

## **Report of the Treasurer**

### **7. Financial Prospects 2014/15**

#### **Purpose of report**

1. To provide Members with a further update on developments on the funding position for 2014/15 and beyond.
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#### **Recommendation**

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

#### **Introduction and Background**

2. This report provides all Members with information provided to the Policy and Resources (P&R) Committee on 19 November 2013 and takes an initial look beyond the current Comprehensive Spending Review (CSR) period.
3. The Authority approved a Medium Term Financial Plan (MTFP) in February 2013, which identified future gaps in budget due to the reductions in funding from grant and restrictions on Council Tax increases.
4. This position was modified in July following the publication of revised figures for 2014/15 and indicative figures for 2015/16. This formed the basis of the detailed context for the Community Risk Management Plan (CRMP) consultation proposals.
5. There are no further updates on figures until:
  - a. Final grant figures – expected 22/23 December 2013
  - b. Indicative Council Tax-base and Business Rate Yield – late December 2013
  - c. CRMP decision – February 2014
  - d. Updated Authority view on Council Tax increases
6. As a consequence this is a holding report pending receipt of this key data and a full update at the next Policy and Resources Committee on 28 January 2014, and a Seminar for all Members on the 30 January 2014.

#### **Current Medium Term Financial Plan**

7. The current position is summarised below, but it should be noted that the items listed under Actions already taken, in the table below, form part of the £2.7m non-front line savings envisaged in the CRMP document and are not additional savings. This still leaves £1.9m savings to be identified.

	2014/15 £m	2015/16 £m	2016/17 £m
<b>Budget Gap – Feb 2013</b>	<b>1.102</b>	<b>3.085</b>	<b>4.099</b>
<b>Updated Budget Gap – CRMP Oct 2013</b>	<b>1.375</b>	<b>3.227</b>	<b>4.725</b>
<u>Actions already taken:</u>			
Merger of USAR/Droitwich	(0.300)	(0.300)	(0.300)
Support Staff Reviews	(0.249)	(0.249)	(0.249)
2013/14 Expenditure budget savings	(0.278)	(0.278)	(0.278)
Other Support Staff reviews	(0.027)	(0.027)	(0.027)
<b>Residual Gap</b>	<b>0.521</b>	<b>2.373</b>	<b>3.871</b>

8. For information the Budget gap sensitivity for key assumptions is summarised below. This is the increase/ (reduction) in the gap from changing assumptions.

	2014/15 £m	2015/16 £m	2016/17 £m
Increase Council Tax by 2% instead of freezing	(0.371)	(0.749)	(0.798)
Consequential loss of freeze grant #	0.210	0.420	0.420
<b>Net Reduction in GAP</b>	<b>(0.161)</b>	<b>(0.329)</b>	<b>(0.378)</b>
Provision for Pay Awards at 1% instead of 2%	(0.180)	(0.640)	(0.760)
1% greater grant cut each year	0.100	0.205	0.295

# The freeze grant is lost if the Authority makes any increase in precept

9. The risks associated with the assumptions were discussed by the Policy and Resources Committee in recommending the MTFP to the Authority.

### Beyond the current MTFP

10. Whilst it is very likely that there will be continuing grant cuts and Council Tax restraint beyond the current (extended) CSR period, i.e. after 2016/17, no firm information is available on how grant will move

11. Indications from Department for Communities and Local Government (DCLG), the Local Government Association (LGA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) are for reductions continuing on the same scale, as in this CSR period. The latest indicative figures from DCLG for 2015/16 show a net grant reduction of just over 8% for this Authority, and this has been used as the assumption for future years.
12. Based on the following assumptions a projection for the next 3 years is given in the table below:
  - a. 8% per year net grant cut
  - b. Pay Awards at 2% per year
  - c. Council Tax increasing by 2% per year
  - d. No further major buildings projects

	2016/17 Budget £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m
<b>Forecast Resources</b>	<b>(30.597)</b>	<b>(30.196)</b>	<b>(29.871)</b>	<b>(29.616)</b>
<b>2016/17 Core Budget</b>	<b>30.597</b>	<b>30.597</b>	<b>30.597</b>	<b>30.597</b>
<b><u>Cost Pressures</u></b>				
Pay Awards		0.454	0.918	1.392
General Inflation Contingency		0.250	0.500	0.750
LGPS Back Funding		0.042	0.057	0.072
Removal of Pensions Contracting Out		0.360	0.360	0.360
Capital Programme		0.036	(0.031)	(0.042)
<b>EXPENDITURE REQUIREMENT</b>	<b>30.597</b>	<b>31.739</b>	<b>32.401</b>	<b>33.129</b>
<b>RAW GAP</b>	<b>0.000</b>	<b>1.543</b>	<b>2.530</b>	<b>3.513</b>

13. This projection assumes also that the £4.7m savings required in the current MTFP are made. I.e. the £3.5m saving projected to be required by 2019/20 is a further £3.5m in addition to the £4.7m in the current MTFP.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	None
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	None
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	None
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	None
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	None

## Supporting Information

None

## Contact Officer

Martin Reohorn  
Treasurer to the Fire Authority  
(01905 368205)  
Email: mreohorn@hwfire.org.uk