

2008/09 to 2009/10 Revenue and Capital Budgets

Report of the Treasurer

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

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 a basis for its budget consideration on 19 December 2007.

2 Recommendations

The Committee is asked to:

- a) Recommend that the Fire Authority does its three year budget and precept planning on the basis of the following revenue expenditure (before net service developments):-

2008/09	£19,707,000
2009/10	£20,615,000
2010/11	£21,490,000

- b) Recommend the following provisional capital programme (prior to detailed appraisal of schemes):-

2008/09	£1,035,000
2009/10	£1,470,000
2010/11	£2,589,000

- and to seek to maximise the use of the capital reserve;
- c) Note the potential scope for headroom for net service additions as set out in paragraph 5; and
- d) Recommend the reserves and provisions be maintained at present real term values, subject to maximising the capital reserve should resources become available.



3 Background

The Committee has been asked to bring forward expenditure proposals for consideration by the Authority on 19 December 2007, when hopefully it will be able to relate these to the Provisional Grant Settlement.

These papers cover all aspects as in previous years with the exception of service developments. Work is proceeding on these, and on potential savings in line with the “what-if” scenarios set out in the Medium Term Financial Plan (MTFP).

4 Revised Budget Summary

The revenue expenditure covered in the following papers, can be summarised as follows:-

Report	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000
5a Base plus Committed Growth	19,168	19,280	19,330
5b Pay and Prices	577	1,204	1,848
5c Efficiencies 2008-11	100 -	100 -	100 -
5d 2008/09 Capital Programmes	62	231	412
Total Expenditure	19,707	20,615	21,490
Percentage Increase	+2.9%	+4.6%	+4.2%

The capital expenditure, prior to the detailed review of project appraisals and spending proposals linked to new service developments is:-

	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000
Expenditure	1,035	1,470	2,589
Capital Funding			
Borrowing – supported (estimated)	420	420	420
- prudential	325	595	1,405
Capital Reserve (subject to resources)	290	455	264
Capital Receipts	-	-	500
	<u>1,035</u>	<u>1,470</u>	<u>2,589</u>

5 The “What-If” Analysis

The MTFP set out an optimistic and a pessimistic scenario for resources and then examined the surpluses or shortfalls that would arise in funding the expenditure forecast last February with a 5% a year increase in the precept.

Since then, the Comprehensive Spending Review has been announced, but does not help in refining grant that might come to the fire service in general or this Authority in particular. Local government as a whole will see a cash increase, which after inflation, equates to about a 1.0% real-term growth per



annum. This does raise the hope that the pessimistic assumption of a net nil cash change to grant will not happen, and even allowing for the fire service possibly growing less fast than other local services in cash terms, the hope that there will be a cash increase.

At this stage, however, there is no hard evidence to amend the resource assumptions in the “What-If” analysis.

There is however a need to change the February forecast of expenditure for the latest budgets summarised in paragraph 4.

In fact the position for all three years has improved as follows:-

	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000
Estimate in February (2010/11 estimates in August)	20,144	20,990	21,666
Changes now calculated:-			
Committed Changes (mainly Firefighters pensions)	103 -	60 -	18 -
Other following budget monitoring (mainly investment income and pay awards)	185 -	187 -	195 -
Forecast Inflation	49 -	29 -	2 -
2008/09 efficiency - proposed	100 -	100 -	100 -
Other (net) including ending of retained reserve		1	139
Total Variation	----- 437 -	----- 375 -	----- 176 -
Latest Estimate	19,707	20,615	21,490

If the net variations are applied to the “What-if” scenario, then the following position emerges:-

	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000
Pessimistic	58 headroom	161 shortfall	409 shortfall
Optimistic	505 headroom	569 headroom	622 headroom

This demonstrates that a shortfall against 5% precept growth may only occur on the pessimistic scenario in years 2 and 3.

6 Service Developments and Precept Strategy

The range of pessimistic and optimistic scenarios should give the Authority scope to consider potential service additions, the level of precept increase and, once the distribution of resources through the three years becomes clear, the strategy to be adopted over the period.

At present, officers are considering a number of service developments put forward by Business Area Managers totalling some £300,000. Some are one-



off proposals, but others are ongoing. These will be prioritised and presented to members in December, when they can be considered in the light of the Authority's service and precept strategy over the next three years. The outcome would then form the basis for public consultation in January.

7 Financial Implications

The financial implications are as detailed in the report.

8 Legal Comment

There are no direct legal implications arising from 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	*

