

2011/12 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

- a) Approve the revised expenditure figures as a basis for developing the budget at the Fire Authority on 15 December 2010;
- b) Approve seeking to secure the precept freeze grant by setting a zero increase in precept in 2011/12
- c) Approve the current policy for reserves and provision, (subject to addressing the outstanding issues highlighted), at the December meeting of the Fire Authority.

3 Background

The Committee through the Budget Working Group and the Strategic Risk and Planning Working Group (STRaP) has based its budget planning to date as follows. Expenditure is largely based on the forecasts approved by the Fire Authority in February 2010, but inflation has been reduced along with forecasts of grant and precepts to match a low inflation period together with a widely trailed 25% reduction in grant.

	2011/12	2012/13	2013/14	2014/15	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	21,366	21,459	20,989	20,867	
Committed Changes	429	47	-44	-10	
Pay and Prices	162	168	409	418	
Service Developments	200	200	200	200	
Efficiencies	-190	-190	-190	-150	
2011/12 onward Capital Schemes	42	189	174	163	
<i>Expenditure before reductions</i>	<i>22,009</i>	<i>22,423</i>	<i>22,972</i>	<i>23,593</i>	<i>23,593</i>
Reduction Required	-550	-884	-671	-733	-2,838
Expenditure	21,459	20,989	20,867	20,755	20,755

This was to be funded as follows:

Grant	7,752	7,236	6,720	6,203	
Council Tax	13,677	13,723	14,117	14,522	
Collection Fund – surplus	30	30	30	30	
	21,459	20,989	20,867	20,755	

This report deals with changes to existing expenditure budgets, and forecasts implications for reserves.

Funding estimates can only be completed once final information is available in early January on the Council Tax Band D base and the Collection Fund surplus, but current projections can be retained for the time being given the lack of clear alternative information.

The grant settlement for 2011/12 for this Authority will not be known until late November at the earliest however formal guidance on likely reductions in grant as well as the “tax freeze” grant following the Comprehensive Spending Review (CSR) can be adopted to update the income forecasts which have been used in planning up to this point.

Finally the report adds forecasts for the final fifth year of the planning period although this must be speculative given that it is beyond the current CSR

4 Revised Budget Summary

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

	2011/12	2012/13	2013/14	2014/15	2015/16
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	21,366	21,808	22,376	22,733	23,360
Committed change	160	76	-95	79	-40
Pay and Prices	336	401	425	433	442
Efficiencies	- 290	-190	-190	-150	-150
2011/12 and later Capital Programme	36	81	17	65	37
Service Developments	200	200	200	200	200
	21,808	22,376	22,733	23,360	23,849

5 Summary to date

At this stage, further work is needed on all forecasts. However, changes already identified show that the originally planned deficits and, therefore, potential reductions in spending and reserves in 2011/12 through to 2014/15 have been lowered by expenditure reductions from £23.593m to £23.360m. i.e. £233,000.

The reasons for these reductions are set out below:-

	Committed Growth	Pay and Prices	Efficiencies and Service Developments	Capital Programme	Reduction in Expenditure Now Estimated
	£000	£000	£000	£000	£000
2011/12	-269	174	-100	-6	-201
2012/13	29	233	-	-108	154
2013/14	-51	16	-	-157	-192
2014/15	89	15	-	-98	6
	-202	438	-100	-369	-233

The main reasons for the changes are:

- i Committed growth .The reduction results from the legacy inflation already identified, of £100,000; reduced actuarial assumptions for the Local Government Pension Scheme of £62,000 and capital costs of committed schemes £86,000.;

- ii Pay and Prices - An increase of £174,000, £233,000, £16,000 and £15,000 is largely as a result of bringing forward an assumption of 1.5% pay inflation in 2011/12.
- iii Efficiencies and Service Developments. The increased efficiencies is a result of including the £100,000 insurance costs saved in 2010/11.
- iv Revenue costs of Capital Programmes. These are the effects of the Public Value review of capital schemes starting in 2011/12 onwards.

6 Funding Assumptions

It is now possible to re-appraise the income forecasts following the letter from the Minister on 20 October 2010.

Firstly it will be possible to reflect the latest projected reductions in grant together with their back-loading.

Secondly it will be possible to assume a revised set of precept increases following the letter from Communities and Local Government (CLG) dated 21 October 2010 setting out the rules for the "Council Tax Freeze". In particular it is assumed that the objective should be to set a zero increase in precept in next year in order to minimise the impact on Council Tax by obtaining the equivalent of a 2.5% increase through the tax freeze grant which is worth approximately £335,000.

There remain of course a number of significant uncertainties but at least such an exercise enables a re-appraisal of the work done through the Public Value process to identify the spending reductions required.

