

DERBYSHIRE FIRE AUTHORITY**28 February 2008****Report of the Chief Fire Officer/Chief Executive and Treasurer****REVENUE AND CAPITAL BUDGET 2008-09****1 Purpose of the Report**

This report presents the outcome of the budgetary process for the 2008-09 financial year. It outlines the component parts of the budget and how they fit together. From this members can consider the impact on Council Tax of changes in expenditure, determine the budget requirement and propose a precept from which will derive a Council Tax figure. Indicative budgets for 2009-10 and 2010-11 are also shown.

Also presented is the Authority's proposed capital programme for 2008-11. This will be subject to formal approval in March when the Authority considers a report on the Prudential Code for Capital Finance and Treasury Management. It is included here so that the implications are incorporated into the revenue budget.

2 Final Revenue Support Grant Settlement

- 2.1 The final settlement was announced on 24 January 2008 and as expected for DFA showed insignificant change from the provisional settlement that was reported to Finance and General Purposes Committee on 18 January 2008.

Representations made during the previous summer appear to have had an impact regarding damping. DFA still suffers from damping but to a lesser extent than previously. External finance has been increased by £1.266m from £16.920m in 2007-08 to £18.186 in 2008-09, a 7.5% increase.

- 2.2 Table 1 shows a comparison for Combined Fire Authorities nationally giving percentage increases for 2007-08 to 2008-09.

Table 1 – National RSG Position

	% increase in 2008-09
Combined Fire Authorities	3.2
DFA	7.5
Highest increase (1 Authority)	8.7
Lowest increase (8 Authorities)	1.0

3. Council Tax and Precept Position

3.1 Collection Fund

The Authority is entitled to a proportionate share of any surplus on the City and Districts Council Tax Collection Funds. For 2008-09 this is estimated to be £5,581. This is a significant reduction on the 2007-08 figure of £50,887 with only 2 districts estimating surplus, 3 projecting deficits and 4 authorities predicting a neutral position. Full details are shown in Appendix A.

3.2 Council Taxbase/Band D Equivalent Properties

Council taxbase has increased by 0.667% from 2007-08. This increases the amount raised from the existing level of Council Tax and, together with the Collection Fund surplus, would generate the following increased income for the given increase in Council Tax.

Table 2 – Additional Precept Value

Increase in Council Tax	Additional Precept Raised
%	£
1	278,966
2	474,858
3	670,750
4	866,642
5	1,062,534
6	1,258,426

4. Base Budget

4.1 The 2007-08 Budget has been projected forward to account for the impact of price inflation and pay awards, the full year effect of previous year changes and the revenue impacts of the current approved capital programme.

4.2 Details of the changes are shown in Appendix B and summarised in Table 3 below.

Table 3 – 2008-09 Base Budget Requirement

	£m
Budget requirement 2007-08	36.431
Net effect of inflation	0.934
Full year effect of existing commitments	0.315
Impact of Approved Capital Programme	0.619
Adjustments to base (removal of one-off items in 2007-08)	- 0.112
Use of balances for RCC, New Dimensions & Home Fire Safety Checks	- 0.172
	38.015

5. Capital Programme

- 5.1 The proposed Capital Programme is shown in Appendix C. Provision has been made in the revenue base budget for the capital financing charges arising from the current capital programme, including the full year effect of the 2007-08 programme, totalling £618,840.
- 5.2 The Authority's Finance and General Purposes Committee considered a revised programme at its October meeting and the proposed programme reflects the changes approved at that meeting.
- 5.3 Capital financing charges now represent 4.3% of the Authority's revenue budget which is considered within prudent limits.

6. Service Developments

- 6.1 The Finance Liaison Group (FLG) has met on four occasions to consider service development bids. The initial list totalled over £3m, with some £2m relating to ongoing activities and £1m as one-offs. FLG reviewed the list, subjected the bids to robust scrutiny and ranked them as very high, high, medium or low priority. FLG also considered, in the light of the current monitoring and reserves position whether any of those bids could be met from alternative funding sources - currently identified underspends, rescheduling/reprioritising of existing budgets or from reserves.
- 6.2 The following sources were identified to fund some of the very high priority items:

	£
From existing budgets	131,950
From previously identified underspends	353,050
From reserves	797,408
From ICT Strategy (Capital Programme)	72,000
Total	1,354,408

- 6.3 The remaining development items as yet unfunded, categorised by priority are as follows:

	One-off	Recurring	Total
Priority	£	£	£
Very High	0	358,000	358,000
High	147,000	908,555	1,055,555
Medium	3,400	50,000	53,400
Low	42,400	35,000	77,400
To be determined #	0	390,300	390,300
TOTAL	192,800	1,741,855	1,934,655

This includes £325,800 relating to Phase 2 of the Service Development Plan

7. Budget Proposals

- 7.1 The increase in base budget of £1.578m would require, in addition to the increased RSG, a Council tax increase of £312,000, more than 1%. To meet any of the service developments summarised in 6.3 will require a Council Tax increase over and above this.

