

2010/11 and Later Years 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 elements of the budget, as set out in the reports that follow, and seeks the Committee's approval for a budget outline to be recommended to the Authority in December.

2 Recommendations

The Committee is asked to approve the revised figures as a basis for budget consideration by the Fire Authority on 16 December 2009.

3 Background

The Committee has based its budget planning to date on the following:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	20,779	21,823	22,736	23,459	24,179
Committed Changes	301	203	22	50	-
Pay and Prices	644	569	517	504	504
Service Developments	192	200	200	200	200
Efficiencies	-150	-150	-150	-150	-150
Capital	57	91	134	116	100
Expenditure	21,823	22,736	23,459	24,179	24,833

This was to be funded as follows:

Grant	8,268	8,372	8,477	8,586	8,696
Council Tax (+ 3.9% a year)	13,323	13,893	14,487	15,106	15,752
Collection Fund – surplus	50	50	50	50	50
Net (addition) or reduction in reserves	182	421	445	437	335
	21,823	22,736	23,459	24,179	24,833

This report deals with the changes to expenditure and forecasts other effects on reserves. Funding can only be finalised once final information is available in early January on the Council Tax band D base and the Collection Fund surplus. The grant settlement for 2010/11 is probably established, but there remains some uncertainty as well as concerns over possible tighter capping rules, which would be announced in late November or early December. Contingency plans for this are, therefore, being prepared for next year.

The grant settlement for 2011/12 onward will not be known until after the 2010/11 precept has been set and, therefore, “what-if” planning is necessary to deal with the rest of the five-year period.

4 Revised Budget Summary

The changes to revenue expenditure covered in the following papers can be summarised as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	20,779	21,347	22,314	23,059	23,760
Committed change	39	236	-26	-44	-10
Pay and Prices	487	586	549	561	573
Efficiencies	- 427	- 342	-190	-190	-150
2010/11 and later Capital Programme	15	103	189	174	163
Service Developments	454	384	223	200	200
	21,347	22,314	23,059	23,760	24,536

This shows that expenditure has reduced by the following, thereby reducing the forecast deficits as shown below:

	Reduction in Expenditure Now Estimated	Deficit Forecast in February	Deficit/ (Surplus) Now Forecast
	£000	£000	£000
2010/11	476	182	(294)
2011/12	422	421	(1)
2012/13	400	445	45
2013/14	419	437	18
2014/15	297	335	38

The reasons for the changes in 2010/11 are:

- i Committed growth has reduced by £262,000. The main reasons are the reduced pay awards in 2009 offset by reduced interest receipts plus other variations already reported to the Fire Authority, (£165,000); reduced forecast of increased pension costs (£88,000); and other net reductions (£9,000).
- ii Revenue costs of Capital Programmes in 2010/11 have reduced by £42,000 as projects, such as the Fire-kit replacement and Breathing Apparatus Set Upgrades have been rephased into later years.
- iii Inflation estimates have reduced by £157,000 as a result of the lower-than-expected pay award for firefighters in 2009 and reduced estimates for later years.
- iv Service Developments, offset by efficiencies is expected to result in a net cost of £27,000, whereas the planning projection was for a net cost of £42,000, i.e. improving the projection by £15,000.

The changes reduce in 2010/11 and 2011/12 as capital programmes slippage catches up, and the effect of introducing new schemes at Wellington and Telford adds new financing costs.

5 Summary to date

At this stage, further work is needed on all forecasts and in particular to:

- i Capital Programme and its financing;
- ii Service Developments; and
- iii Efficiencies.

However, changes already identified show that the originally estimated deficits and, therefore, potential reductions in reserves in 2010/11 onwards have been offset by the expenditure reductions now identified.

6 Funding Assumptions

The main uncertainties now remaining are:

- i The 2010/11 and later years capping criteria;
- ii Grant increases (or decreases) from 2011/12 onward;
- iii The Band D base; and
- iv The collection fund surplus or deficit.

The other uncertainty is future pay and price changes. The 2010/11 capping criteria should be known by the time the Fire Authority meets, but nothing else will be finalised.

It is difficult to select any particular set of assumptions to quantify the possible range of deficit or surplus planning that may be necessary. However, one possible scenario can be demonstrated as follows:

Assume:

- a. Precepts are capped at 2%;
- b. Grant does not increase above 2010/11 levels;
- c. There is no increase in line Band D base;
- d. There is no collection fund surplus; and
- e. Inflation is at 1 ½ %.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Deficits / (Surplus) currently shown	(294)	(1)	45	18	38
Precept capped at 2%	244	504	782	1,082	1,390
Grant frozen	-	104	209	318	430
Pay and Prices	- 209	- 420	- 633	- 846	- 1,063
Band D Base frozen	15	65	110	162	223
Collection Fund	50	50	50	50	50
Potential Deficit / (Surplus)	(194)	302	563	784	1,068

7 Outlook and Future Planning

Clearly the example in paragraph 6 above produces potential deficits in the next ten years. There are also other scenarios, which would produce both more optimistic and pessimistic outcomes.

For this reason your officers are making progress on Financial Contingency Planning and are producing a set of achievable one-off reductions, which could be delivered, if necessary, to limit spending in the short-term.

Work is also well underway on the Organisational Corporate Strategy for 2011-16, which would be used to prioritise service delivery. If reductions should be required over that period, these would be informed by this work. The one-off Financial Contingency Planning would in these circumstances provide breathing space to enable reductions to be achieved in an orderly manner.

8 Financial Implications

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

9 Legal Comment

There are no direct legal implications arising from this report.

10 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.

11 Appendices

There are no appendices attached to this report.

12 Background Papers

Reports 5a to 5f on the agenda for this meeting of the Committee.

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	*