The main uncertainties now remaining are:

- i The 2011/12 and later years' precept increase excessiveness criteria. This is currently perceived to be 2.5% given that grant equivalent to such an increase is available (if only in 2011/12);
- ii The detail of phasing the back-loading of Revenue Support Grant reductions
- iii Grant formula or data change increases (or decreases) from 2011/12 onward;
- iv Other potential grant changes e.g. the effect of specific grant consolidation in revenue support,
- v Rebalancing grant and precept income (presumably through the grant mechanism)
- vi The meaning of real-term and cash equivalent reductions
- vii The Band D base; and
- viii The collection fund surplus or deficit.

However an updated income forecast might be:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Revenue Support Grant	7,855	7,441	6,821	6,201	6,536
Tax Freeze Grant	335	335	335	335	-
Precept	13,408	13,454	13,840	14,237	14,634
Collection Fund	30	30	30	30	30
Total Income	21,628	21,260	21,026	20,803	21,200

Given the range of forecasts possible in the light of the unknowns set out above, it is difficult to select any particular assumptions. However the table above makes the following assumptions:

- Precept increases are zero in 2011/12 and 2012/13 and 2.5% thereafter;
- Grant reduces by 25% in cash terms i.e. 5% in 2011/12 and 2012/13 and 7.5% in each of the following years;
- There is an increase in Band D base in line with experience in recent years;
- The collection fund remains in surplus roughly at 2010/11 levels.

These scenarios increase income by £48,000 over the original forecast. This is because the freeze grant at 2.5% is greater than the 2.0% originally assumed. The net changes to expenditure and income produce the following deficits:-

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Deficits / (Surplus)	180	1,116	1,707	2,557	2,649
- <i>annual increase</i>	180	936	591	850	92

7 Outlook and Future Planning

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

At this point it will be necessary to close the funding gap by a combination of reductions identified through the Public Value process, and or alternative precept planning. The current position on Public Value reductions is set out in the attached paper

The potential savings identified through the Public Value process are set out below and adjusted for those items which have already been incorporated into other papers:-

	2011/12	2012/13	2013/14	2014/15	Total
	£000	£000	£000	£000	£000
Public Value Totals	1,146	597	588	422	2,753
<i>Legacy inflation</i>	-100				-100
<i>Insurance savings</i>	-100				-100
<i>Forward capital programme</i>	-63	-90	-160	-125	-438
	883	507	428	297	2,115

The impact of these reductions is to create a surplus of £703,000 in 2011/12, £274,000 in 2012/13 and £111,000 in 2013/14. This would be followed by a deficit of £442,000 in 2014/15 and £534,000 in 2015/16.

At this stage it is proposed to go forward to the Authority on the basis of these figures, subject to any further information on the grant settlement, and subject to , to further work being carried out on the most effective way to use the predicted surpluses in the early years of the plan to reduce committed expenditure in later years.

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.

Business Continuity Planning		Member Involvement	
Capacity		National Framework	
Civil Contingencies Act		Operational Assurance	
Efficiency Savings		Public Value	
Environmental		Retained	
Financial	*	Risk and Insurance	
Fire Control/Fire Link		Staff	
Information Communications and Technology		Strategic Planning	*
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Legal	*		

Base Budget plus Committed Change

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202 or Joanne Coadey, Principal Accountant, on 01743 260215.

1 Purpose of Report

This report shows the latest position on the base budget plus committed change, following budget reviews by heads of department.

2 Recommendations

The Committee is asked to note the contents of the report, for inclusion in the budget summary shown in report 5.

3 Background

As the first step in the budget setting process, finance staff and heads of department have reviewed all current budgets. This review has taken into account both changes that have been made to date to the 2010/11 revenue budget, and anticipated changes for 2011/12 and future years.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process, and reported to members.

4 Revised Position following Review

	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000
a) 2010/11 Budget	21,366	21,366	21,366	21,366	21,366
b) Committed Changes					
Firefighters' Pensions	120	160	160	160	160
Leasing		-8	-71	-80	-80
Debt Charges prior to 11/12:	-51	-14	-46	-68	-108
Pay award (2009/10)	-100	-100	-100	-100	-100
LGPS Valuation	-20	-20	-20	40	40
Firefighters Pension Revaluation	100	150	150	200	200
10/11 Committed Growth	203	225	225	225	225
10/11 One off Growth	-19	-19	-19	-19	-19
Bounty payments	-10	-10	-10	-10	-10
CPD	10	10	10	10	10
Scientific Advice	10	10	10	10	10
Furniture		-15	-15	-15	-15
Stowage	-19	-19	-19	-19	-19
Uniforms and Clothing	-50	-100	-100	-100	-100
Rent – hill top sites	-12	-12	-12	-12	-12
Vacancy Management Efficiency	150	150	150	150	150
Training Efficiencies	-4	-4	-4	-4	-4
Changes to Ridership Factors	-148	-148	-148	-148	-148
Total	21,526	21,602	21,507	21,586	21,546
Total movement in base budget	160	76	-95	79	-40

5 Financial Implications

There are no financial implications other than those mentioned in the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 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.