8. Consultation

- 8.1 During the period November 2007 to January 2008 the service organised a series of five roadshow events throughout the county to consult the public on priority spending areas for 2008/09. Nine main priority areas had been identified - staff, fire engines, fire stations, equipment, young people, road safety strategy, training for retained personnel, community work and anti-social behaviour officers. The public were asked to rank their top five priorities in order of priority.

In addition a postal survey was sent to 450 stakeholders and was also accessible on the DFRS website. Respondents were asked to indicate how strongly they supported each of the nine areas.

- 8.2 A total of 149 responded to the roadshow, 73 to the postal survey (16.2% response rate) and 20 online.

Results for the roadshow events indicated that the public's three main priorities were:

Staff	14% of all votes (71% voted as 1 st /2 nd priority)
Equipment	16% of all votes (63% voted as 1 st /2 nd priority)
Fire Engines	15% of all votes (70% voted as 1 st /2 nd priority)

- 8.3 The results of the survey were very positive with support for all areas, with equipment and training retained personnel as the most favourable. Taking the two approaches together equipment emerged as the public's top priority with community work the lowest but all areas were strongly supported. The Authority should consider the consultation response in the budget determination.

9. Medium Term Financial Plan

The table below provides indicative budgets for the two years 2009/10 and 2010/11, for which government support has already been announced. They assume no increase in Council Tax base, minimal Collection Fund surpluses and a 4% increase in the level of Council Tax for the purpose of this exercise. The table illustrates well the limit on further development that will occur in 2009/10 and 2010/11 as current commitments flow through, unless significant efficiencies can be found from within existing expenditure. Fire and Rescue services nationally have been set a target to achieve efficiencies of 1.6% of revenue expenditure. These should be cash releasing.

Table 4 - Medium Term Plan

Revenue Budget Projection 2008/9 to 2010/11				
	£000's			
	2007/8	2008/9	2009/10	2010/11
Base Budget	34,770	37,037	39,354	40,872
Adjustments to base (Pay awards, price increases etc)	1,109	1,317	1,007	1,049
Capital Financing (1)	295	619	528	335
Net Affect of Prior Year Development Items (2)	(72)	(196)	(17)	(580)
Adjusted Base Budget	36,102	38,777	40,872	41,676
Development Programme	935	577	0	0
Total Funding Requirement	37,037	39,354	40,872	41,676
Less				
Use of Balances (3)	(606)	(779)	(860)	(108)
External Funding Required	36,431	38,575	40,012	41,568
Revenue Support Grant	16,920	18,186	18,965	19,674
Surplus on Collection Fund	51	5	10	10
Council Tax (4)	19,460	20,384	21,199	22,047
External Funding Available	36,431	38,575	40,174	41,731
Limit of Further Developments	0	0	162	163
This forecast does not take account of any ongoing costs associated with the running of the new Regional Control Centre. The costs should largely be offset by the reduction in control staff salary costs but it seems likely that an additional financial burden will fall to the Fire Authority. The running costs are unquantifiable at this point in time.				
(1) Assumes no additional borrowing in 2010/11				
(2) Assumes cost of RCC implementation will cease in 2010/11				
(3) Assumes use of reserves to fund RCC will cease in 2010/11				
(4) Assumes a council tax level of 4% for 2009/10 and 2010/11				

10. Robustness of Estimates and Reserves

- 10.1 There is a statutory requirement for the Treasurer to confirm the robustness of the estimates and the adequacy of reserves. The Authority must take these matters into account when setting a precept.
- 10.2 The process involved in producing the estimates has taken into account all known financial impacts on the Authority's budget. Inflation has been added based on best estimates and the base budget has been vigorously scrutinised and changes made where necessary. Recent turbulence in the world economy and uncertainty over interest rates is not considered to have a significant impact on these projections as long term interest rates remain below the levels assumed for capital financing charges.
- 10.3 The Authority was able to fund a level of development in the current year but was limited by the impact of damping. The improved position in respect of government funding will allow the Authority to accommodate further service development dependent on the level of increase in the precept and the use of reserves.
- 10.4 The state of earmarked and general reserves is shown in the table below. There is no statutory requirement regarding the level of reserves that must be maintained. For general reserves the external auditor takes the view that 5% of net budget is a suitable level though the new auditor may take a different stance. The Authority is currently maintaining a level of 5.0% in the general reserve in addition to the strategic reserve which is currently uncommitted. Monitoring throughout the current year has identified underspends which have been reallocated and although expenditure is well controlled this means there are unlikely to be further significant sums available to be added back to reserves as has happened in the past. For earmarked reserves it is a matter of judgement based on individual circumstances but once again given the ambitious Capital Programme and service development programme it would be prudent to maintain a reasonable level of balances.
- 10.5 The figures in the table assume a contribution from the Modernisation Reserve of £579,553, part of the £1.5m previously approved to fund RCC/Firelink.

