

## REPORT OF THE TREASURER

# EXPENDITURE AND AVAILABLE RESOURCES 2007/08 AND LATER YEARS

### 1 Purpose of Report

This report sets out the range of potential expenditure and available resources currently predicted in order that the Fire Authority can decide on its basis of budget consultation, prior to setting its precept in February.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Decide the key policy options that should form the basis of public consultation;
- b) Agree to the use of existing public scrutiny panels as a means of achieving feedback from the public on the budget proposals; and
- c) Request the Strategy and Resources Committee at its meeting on 25 January 2007 to propose a final budget package for consideration by the Authority on 14 February 2007.

### 3 Background

The Fire Authority has been considering its expenditure proposals and the latest position and potential growth items are set out in the preceding paper. The Provisional Grant Settlement was announced on 28 November for consultation ending on 5 January 2007. The figures remain unchanged from the announcement a year ago, i.e. £7.195 million. 5% remains the potential limit for capping. The Tax Base (number of Band D properties) will not be finalised until January, but present indications are for a 0.8% increase, i.e. 156,160.

The Fire Authority has established a policy (supported by consultees as described in the Medium Term Financial Plan) of seeking to reduce the rate of increase in the precept, i.e. 4.9% in 2005/06, 4.5% in 2006/07 and a projected increase in 2007/08 of 4%.



Beyond 2007/08, however, will be in the next spending Review (CSR07) and, although it is anticipated that the redirection of resources to more sparsely populated authorities, such as ourselves, will continue, this cannot be guaranteed. Nevertheless, the logic of the current fire service formula does lead to the expectation that further reductions in the precept increase will be achievable and that, at the very least, fairer grant settlements will result in a lowering of our relatively high precept compared to other fire authorities, as grant floor protection is removed.

#### 4 Expectations for Precept 2007/08

Last year it was predicted that it would be possible to reduce the precept increase to 4%, i.e. the precept could increase from £72.62 in 2006/07 and to £75.52 in 2007/08. The table below compares the prediction last February, with the latest position. The latest position does **not** include figures, which are the subject for debate at the meeting.

	2007/08 Prediction	
	February	Current
	£000	£000
Expenditure	18,960	18,966
Resources		
i. Grant	7,195 -	7,195 -
ii. Collection Fund	50 -	50 -
iii. Precept		
Band D - 156,200 x £75.52	11,796 -	-
- 156,160 x £75.52	-	11,793 -
Possible (shortfall)/Surplus (-)	<u>81 -</u>	<u>72 -</u>

The reason for the decline in the surplus is largely the increased amount predicted for pay and prices. This is partly due to the impact of accelerated pay for firefighters through achieving competence.

It should be noted, however, that the Band D Council Tax Base is yet to be confirmed and the collection fund surplus is conservatively estimated, based on previous experience. It is, therefore, recommended that at this stage planning should proceed on the assumption that resources can balance expenditure at this base level.

#### 5 Decisions at this Meeting

This report is written prior to the outcome of the Fire Authority's decisions on a number of matters and also the outcome of subsequent public consultation.

If it is assumed that expenditure of £18,966,000 can be funded by a precept of £75.52, as set in paragraph 4 above, and if it is further assumed that the Fire Authority includes all of the items for debate at this meeting in full, then expenditure could increase by a net £113,000 to £19,079,000, leading to a Council Tax of £75.78, i.e. a rise of 4.4%.



This is likely to be within the capping limit but higher than the hoped for 4% increase when the Fire Authority set its current precept. If the Fire Authority agrees with the merit of the various proposals and would wish them included in its proposed budget for 2007/08, it is recommended that officers are charged with examining the options for reducing the precept increase towards 4%, with a view to reporting back to the Strategy and Resources Committee in January 2007.

Areas for examination would include:

- i. Final figures for the Collection Fund and the Band D base;
- ii. The planned re-examination of the capital programme;
- iii. Rephasing expenditure proposals (although that would increase growth in 2008/09); and
- iv. Any other new information as a result of budget monitoring and review.

Public consultation would then be based on a potential expenditure budget for 2007/08, including those items agreed by the Fire Authority for final consideration at the precept meeting. The potential precept increase for consultation would likely be between 4% and 4.5%. The final Fire Authority decision would also need to take into account the prospects for later years.

The position for 2008/09 would show an increase of about 5.2% but this is indicative only, as it depends significantly upon a number of assumptions and, in particular, upon what the next grant settlement will bring. At present it is assumed that grants will increase in 2008/09 by £100,000 (no more transitional grant clawback) plus 2.5% growth. Given the current impact of floor protection, it is hoped that the increase for this Fire Authority will be greater as the protection unwinds. However, this could be offset by very low increases for the grant settlement nationally.

## **6 Capital Programme**

Apart from inflation, another underlying upward pressure on expenditure is the capital programme. This report assumes no change for the present to the programme put forward to the Strategy and Resources Committee in November.

It is recommended that this is thoroughly reviewed in the light of individual project appraisals, funding options and prudential indicators before a final programme is presented in February.

## **7 Budget Consultation**

In previous years, the Fire Authority has used its two public scrutiny panels (independently facilitated through Opinion Research Services) as the primary means of determining the support, or otherwise, of the public for its budget proposals. Full details of the outcomes of last year's consultation process are included within the Fire Authority's Medium Term Financial Plan, which is available on the Service's website.

The scrutiny panels have been involved during October 2006 in consultation on the Fire Authority's current Integrated Risk Management Planning proposals and are, therefore, already well versed on the issues facing the Authority during the current budget setting process. It is recommended that public consultation using the scrutiny panels is conducted during January 2006 at an estimated cost of £6,700.



A detailed report on the outcomes of the consultation would then be available for the February meeting of the Fire Authority.

## 8 Financial Implications

The financial implications are as set out in this report.

## 9 Legal Comment

There are no direct legal implications arising from this report.

## 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.

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	
Information, Communications, Technology and Data			

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