8 Appendices

There are no appendices attached to this report.

9 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.

Business Continuity Planning		Member Involvement	
Capacity		National Framework	
Civil Contingencies Act		Operational Assurance	
Efficiency Savings		Public Value	
Environmental		Retained	
Financial	*	Risk and Insurance	
Fire Control/Fire Link		Staff	
Information Communications and Technology		Strategic Planning	*
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Legal	*		

Pay and Prices Assumptions

Report of the Treasurer

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

1 Purpose of Report

This report sets out the possible provision to be made for pay and price inflation in 2011/12 and later years.

2

Recommendations

The Committee is asked to recommend that the Fire Authority bases its future budget plans at present on option 2 as exemplified in paragraph 5.

3 Background

The Fire Authority has always had a policy of fixing a realistic provision for unknown pay and prices changes. This avoids on the one hand making too big a charge on the tax payer, leading either to pressure elsewhere when setting the budget or to possible under-spends at the year-end. On the other hand, if the provision is too small, then the shortfall would have to be funded from elsewhere in the budget during the year, either from reserves or possibly by cuts in service. The following year's budget would then have to make up the shortfall; and find money to restore the service cuts, if they were not to be ongoing.

The methodology previously adopted by the Authority for establishing its pay and prices contingencies has been to:

- i) Analyse its base budget (2010/11) into the spending areas where pay or price changes can be significant;
- ii) Make pay assumptions for firefighters, based on any consensus that exists among fire authorities for the likely outcome of the nationally negotiated settlement;

- iii) Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- iv) Take account of known problem areas, such as increments; rank to role; expected progression through scales; and tax changes; and
- v) Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, such as debt charges, and apply appropriate percentages to each.

4 Current Developments

The Authority's policy has always, therefore, been to make realistic provision for unknown pay and price changes. In recent years pay and prices have been relatively stable. It has proved sensible to base forward planning on an across the board average of 2.5% for both pay and prices, and for each year in the forward plan period. Assumptions for pay cover not just the pay award itself but the variations year on year on the net cost of increments and Continued Professional Development (CPD) payments

In 2010/11 pay inflation for the Fire Authority appears to have become minimal, although no final settlements have yet been completed. Price inflation has been more mixed with large increases in some areas such as fuel and transport but low increases or even reductions elsewhere. Looking forward, there is great uncertainty. The key determinants are pay settlements – in July for firefighters and April for support staff. Will these continue to be low or will there be upward pressure as prices continue to rise for many items of everyday expenditure and the effect of January's VAT increase works through? The table below shows the relative significance of elements of the Fire Authority's budget and therefore the relative impact of inflation.

	Base Budget 2010/11 £ 000	Change of a 1% variation £000
Firefighter etc pay; NI and Pensions	12,715	127
Support staff etc pay; NI and Pensions	2,853	29
Prices / Income Changes	4,933	49
Zero Items	1,115	-
	21,616	205

i.e. 1% error in the assumptions on the firefighters' pay settlement costs / saves £127,000 in a full year.

Next year and the following four years of our budget planning for pay awards are therefore particularly difficult to predict. Will 2011/12 and the early years be affected by pay freezes, possibly associated with multi year pay deals, in a

period of very tight grant settlements? Will this set the trend for later years or will inflationary pressures build up?

Prices are equally difficult to forecast, with low increases generally expected while economic growth recovers. However there will be areas of high inflation, e.g. in fuel and power.

5 Conclusions

There is no consensus over how pay and prices will move over the next year, or indeed the five years of the service plan. In addition, other unknown factors may increase or reduce the cash costs of simply maintaining current service levels. It is, therefore, recommended at this stage to model a second scenario and test the impact on decision making. Option 1 is the model we have used to-date and Option 2 is a slightly higher forecast for future pay increases but retains the 3% assumption for prices in 2011/12 but reduces this to 2% in later years. Both options are broad-brush and will overstate some areas and understate others and will need to be reviewed as the budget process progresses, particularly for the later years.

