

Revisions to the Budget and Final Budget Plan

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report develops a final revenue budget package for consideration by the Fire Authority, taking into account latest information and public consultation.

2 Recommendations

The Committee is recommended to propose to the Fire Authority a revenue budget of £20,058,000 for 2008/09, based on the principles set out in paragraph 6, which, together with a net transfer from reserves, gives a budget requirement of £20,029,000.

3 Background

The Fire Authority, in December 2007, agreed to consider a budget package based on the principle of 3.75% increases in the precept but wanted to examine the precise implications of such an approach. The objectives of balancing the budget by the end of the three-year settlement period, and of bringing the increase in Council Tax down were highlighted.

The Authority confirmed, for the purpose of budget planning and consultation, a revised capital programme, and service developments and efficiencies, with implied consequences for reserves and provisions.



The position can be summarised as follows. Based on information considered by the Authority in December planned expenditure could be funded by increasing the precept by 3.75% per year and producing the following surpluses and (deficits):

2008/09	£324,000
2009/10	£203,000
2010/11	(£26,000)

	£501,000

The net £501,000 could be added to the capital reserve and used to help reduce prudential borrowing for the St Michael's Street project.

4 Update since December 2007 Fire Authority Meeting

Expenditure

No changes have been identified in the expenditure total of £20,058,000 presented to the Fire Authority in December, other than two additional potential service development items as follows:

- i Purchase of Smoke Detectors** **£40,000**
This would be required to replace the loss of grant received for previous years.

- ii Increased Equality and Diversity Resources** **£20,000**
This would address the National Equality and Diversity Strategy.

These items are potentially ongoing.

At the Fire Authority meeting in December, a prioritised list of developments, totalling £403,000, was presented. It was agreed that these would be considered at this meeting, and that a detailed explanation of the prioritisation methodology would be made.

Accordingly, summarised statements of each development have been produced, and the full business case for each is also available. An oral presentation of the prioritisation methodology will be made.

An approach to dealing with the potential developments without increasing net expenditure, especially given the worsened position on Council Tax income (see below), would be to manage the total growth in 2008/09 within the previously reported total of £403,000. This could be done by dealing with lowest ranking priorities in 2009/10 and 2010/11, where provision had already been made for as yet unidentified growth.



Income

The final figures for the Band D (equivalent) tax base have been received, which show a total of 157,243.68. This is lower than the optimistic assumption used in December of 157,722.

The Collection Fund surplus is also lower at an expected £50,000, compared with an estimate of £111,000, although this figure is still to be finalised.

Precept

If these revised figures for Council Tax income are now used and later years projected accordingly, the budget would be as follows:

	2008/09		2009/10		2010/11	
	£000		£000		£000	
Expenditure (assumes no change from December)	20,058		20,919		21,963	
Funded by:						
Grant	7,670		7,975		8,268	
Collection Fund	50		50		50	
Reserves						
Retained	98		98		-	
General Fund	157					
Council Tax (+3.75%)	12,309	(£78.28)	12,860	(£81.22)	13,435	(£84.27)
Surplus / (Deficit)	226		64		(210)	
	<u>20,058</u>		<u>20,919</u>		<u>21,963</u>	

The implications of this are:

- i The budget requirement for 2008/09 would be £20,029,000, i.e. £20,058,000 expenditure, less £255,000 taken from reserves, plus £226,000 surplus added to the capital reserve;
- ii Net surpluses over the three years total £80,000, which would be added to the capital reserve, and together with interest produce about £100,000;
- iii The budget has a potential deficit of £210,000 in 2010/11; and
- iv There would appear at present to be a challenge in attempting to reduce the rate of increase below 3.75% in 2009/10 and 2010/11.

However, a deficit in three years' time of £210,000 represents less than 1% of net expenditure and there are a number of reasons why it would be reasonable to assume that this could be met, and indeed that there may be opportunities for reducing the precept increase in 2009/10 or 2010/11:

- i There may be scope to find ongoing underspendings during the three years, e.g. on pay awards, or procurement costs;



- ii There may be scope to find greater efficiencies or reduce service growth, thereby reducing the net £50,000 planned in both 2009/10 and 2010/11;
- iii Delays, planned or unavoidable, in capital or other changes; and
- iv The Band D base projection and Collection Fund surpluses are at the lower end of recent experience and may increase.

There are, of course, risks the other way. Barring significant problems emerging, however, the scale of the shortfall can be addressed during the next three years, if it proves necessary.

5 2011/12 Prospects

Although a long way off, 2011/12 has particular importance, because it is the first year of the next grant settlement and because the financial implications of the St Michaels' Street project will still be creating committed growth.

A possible projection for 2011/12 might be:

	£000		£000
2010/11			21,963
St Michaels' Street scheme	145		
Other capital and growth items	115		
Pay and prices	650		910
			<u>22,873</u>
Funded by:			
Grant (+ 2.5%)	8,475	-	
Precept (+ 3.75%)	14,034	-	
Collection Fund	50	-	22,559
			<u>314</u>
Potential Deficit			<u>314</u>

On present figures, the shortfall would increase to £314,000. This would be decreased by using all available monies in the General Fund to increase the Capital Reserve in order to reduce prudential borrowing, currently saving £35,000. It is hoped that the deficit for 2010/11 of £210,000 would have been resolved by finding ongoing reductions, which would reduce the possible deficit to a manageable £69,000.

The major uncertainties would lie around the grant settlement. An increase of 2.5% is assumed, but a 1.5% variation either way would gain or lose £124,000. There are also uncertainties about service pressures, and, as already noted, the actual development of the St Michaels' Street project.

Nevertheless, on balance, it would appear that the currently projected 2011/12 deficit can be managed, whilst effectively sustaining service levels and meeting commitments including the St Michaels' Street project.



6 Summary

The position for a budget strategy, consistent with current service aspirations can, therefore, be summarised as follows:

- i Precept increases could be limited, (subject to major unknown changes in circumstances) to 3.75% per year for the next three years;
- ii An objective could be set to reduce the rate of increase, if possible;
- iii Service developments and, in particular, the St Michaels' Street project should be monitored closely in the next three years, and precept policy reviewed, if necessary;
- iv The capital reserve should be maximised, where possible, and used to reduce prudential borrowing;
- v Efficiency targets of £150,000 per year (0.75% of expenditure) should be maximised in the context of both the Authority's policy of achieving best value in service provision, and the national target for the Fire and Rescue Service of 1.6% per year; and
- vi Contingency plans ('what if' analysis) should be developed for 2011/12 to ensure that service levels can be maintained and challenges met, whatever the next settlement produces.

7 Financial Implications

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

8 Legal Comment

There are no legal implications arising directly out of 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

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.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

