

2008/09 to 2010/11 Budget Summary and Options

Report of the Treasurer

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

1 Purpose of Report

This report summarises the budget situation so far. It presents the various options for further consideration and consultation during January, leading to a final decision by the Authority on 13 February 2008.

2 Recommendations

The Fire Authority is asked to:

- a) Confirm its decisions on the capital programme;
- b) Confirm its decisions on growth, efficiencies and reductions;
- c) Consider its approach to reserves, provisions and funds;
- d) Consider its policy on precept levels over the next three years; and
- e) Request the Strategy and Resources Committee to consider the budget package in light of its views, detailed consideration of individual proposals and any subsequent new information.

3 Background

This paper is based on the budget for expenditure presented to the Strategy and Resources Committee, and as set out in the "Green Book" (attached as appendix), but adjusts these for the previous budget reports on budget monitoring (14a), capital (14b) and service developments and efficiencies (14c).

The resulting revised expenditure options are compared with the level of likely external funding and the resulting precepts.



4 Expenditure

The possible expenditure of the Fire Authority based on previous reports, and including later unavoidable changes, can be summarised as follows:

	2008/09		2009/10		2010/11
	£000		£000		£000
1 Budget as reported to Strategy and Resources Committee	19,707		20,615		21,490
2 Committed changes identified					
Internal Audit	4		-		-
HR Consultation costs	8		8		8
Fire Control Company	2		2		2
Firefighters' Pension Actuarial Revaluation	-		-		50
	----- 14		----- 10		----- 60
3 Ongoing reductions identified by latest monitoring of 2007/08	100	-	100	-	100
4 Capital Programme – if previous recommendations are accepted	1	-	41		105
5 Service Developments – if all agreed	438		503		708
6 Efficiencies	-		150	-	300
Total based on current assumptions	----- 20,058		----- 20,919		----- 21,963

5 Available Resources

i Revenue Support Grant

The announcement on 6 December 2007 gave the following provisional grant levels (subject to consultation). These are compared with the optimistic grant scenario:

	6 December 2007 Announcement	Optimistic Assumption
	£000	£000
2008/09	7,670	7,520
2009/10	7,975	7,751
2010/11	8,268	7,988

Note

The Pessimistic Assumption was for no cash change from the £7.195m received in 2007/08.



As can be seen, the provisional grants are higher than the optimistic assumptions in all three years. The reasons for this are being analysed and a report will be made to the Strategy and Resources Committee in January 2008. Floors still operate, but at a lower level than previously, allowing the benefits of the formula to work through more quickly. Although spending patterns have not been updated for regression analysis purposes, data changes have been in our favour.

ii Band D Base and Collection Fund

The final figures will not be known until early January 2008. Updated figures are, however, available from some collection authorities. This enables the current assumptions to be updated:

Band D Base	Latest Estimate	Optimistic	Pessimistic
2008/09	157,722	157,722	157,096
2009/10	159,299	159,299	158,040
2010/11	160,892	160,892	158,988
(2007/08 - £156,160.34)			

Latest estimates are based on three returns, which show an average 0.9% growth over 2007/08, i.e. only marginally below the 1% optimistic assumption.

Collection Fund	Latest Estimate	Optimistic	Pessimistic
	£000	£000	£000
2008/09	111	111	40
2009/10	111	111	40
2010/11	111	111	40
(2007/08 - £82,000)			

The three returns so far indicate a potentially reduced surplus but, as each Authority's figures can be volatile, the optimistic assumption is used for now.

iii Reserves

Reserves can be used to support expenditure but, if not repeated the following year, will cause a correspondingly higher increase in the level of the precept. It is planned to use the Retained Service Reserve to smooth the growth in investment in the service as follows:

2008/09	£98,000
2009/10	£98,000



In addition, it is now estimated from latest monitoring that £482,000 will be available in the General Fund at 31 March 2008. This could be used in a number of ways:

- i Finance one-off expenditure; and/or
- ii Augment the capital reserve; and/or
- iii Reduce the precept either immediately, or over time.

For the purposes of paragraph 6, £157,000 is assumed to be used to fund one-off developments in 2008/09.

6 Balancing the Budget

Balancing the two sides of the equation together can be done in a number of ways. A key decision will be the level of the precept. Set out below is a table of precepts and their impact on Council Tax payers.

	Precept (Band D)	Cost per week	Increase
	£	£	%
2004/05 (First year of precepting)	66.24	1.27	-
2005/06	69.48	1.34	4.9
2006/07	72.62	1.40	4.5
2007/08	75.45	1.45	3.9

This year, for the first time, it will be possible to develop a three-year strategy, albeit with a number of uncertainties. The following table sets out the possible implications of setting a 4.9% precept, (the maximum to avoid capping) and the implications of reducing the precept by progressive 0.5% bands.

	2008/09	2009/10	2010/11
	£000	£000	£000
Expenditure	20,058	20,919	21,963
Funded by:			
Grant	7,670	7,975	8,268
Collection Fund	111	111	111
Reserves / Balances -			
From Retained	98	98	-
From General Fund	157	-	-
Council Tax at 5%	12,484	13,226	14,014
Surplus / (Deficit) – 5%	462	491	430
Surplus / (Deficit) – 4.5%	414	391	269
Surplus / (Deficit) – 4.0%	354	265	71
Surplus / (Deficit) – 3.5%	295	139	(125)
Surplus / (Deficit) – 3.0%	235	15	(319)
Surplus / (Deficit) – 2.5%	176	(108)	(514)
Surplus / (Deficit) – 2.0%	116	(230)	(704)
Surplus / (Deficit) – 1.5%	56	(352)	(894)
Surplus / (Deficit) – 1.0%	-	(475)	(1,084)



Broadly a 0.5% reduction in the precept reduces income by about £60,000 a year. This accumulates to £180,000 approximately by 2010/11.

7 Reserves and Balances

The table above assumes that £157,000 of the General Fund of £482,000 is used to meet one-off development processes. This leaves £325,000.

In order to minimise prudential borrowing, £250,000 could be put aside in the capital reserve to fund short-life assets. It might also be prudent to put further sums away to deal with the peak of prudential borrowing in 2009/10 and 2010/11. Every £100,000 set aside would reduce revenue costs by £9,000 a year for 25 years.

8 Options

The Fire Authority will, therefore, need to decide:

- i Whether it wishes to meet all the expenditure set out;
- ii Whether it wishes to make contributions to the Capital Reserve; and
- iii What its strategy for precepts is to be for the next three years.

9 Financial Implications

The financial implications are as outlined in the report.

10 Legal Comment

The Fire Authority has power to act as proposed in this report.

11 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.

12 Appendix

Shropshire and Wrekin Fire Authority. Strategy and Resources Committee, 15 November 2007, Reports 5 and 5a to 5e

13 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	*