	Option 1 Pay %	Option 2 Pay %
2011/12	Zero	1.5
2012/13	1.5	2.0 (and prices)
2013/14	1.5	2.0 (“)
2014/15	2.0	2.0 (“)
2015/16	3.0	2.0 (“)

The detailed calculations are shown below:

	Option1	Option 2
2011/12	£148,000	£336,000
2012/13	£340,000	£401,000
2013/14	£393,000	£425,000
2014/15	£466,000	£433,000
2015/16	£624,000	£442,000

For the present it is recommended that the figures in Option 2 are adopted. They front load costs and therefore give more scope to adjust spending plans as the budget process is completed and do allow more scope to accommodate any unexpected additional costs such as increments if staff turn-over reduces.

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 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.

9 Appendix

There are no appendices attached to this report

10 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	*

Efficiencies 2011/12 and Forward 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 looks at progress in identifying efficiencies for the period 2011/12 to 2015/16.

2 Recommendations

The Committee is asked to recommend to the Fire Authority that it include £290,000 for planning the 2011/12 budget, and that it continue with a target of £150,000 per year for later years.

3 Background

The Authority has a policy of maximising efficiency gains, i.e. achieving more for the same cost, or the same for less cost. In recent years, it has reported the following efficiencies:

	Budget £000	Actual £000
2010/11	427	-
2009/10	149	281
2008/09	100	327
2007/08	100	252
2006/07	336	318
2005/06	85	203
2004/05	108	167
		<hr/>
		1,548

All Government targets have been met to date. However, it is difficult to identify ongoing efficiencies before the start of the year, and deliverable items have often been identified as the year progresses.

It is recommended that this approach is continued. Unless there is a clear idea of how money can be saved through efficiencies, it would not be prudent to budget on targets justified only by past performance, where we could not be certain to deliver.

Although it is not yet known if the Government's requirement for Annual Efficiency Statements will continue, it seems prudent to continue to budget for, and identify efficiencies as part of the budget setting process, in order to demonstrate the Authority's ongoing commitment to best value. The Government's current national annual ongoing efficiency target, which it disaggregates to this Authority is £307,000.

4 Work to date

To date potential efficiency savings have been identified as follows:

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000
Review of Consultations	18	18	18	18	18
Saving in ill-health retirement costs (reduce assumption lines to 2 retirements a year)	40	80	120	120	120
Post conversion	17	17	17	17	17
Insurance savings	100	100	100	100	100
Target for later years	115	265	415	565	715
	290	480	670	820	970

5 Summary

The reductions each year would be:

	Known £000	Target £000	Totals £000
2011/12	175	115	290
2012/13	40	150	190
2013/14	40	150	190
2014/15	-	150	150
2015/16	-	150	150

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 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.

9 Appendices

There are no appendices attached to this report.

10 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.

Business Continuity Planning		Member Involvement	
Capacity		National Framework	
Civil Contingencies Act		Operational Assurance	
Efficiency Savings	*	Public Value	
Environmental		Retained	
Financial	*	Risk and Insurance	
Fire Control/Fire Link		Staff	
Information Communications and Technology		Strategic Planning	*
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Legal	*		

Capital Programme 2011/12 to 2015/16

Report of the Treasurer

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

1 Purpose of Report

This report sets out the current schemes put forward for inclusion in the next five years' budgets. It then sets out the potential revenue consequences, subject to public value consideration, including project appraisals and to a review of financing possibilities.

2 Recommendations

The Committee is recommended to propose to the Authority, for inclusion in its five year budget planning,:

- a) The schemes set out in the appendix to this report;
- b) The potential funding of these schemes and the maximisation of the capital reserve, if possible; and
- c) The revenue consequences that would flow from these schemes.

3 Background

The Authority has already agreed capital programmes for 2010/11 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years. These figures are reviewed and included in earlier reports as commitments.

There is now reduced scope for changing the revenue consequences by altering policy on how these committed schemes are financed. This follows changes in accounting rules, which attempt to link funding to the anticipated life of the asset acquired.

This report deals with the options available for new schemes starting next year.

4 The Starts Programme

The schemes currently under consideration are set out in the appendix to this report, and can be summarised as follows:

Year of Start	Total Project Cost of Starts £ 000	Revenue Consequences				
		2011/12 £ 000	2012/13 £ 000	2013/14 £ 000	2014/15 £ 000	2015/16 £000
2011/12	775	36	102	102	102	102
2012/13	105		15	15	15	15
2013/14	450			17	53	53
2014/15	400				29	36
2015/16	1,200					30
		36	117	134	199	236
Annual Addition		36	81	17	65	37

It should be noted that revenue consequences are limited to financing costs – any other costs need to be flagged up as part of the project appraisals. Also, the Authority is presently only committing itself to 2011/12 scheme starts. The majority of schemes are currently shown as being spent in the year of the start. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspendings. Recent steps to minimise this have been taken with regular progress reports being made to the committee.

