

7. Financial Prospects 2013/14

Purpose of report

1. To provide Members with a further update on developments on the funding position for 2013/14 and beyond.
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Recommendation

The Chief Fire Officer and Treasurer recommend that the report be noted.

Introduction and Background

2. The Policy and Resources Committee at its meeting on 5 September 2012 considered new data that was available in respect of future funding, and concluded that at that time there was insufficient clarity to require any change to the current Medium Term Financial Plan (MTFP) assumptions.
3. In respect of the formula grant side of funding, there have been no more developments and the settlement is now likely to be made in the third week of December.
4. More information has become available in relation to the Government's view on Council Tax increase, which will have a significant impact on the future budget.
5. Significant progress has been made in identifying measures to close the MTFP budget gap.

Expenditure Requirement

6. Members will recall that the MTFP identified budget gaps of £1.180m, £1.966m and £3.026m for 2013/14, 2014/15 and 2015/16 respectively, (as outlined at the top of Appendix 2 – Line 1).
7. These gaps were based on expenditure projection as outlined in line 14 of Appendix 1. Since then significant work has been done to identify measures to reduce expenditure and close the gap and these are detailed within this Appendix.

8. As can be seen from Appendix 2 (Line 3), although these measures have closed the identified gap for 2013/14 and significantly closed it for 2014/15, the gap beyond that point is a major problem.
9. A further year has been added to the projection to maintain the plan at 4 years, but it should be recognised that the latter 2 years are beyond the current CSR (Comprehensive Spending Review period).
10. In addition, potential additional cost pressures have been identified in respect of a significant increase in the employer's contribution to the Firefighters' Pension Schemes. (Appendix 2 – Line 4).

Funding Projections

11. Although there has been no additional data published on firm proposals for grant distribution to individual Authorities, the grant control totals for 2015/16 and 2016/17 have now been illustrated. In the absence of any data the MTFP assumed a further reduction of 5% in 2015/16; this is now likely to be 8% with a further 5% in the following year. The impact of these changes is also shown in Appendix 2 – (Line 5).
12. Government has announced that there will be another Council Tax Freeze Grant available to those Authorities not increasing council tax in 2013/14. No firm details are yet available but it appears that the grant is limited to 1%, but is payable for 2 years.
13. In the same announcement the threshold for increase over and above which a referendum is required was set at 2%. Based on a crude estimate of the cost of a referendum, at £0.250m, an increase of 1.4% would be needed to pay for this cost. In other words a proposed increase would have to be 6.2% to deliver an additional £0.500m resources over an increase capped at 2%.
14. If the referendum result was against an increase above 2% the cost of the referendum and re-billing cost would have to be met from within the lower budget.
15. Based on previous experience it has been assumed for planning purposes that the Authority will opt to take the grant in 2013/14.
16. As usual Government has given no indication of capping policy beyond the current year, but for planning purposes a 1% p.a. increase has been assumed, and shown in Appendix 2 (Line 8).
17. For illustrative purposes Appendix 2 (Line 10) shows the impact of future precept increases at 2% as well.
18. Members will recall that the Policy and Resources Committee recommended that the Authority adopt a planning assumption of 3.5% precept increases across the remaining years of the MTFP so this change has a significant impact, particularly as precept represents 2/3rds of the FRAs funding.

Addressing the Gap

19. Given the uncertainties surrounding the financial settlement and its relative lateness, detailed information will not be available until the Budget Seminar on the 16 January 2013 and it is suggested that this is the forum for Members to discuss the implications based on a known set of information.
20. As it stands, the short term gap in 2013/14 could be smoothed by using 2012/13 budget savings this is a one off measure only, and could only be justified as a “breathing space” to permit time for proposals to meet the future gap to be implemented.

Financial Considerations

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are financial issues that require consideration	Yes	Whole report considers financial position

Legal Considerations

Consideration	Yes/No	Reference in Report i.e paragraph no.
There are legal issues e.g. contractual and procurement, reputational issues that require consideration	No	

Additional Considerations

21. The table below sets out any additional issues arising from the proposals contained in this report and identifies the relevant paragraphs in the report where such issues are addressed.

Consideration	Yes/No	Reference in Report i.e paragraph no.
Resources (e.g. Assets, ICT, Human Resources, Training & Development, Sustainability).	No	
Strategic Policy Links (e.g. IRMP, Authority Plan, Equality & Diversity, Partnerships, Environmental Impact).	No	
Risk Management / Health & Safety (e.g. risk management and control measures, risk register score).	No	
Consultation with Representative Bodies	No	

Supporting Information

Appendix 1 – Medium Term Expenditure Forecast

Appendix 2 – Medium Term Financial Forecast

Background papers

None

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