

REPORT OF THE TREASURER**2007/08 TO 2009/10 REVENUE AND
CAPITAL BUDGETS****1 Purpose of Report**

This report brings together the various elements of the expenditure budgets and projections. It recommends them to the Fire Authority as the basis for its consideration of the budget on 20 December 2006.

2 Recommendations

- a) The Committee is asked to recommend that the Fire Authority does its three year budget and precept planning on the basis of expenditure totalled as follows:

2007/08	£19,198,000
2008/09	£20,196,000
2009/10	£21,048,000

This recommendation is subject to any changes that might arise, as outlined in paragraphs 5 to 9 of this report.

- b) The Committee is also asked to recommend to the Fire Authority:
- i The Ten Year Capital Programme, subject to any variations that may be required as a result of the outcome of the current Integrated Risk Management Planning (IRMP) consultation process;
 - ii The employment of consultants to provide a business case for the relocation of Service headquarters and for the development of the Telford Central site. Also, to provide more accurate financial information on the provision of two new fire stations in Shrewsbury as part of the longer term IRMP process; and
 - iii The further development of the existing Capital Reserve to reduce the impact of proposed capital expenditure in 2009/10 and 2010/11.
- c) The Committee is asked to approve the appropriate reserves and provisions set out in paragraph 10 of this report.



3 Background

The Fire Authority requires the Strategy and Resources Committee to develop proposals during November for a net expenditure budget.

A Budget Working Group met on 6 November 2006 to discuss the various issues that are likely to arise during this year's budget round. A number of discussion papers were produced and this report is based upon them. These papers, as amended for minor omissions and corrections, are attached as appendices 6a to 6g.

4 Budget Summary - see report 6a

The Fire Authority's budget strategy is to build the budget up in the following way, and the table below shows the amounts for each element:

	2007/08	2008/09	2009/10
Appendix	£ 000	£ 000	£ 000
6b Base Budget Plus Committed Change	18,432	18,791	18,854
6c Pay and Price Assumptions	598	1,148	1,690
6d Efficiencies and Other Savings	195 -	258 -	215 -
6e Growth in Expenditure	290	290	290
6f & g Capital Programme – Revenue Consequences	73	225	429
Total potential expenditure	19,198	20,196	21,048
Growth over Previous Year (2006/07 £18,296,000)	+4.9%	+5.2%	+4.2%

5 Base Budget Plus Committed Change (£18,432,000) - see report 6b

The total of £18,432,000 shows an increase of 0.7% over 2006/07. The main reasons for this are: the growth in firefighter pension costs, although this is still subject to investigation; and the 2006/07 and earlier capital programmes reflecting the build-up of interest charges. These and other variations are offset because, unlike in 2006/07, the Government will not be reducing our grant by issuing Amending Orders for earlier years.

This total will be subject to change, if the Fire Authority makes any decisions in the current year that change figures in future years.

6 Pay and Prices Assumptions (£598,000) - see report 6c

This is built up primarily on three assumptions, about both major pay groups and the increase in prices. The assumptions appear realistic but might be subject to change, if a national consensus emerges. It is acknowledged that any assumption about prices is an average but 2.5% is in line with Treasury estimates.



7 Efficiencies and Other Savings (£195,000) - see report 6d

£100,000 efficiencies have been identified at present, i.e. short of the target of £252,000. Nevertheless, officers continue to look for further efficiencies as part of the Fire Authority's policy of achieving value for money. A budget reduction of £95,000 has been identified as a realistic rephasing of the build-up of expenditure through implementing the Retained Review.

8 Growth in Expenditure (£290,000) - see report 6e

The total of service developments has been built up from the Road Safety Strategy, which has already been considered by the Fire Authority and approved for 2006/07 and the current IRMP proposals, which are subject to consultation.

In addition, proposals for an Information Officer, permanent funding of the Older Persons' Officer, and budgets to develop Equality, Diversity and Disability aspects of the service have been brought forward by Heads of the Business Divisions. These will be the subject of detailed evaluation and costing before being submitted for final decision by the Fire Authority in December.

9 Capital Programme – Revenue Consequences (£73,000) - see reports 6f and 6g

The Ten Year Capital Programme is the basis for calculating the revenue implications for 2007/08. The development of the Programme is dependent on considering the many options for relocating the Service Headquarters and developing the Telford site, and it is recommended that consultants be appointed, funded from the Efficiency Reserve.

Further work will be needed on the Capital Programme, including realistic phasing of payments and, in particular, detailed project appraisals will be needed before projects can be finally approved to start. In the meantime, however, it is recommended that the ten year Programme is accepted as the basis for the three year revenue budget and for updating the Medium Term Financial Plan.

10 Provisions, Earmarked Reserves and General Reserve - see report 6h

The Fire Authority's policy on reserves is monitored through an annual review of provisions and earmarked reserves, a review of the level of general reserves in conjunction with the Risk Register, and a review of the Capital Reserve in line with the updated Capital Investment Plans.

At present, it is recommended that no change be made to the provisions and earmarked reserves. It is recommended that the General Reserve is realigned to risk and reduced by £12,000. Finally, it is recommended that the Capital Reserve is increased by the currently anticipated underspendings in 2006/07 and the resources freed by realigning the General Reserve. This should help position the Fire Authority for any potential outcome from the review of the relocation of Service Headquarters and changes at Telford Central.



11 Medium Term Financial Plan - see report 6i

The Fire Authority has tasked officers to review and update the Medium Term Financial Plan. This process has started and will be completed once the outcome of the Performance Framework is known in late February or March. In the meantime work on the budget and financial plan indicates reviews on:

- i Capital Investment (as noted in paragraph 9 above)
- ii Value for Money strategy (balancing efficiencies and developments)
- iii Budget risk assessment

12 Financial Implications

The financial implications are as set out in the report.

13 Legal Comment

There are no legal implications arising directly from this report.

14 Appendices

Appendix 6a	Budget Summary
Appendix 6b	Base Budget Plus Committed Change
Appendix 6c	Pay and Prices Assumptions
Appendix 6d	Efficiencies and Other Savings
Appendix 6e	Growth in Expenditure
Appendix 6f	Ten Year Capital Programme
Appendix 6g	Capital Programme and the Revenue Budget
Appendix 6h	Provisions, Earmarked Reserves and General Reserve
Appendix 6i	Medium Term Financial Plan

15 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	*
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Equality and Diversity		Retained	*
Efficiency Savings	*	Risk and Insurance	*
Environmental		Staff	
Financial	*	Strategic Planning	*
Fire Control/Fire Link		West Midlands Regional Management Board	

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