The revenue consequences are calculated in the following way. It is assumed that a loan will be raised at a mid point in the year – at 5%. Provision to repay the loan is now required to be set, beginning in the following year, at an appropriate level or Minimum Revenue Provision (MRP). This would be 4% where the asset is expected to last 25 years, but a higher percentage where asset life is shorter than 25 years. Similarly, where assets are financed from the capital reserve, repayments back to the reserve to pay for their replacement are made over the life of the asset.

Officers are currently producing project appraisals for each scheme to confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any knock-on revenue consequences, such as running costs of property or systems.

5 Prudential Guidelines

The main overall question concerns sustainability. Government supported borrowing within the Revenue Support Grant totalled a little under £500,000 in 2010/11. There was also a capital grant of £691,000 in that year. The Authority will need to take into account the capital funding levels put forward for future years in the Comprehensive Spending Review in judging the prudence and sustainability as well as the merits of the schemes involved. The Authority will, therefore, need to evaluate the final programme presented in January in the light of Prudential and Treasury Management Guidelines.

6 Capital Programme and Reserves

The forward capital programme has been thoroughly reviewed by officers and possible variations to the previous programme put forward during the Public Value consultation process. Projects now included have been tested to ensure that as far as possible they are both realistically costed and will start when scheduled. This has resulted in a number of schemes being dropped from the capital programme although there is a high possibility that schemes will be needed in the period although their exact nature timing and amount are currently uncertain. Examples of this are some I.T. issues and the possible need for work at Telford. The report on Reserves and Provisions therefore takes into account the need to retain some capacity to fund projects of this nature.

7 Financial Implications

The financial implications are as outlined 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 Appendix

Capital Programme 2011/12 to 2015/16

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.

Business Continuity Planning		Member Involvement	
Capacity		National Framework	
Civil Contingencies Act		Operational Assurance	
Efficiency Savings		Public Value	
Environmental		Retained	
Financial	*	Risk and Insurance	
Fire Control/Fire Link		Staff	
Information Communications and Technology		Strategic Planning	*
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*
Legal	*		

Capital Programme 2011/12 to 2015/16

Scheme		Total	2011/12	2012/13	2013/14	2014/15	2015/16
		£000	£000	£000	£000	£000	£000
2011/12							
Breathing Apparatus Set Upgrade	Loan	330	8	50	50	50	50
Wellington Building Improvements	Loan	100	3	9	9	9	9
Information Technology	Fund	65	9	9	9	9	9
Four Wheel Drive Vehicles (3)	Fund	80	11	11	11	11	11
Appliance Replacement (1)	Loan	200	5	23	23	23	23
		775	36	102	102	102	102
2012/13							
Replace Workshop and Store(2) Vans	Fund	55		8	8	8	8
Provisional Sum to replace light vehicles	Fund	50		7	7	7	7
		105		15	15	15	15
2013/14							
Appliance replacement(2)	Loan	400			10	46	46
Provisional Sum to replace light vehicles	Fund	50			7	7	7
		450			17	53	53
2014/15							
Replacement of Prime Movers (2)	Loan	150				8	15
Replace Ford Rangers(5) and Land Rovers (2) including pods	Fund	250				21	21
		400				29	36
2015/16							
Replace Sabre Appliances(6)	Loan	1,200					30
		1,200					30
			36	117	134	199	236

Public Value Outcomes 2010

Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260201 or Steve Worrall, Assistant Chief Fire Officer on 01743 260204.

1 Purpose of Report

This report sets out the summary financial and service planning outcomes arising from the 2010 Public Value review, particularly in respect the scheduling and nature of proposed budget cuts during the period 2011-2015. The outcomes and proposals set out herein have been considered and accepted by the Fire Authority's Strategic Risk and Planning Working Group (STRaP).

2 Recommendations

Members are recommended to:

- a) Note the contents of this report and agree to the recommendations of the STRaP (as detailed in section 5); and
- b) Endorse the recommendations of STRaP to the next meeting of the Fire Authority (15th December 2010).

3 Background

To address the impact of the recession upon Shropshire Fire and Rescue Service a Public Value review was introduced at the outset of 2010. The Member led review, through a structured process of staff engagement, has sought to solicit the views, opinions and moreover support of staff to unite into a single team to form a collective strategy to address likely budget cuts.

In total 40 Public Value staff engagement sessions have taken place with approximately 95 percent of the Service's 650 staff participating. In addition, a number of Local Joint Committees have also been engaged.