Table 5 - Earmarked and General Reserves

<u>Revenue Reserves</u>	Balance 31-Mar-08	Projected Movement	Balance 31-Mar-09
Earmarked Reserves			
Capital Programme Support	982,513	0	982,513
Brought Forward Reserve 07/08	11,000	(11,000)	0
Hostel Rewire (1st Floor)	25,000	(25,000)	0
Home Fire Safety Check Grant	91,381	(91,381)	0
Plant & Equipment - 2 Pods	50,000	(50,000)	0
Replacement of 110 BA Cylinders	33,000	(33,000)	0
COBRA Cold Cutting Extinguisher	35,000	(35,000)	0
Major Rescue Units	166,000	(166,000)	0
Recruitment Pod	80,000	(80,000)	0
BA Pods - x 2	120,000	(120,000)	0
Water Safety Equipment	50,000	(50,000)	0
High Pressure Airbags	8,000	(8,000)	0
Ripley Fire Station Heating system	55,000	(55,000)	0
Chapel Fire Station Rewiring	40,000	(40,000)	0
Chapel Fire Station Roof	40,000	(40,000)	0
Bradwell Fire Station Roof	30,000	(30,000)	0
Chapel Fire Station Resurface	25,000	(25,000)	0
Chapel Fire Station Fence	10,000	(10,000)	0
Youth Scheme - 3 x Fire Appliances	18,000	(18,000)	0
Discipline/Grievance Training -	30,000	(30,000)	0
Attendance Mgt/PDR Training	15,000	(15,000)	0
DDA Training	5,000	(5,000)	0
Derby Assoc for the Blind	3,000	(3,000)	0
PDA's	10,000	(10,000)	0
CFS Initiatives	135,781	(135,781)	0
Total Earmarked Reserves	2,068,675	(1,086,162)	982,513
General Reserves	1,928,772	0	1,928,772
Strategic Reserve	600,552	0	600,552
Modernisation Reserve (RCC)	1,565,293	(579,553)	985,740
Modernisation Reserve (Other)	675,438	(72,208)	603,230
Total Reserves	6,838,730	(1,737,923)	5,100,807
Provisions			
Insurance Fund - Personal Accident	40,731	2,304	43,035
Sub Total	40,731	2,304	43,035
TOTAL	6,879,461	(1,735,619)	5,143,842

11. Council Tax Capping

The Minister has powers under which, if he deems the budget to be extreme, he may;

- Designate the Authority (Cap the Budget)
- Designate for the following year (avoids costly rebilling)
- Set a notional budget to be used for future comparisons
- Designate the Authority over a number of years

In announcing the central government support the Minister confirmed he would not hesitate to use capping powers where necessary and indicated he expected the **average** Council Tax increase to be significantly less than 5%.

12. Conclusions

To fund the base budget, all the very high priority developments (£358,000) and the most important of the high priority items (£235,912), as listed in Appendix D will result in a budget requirement of £38.575m representing an increase of £2.144m or 5.88%. With government support of £18.186m this would require a precept of £20.389m. After taking into account the reduced level of Collection Fund surpluses notified to us by Billing Authorities and the growth in the overall Council Tax base this would result in a Council Tax increase of 4.0%. It would be difficult to foresee this level of increase being subject to capping.

13. Legal Considerations

The Authority has a statutory duty to notify its precepts to Billing Authorities by 1 March 2008 and has no power to issue a supplementary precept.

Other Considerations

In preparing this report the relevance of the following factors has been considered: service delivery, health and safety, personnel, equality and diversity, asset management, corporate risk and efficiency.

14. OFFICERS' RECOMMENDATIONS

It is recommended that the Authority determine the budget requirement and the precepts to be notified to the Billing Authorities

**BRIAN TREGUNNA
CHIEF FIRE OFFICER
AND CHIEF EXECUTIVE**

**RICHARD APPLEBY
TREASURER**

20 February 2008