338,000 per year. Experience shows that, if the public are asked about precept rises for the Fire Authority, they are very happy to pay a 4p per week rise to protect the front-line service.

Option 4

Members may wish to turn down the offer of the tax freeze grant but set a zero percent precept- increase. This would have similar implications to the first option but the Authority would not be able to use the £338,000 for one-off projects.

Option 5

Members may wish to accept the 2.5% grant and continue to stick to their long-term precept plan from 2013/14. This would again lead to the deficits described in option 1.

In some ways the one-year offer is similar to being offered a pay rise or a bonus – the bonus may help for one year but most would choose a pay rise.

6 Political Implications

All local councils and fire authorities accepted the tax freeze grant for 2011 and set a council tax averaging £1,439 per family or £27.67 per week. This Authority set its council tax at £83.72 per family or £1.61 per week.

Many Parish Councils did increase their precept, averaging 2.1% or £1 per year.

There is currently no data available on how many authorities will not be accepting the one-year offer from Government to freeze council tax.

Furthermore, there is no indication of what the ramifications for this authority would be, were it to turn down the council tax freeze grant.

Current information suggests that Shropshire Council will accept the one-year grant and set a zero council tax increase.

Members will clearly have to balance the impact to the Fire Authority of setting a 2.5% precept increase now with the impact of further reductions in front-line service in 2013 onwards.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Equality Impact Assessment

As this is a discussion paper an Equality Impact Assessment (EQIA) has not been carried out on it. A full EQIA will be completed for any budget reduction plans agreed by the Authority

9 Appendices

There are no appendices attached to this report.

10 Background Papers

There are no background papers associated with this report.