4 Public Value Outcomes

Staff have identified a range of initiatives, which if successfully managed and implemented, will result in an incremental 25 percent reduction of Service's budget over a four year period. The initiatives predominantly take advantage of natural staff attrition to secure savings whilst maintaining, without significant reduction, frontline services to the community. Essentially, and in accordance with earlier directions from Members, the proposals allow for a gradual budget reduction (currently estimated at £2.7m – £2.9m in cash terms) whilst – avoiding compulsory redundancies, maintaining all fire stations and alleviating the necessity for merger with one or more other fire authorities. The summarised proposals are appended.

Full details regarding these proposals have been circulated to the representative bodies and moreover have been considered and accepted by members of STRaP. A tabular summary of the proposals is appended.

The proposals amount to approximately **£2.7m** over a four-year period. In addition to the savings identified, officers remain confident that additional savings will be achievable over the same period from the continuing challenge of all contract renewals. Officers estimate that, over a four-year period, an additional £150,000 of savings may be realizable through more rigorous contract challenges (including changes to current lease car provision which over four years should release at least £20k savings).

As a consequence, it is anticipated that approximately **£2.9m** of savings through budget cuts may be realised over the four-year period.

5 Comments of the Strategic Risk and Planning Working Group

Members of STRaP met on 12th November to consider the outcomes of the Public Value review and agreed:

- a) That in their opinion the outcomes reflect a fair and accurate representation of the feedback provided by staff through the Public Value review process.
- b) That Members were satisfied that the proposals (summarised in Table 1 above) provide a pragmatic but moreover integrated four-year strategy to address budget reductions.
- c) That Members recommend the endorsement of the proposals to the Authority's Strategy and Resources Committee.

6 Next Steps

The outcomes of the Public Value process are currently being consulted upon with the representative bodies and the public through three public consultation sessions.

Matters arising from these consultations, together with the observations and recommendations of the Strategy & Resources Committee will be presented by way of a comprehensive Public Value Review Report to the Fire Authority at its 15th December 2010 meeting for ratification.

7 Financial Implications

There are no financial implications arising from this report.

8 Legal Comment

There are no 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 determined 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 Appendix

Summary of Proposed Budget Reductions 2011/12 – 14/15

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	

Summary of Proposed Budget Reductions 2011/12 – 14/15

2011/12	Saving	2012/13	Saving	2013/14	Saving	2014/15	Saving
Area:		Area:		Area:		Area:	
Legacy Inflation	£100,000	Reduction of 2 Non-Uniform Posts	£50,000	End to permanent crewing of RT (from 01/01/2014)	£80,000	End to permanent crewing of RT (from 01/04/2014)	£217,000
Insurance Premium Reductions	£100,000	Reduction of 5 RDS Posts	£30,000	Reduction of 2 Non-Uniform Posts	£50,000	Reduction of 2 Non-Uniform Posts	£50,000
Reduction of 2 Non-Uniform Posts	£50,000	Reduction in RDS budget	£50,000	Reduction of 5 RDS Posts	£30,000	Reduction of 5 RDS Posts	£30,000
Reduction of 5 RDS Posts	£30,000	Reduction in Capital Programme	£90,000	Reduction in Smoke Alarm Budget	£75,000	Reduction in Capital Programme	£125,000
Reduction of 4 planned DST officers	£148,000	Reduction in Building Maintenance Budget	£50,000	Reduction of 1 Training Instructor post	£43,000		
Reduction of 4 WT watch managers	£172,000	Revised Relief Crew Policy	£30,000	Reduction in Capital Programme	£160,000		
Reduction of 6 Incident Command posts	£372,000	Cessation of permanent crewing of ALP	£297,000	Reduction in Building Maintenance Budget	£50,000		
Removal of station messing	£61,000			Reduction of 1 Brigade Manager post	£100,000		
Reduction in RDS budget	£50,000						
Reduction in Capital Programme	£63,000						
Saving:	£1,146,000		£597,000		£588,000		£422,000
Accumulative Savings:	£1,146,000		£1,743,000		£2,331,000		£2,753,000

Key to abbreviations:

RDS – Retained Duty System personnel, **WT** – Wholetime Duty personnel, **DST** – District Support Officers, **ALP** – Aerial Ladder Platform, **RT** – Rescue Tender

Provisions, Reserves and Funds

Report of the Treasurer

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

1 Purpose of Report

This report sets out the issues, which the Fire Authority will need to consider as part of its annual review of provisions, reserves and funds.

2 Recommendations

The Committee is recommended to propose to the Fire Authority that it:

- a) Confirm the existing policy and continue the Equipment Replacement Provision;
- b) Review the level of the General Reserve as the current budget position becomes clearer;
- c) Re-price the General, Earmarked Capital, and Pension Liabilities and Other Staff Issues Reserves; and
- d) Confirm the other earmarked reserves at their current levels, subject to reviewing the issues raised on pensions and un-foreseen capital schemes.

3 Background

The Authority's provisions, reserves and funds at 1 April 2010 were as follows:

Provisions	£000
Equipment Replacement	45
	<hr/> 45
Reserves	
General Reserve	523
Efficiency Reserve	60
Extreme Weather	303
Pension Liabilities and Other Staff Issues	1,480
Capital – earmarked	378
– un-earmarked	1,733
	<hr/> 4,477

**General Fund
Total**

511
5,033

The Authority's policy is to:

- Make provision for known and quantifiable future expenditure;
- Establish reserves for specific known and potentially significant future expenditure, which cannot be precisely quantified or scheduled;
- Establish a general reserve for known risks, which cannot be easily quantified or scheduled but could be pooled;
- Review the provisions and reserves during the budget process (the purpose of this report) and on closing the accounts;
- Ensure that all provisions and reserves are inflation-proofed, i.e. earn interest, if appropriate; and
- Consider the opportunity cost of holding reserves and balances against the opportunity cost of either lower tax demands or alternative service delivery, and consequently also hold no monies in the General Fund unless agreed to enhance future budgets.

4 Provisions

Equipment Replacement

The equipment replacement fund smoothes out expenditure on items of operational equipment, receives annual contributions for their replacement over their expected life, and replaces them, when necessary.

The balance was budgeted to be £65,000 in April 2010, i.e. it has been slightly more reduced than expected. The provision has proved useful in dealing with the ongoing replacement of equipment, particularly relating to leases, and it is recommended that the provision is maintained.

5 General Reserve

The General Reserve meets known risks, which are difficult to quantify or schedule. The Authority does not wish to take tax revenue, which may never be needed, and, therefore, tries to attribute a weighting representing the likelihood of an individual risk happening. This has led to a provision of £523,000, details of which are set out in the appendix to this report.

The level of value of the risks should be re-priced to match inflation (although at current rates this is likely to be small) and the probabilities reviewed. The total reserve of £523,000 represents just below 2.5% of gross expenditure.

The major current uncertainties are the transition to Firelink/Regional Fire Control. At present some risk of maintaining current systems is covered (net £32,000) but there may be staff related issues, which will be kept under review to see if there is a case for setting aside reserves for this major one-off risk. In addition there is a major risk associated with pay and price inflation going forward. Future plans are based on relatively modest increases and there may be a case for re-introducing an element to cover unexpectedly high

increases, at least for the year in which they occur.

6 Earmarked Reserves

a) Efficiency

There is budgeted expenditure of up to £60,000 for investment in efficiencies. This would potentially exhaust the reserve and there might be merit in topping it up from any net future savings, especially if finding future efficiency targets requires up-front funding.

b) Extreme Weather

The balance represents the monies saved in previous years against the budget provision for an average year. Recent experience indicates that the revenue provision for call-outs and additional hours may be too high, i.e. the average annual cost has dropped. This may be due to Community Fire Safety driven efficiencies, or better weather etc. It was decided, therefore, that this reserve is frozen and the revenue budget was revised downward. There seems no reason to change the policy of holding the reserve at its current level.

c) Pension Liabilities and Other Staff Issues

The purpose of this reserve is to meet one-off contributions required by the Government to the Pensions Account for sickness retirements above the past average of three each year, provided for in the revenue budget. The reserve also meets other costs, which are not met by the Pensions Account, such as injury benefits.

At present the notional provision by the Government Actuary for sickness pensions nationally would be greater than our present revenue budget, i.e. reflecting our anticipated better-than-average performance at managing ill-health retirements. This does, however, argue for caution but the number of ill-health retirements has not yet exceeded three in any year since 2006/07 and the level of revenue budget provision is reviewed elsewhere in these budget papers. Subject to that review which is likely to reduce the annual revenue budget it is recommended that the reserve is retained

Last year it was decided to broaden the scope of the reserve to include any potential liabilities arising from the outstanding issue of retained firefighter pension and other costs between 2000 and 2006 and a further £700,000 was added to the reserve for this purpose when the Accounts for 2009/10 were closed. No further progress has been made nationally to finalise the position and it is recommended that the reserve be maintained with an addition for inflation.

There may be a need to provide an additional sum to cover future implications of changes to the Firefighters' Pension schemes. and this will be kept under review.

d) Capital - Earmarked

The objective of this reserve is to fund small and recurring items of capital, and receive contributions over their life, thereby ensuring their eventual replacement from the reserve. There seems no reason to change this approach, although a review may be required, if savings are needed in future years.

The position, before amendments to the capital programme are made, is as follows:

	2010/11	2011/12	2012/13
	£000	£000	£ 000
Balance 1 April	378	18	3
Expenditure	-578	-395	-105
Income			
- Contributions	195	245	210
- One-off receipts		110	
- Re-pricing	23	25	28
Balance 31 March	<u>18</u>	<u>3</u>	<u>136</u>

It should be noted that expenditure and contributions will need to be changed to reflect decisions on the currently approved capital budgets for 2011/12 onwards. There is a risk that a temporary contribution may be required in later years to maintain the solvency of the reserve. This will be revisited once the capital programme has been updated.

e) Capital - Un-Earmarked

The objective of this reserve is to build up funding from revenue savings that can then be used to maximise revenue funding of the St Michael's St. Capital scheme. The objective is to minimise borrowing and, therefore, committed debt charges in future years.

Currently the position is expected to be as follows:

	Reserve
	£000
Balance 1 April 2010	1,733
2010/11	
Agreed contribution	165
Transfer to revenue	-135
Capital payments	-1,044
Inflation Proofing	23
Budget surplus 2010/11	251
2011/12	
Transfer to earmarked reserve	-110
Capital payments	-
Inflation Proofing	35
Closing balance	918

The table above assumes the following cost and funding of the St. Michael's St. Scheme:

	Reserve	Grant	Loan	Total
	£000	£000	£000	Payments
				£000
2009/10	21.0	103.0		124.0
2010/11	1,044.0	691.0	330.9	2,065.9
2011/12	-	-	1,665.1	1,665.1
Total	1,065.0	794.0	1,996.0	3,855.0

It also assumes that the surplus and deficits expected in 2011/12 and later years will not be added to or met from this reserve. Some of the balance currently estimated at £0.918m may be needed to hold as a reserve to fund capital schemes that prove unavoidable but which are currently not included in the capital programme (e.g. the need for some work at the Telford site or for IT investment or upgrade.) However the surplus could also be used to reduce the borrowing on the St Michael's St. or other capital schemes, or to help phase budget reductions.

7 General Fund

The General Fund is simply the net balance of over and underspendings during the year. The Authority's policy is not to accumulate funds year on year (and obviously to deal with any potential overspend). The balance in the General Fund at 1 April was £511,000 and the Fire Authority agreed to add £346,000 to various budgets in the current year to meet previously approved expenditure that had slipped into or was needed in 2010/11. The balance of £165,000 was transferred to the Un-earmarked Capital Reserve.

8 Financial Implications

The financial implications are as outlined in 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 Appendix

Build-Up of General Reserve 2010/11

12 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	

Build-up of General Reserve 2010/11

	Risks as categorised by CIPFA	Absolute Level £ 000	Probability %	Current Provision £ 000	Comment
1	Cash Flow	50	10	5	No significant change to risk or amount. The use of cash to delay borrowing raises risks slightly. Main problem has been timing of pension payments and top up grant.
2	Inflation Assumptions	426	-	-	No risk if realistic provision is made in the revenue budget..
5	Other demands including new legislation	50	10	5	Deals with issues such as unexpected costs arising from changes as costs and responsibilities within the public sector are resolved.
6	Firelink / RCC	330	10	33	Delays on resolving the position of RCC's mean this is a continuing risk. FireLink /Airwave issues are covered in the revenue budget
7	Specific Risks	118	50	59	Deals with one-off technical matters threatening service delivery.
8	Ongoing Risks i Vehicle Accident ii Ill health and injury iii Industrial Action iv Technical Problems v Uninsurable Risks	205 108 106 206	20 - 50 50	41 - 54 53 106	Would deal with one major appliance at £200,000. Would cover any gap between early termination of a lease and any insurance receipt. Dealt with by pensions earmarked reserve provision Based on known experience Principally IT or telecoms problems Would cover such issues as anti-discriminatory legislation and data protection
9	Loss of Grants, receipts or other external Funding	118	50	59	Grants should become part of revenue budget processes each year as they are likely to be absorbed into RSG. This covers any unexpected loss of income mid-year.
11	Changes to National Purchasing	110	50	55	Could mean current contracts unviable
12	Financial Control	250	10	25	Reflects likely risk of overspends through weak systems of control
13	Uninsurable health and Safety Risks	120	10	12	Identified from the risk register.
14	Fines from Corporate Manslaughter Legislation	160	10	16	Based originally on a £150,000 fine imposed on an Authority. Not a high amount as courts may not want to penalize local taxpayers.
	General Reserve	2,357		523	

