

## 2014/15 and Later Years Revenue and Capital Budgets

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

### 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 Fire Authority in December 2013.

### 2 Recommendations

The Committee is asked to approve the revised expenditure figures as a basis for developing the budget at the meeting of the Fire Authority on 11 December 2013.

### 3 Background

The Committee has based its budget planning in terms of expenditure on the forecasts approved by the Fire Authority in February 2013. However, a number of assumptions have been revised, and these have been taken into account in the report.

This was the position, as approved by the Fire Authority in February 2013.

	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Base Budget	20,572	20,352	20,488	20,774
Committed Changes	101	-	-29	90
Pay and Prices	324	303	308	448
Efficiencies	-	-	-	-
Capital Schemes –				
New Starts	26	10	5	5
Service Transformation Programme	-370	-150	-	-
Public Value Reductions	-297	-	-	-
Other Expenditure	-4	-27	2	-2
Expenditure	<u>20,352</u>	<u>20,488</u>	<u>20,774</u>	<u>21,315</u>
Surplus / -Deficit	<u>662</u>	<u>66</u>	<u>-308</u>	<u>-901</u>
<b>Expenditure</b>	<b><u>21,014</u></b>	<b><u>20,554</u></b>	<b><u>20,466</u></b>	<b><u>20,414</u></b>

This was to be funded as follows:

Grant	8,049	7,251	6,815	6,407
Council Tax	12,965	13,303	13,651	14,007
Collection Fund – surplus	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b><u>21,014</u></b>	<b><u>20,554</u></b>	<b><u>20,466</u></b>	<b><u>20,414</u></b>

This report deals with existing expenditure budgets. 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 planning will continue, based on current assumptions.

This report adds forecasts to 2019/20, in line with the 2020 scenario planning process. Financial years beyond 2015/16 are outside of the Government's planning periods and are speculative at this stage. Grant reductions of 6% per year have been used for planning purposes.

## 4 Revised Budget Summary

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

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000	£000
Previous Year's Budget	20,572	19,972	20,354	20,379	20,862	21,296
Committed Change	-894	103	-253	88	2	-2
Pay and Prices	289	269	273	390	427	436
Efficiencies	-	-	-	-	-	-
2014/15 and later Capital Programme	5	10	5	5	5	5
Service Developments	-	-	-	-	-	-
	<b>19,972</b>	<b>20,354</b>	<b>20,379</b>	<b>20,862</b>	<b>21,296</b>	<b>21,735</b>

## 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 in 2014/15 through to 2017/18 have been lowered by expenditure reductions from £21.315m to £20.862m, i.e. £453,000.

Points to note are as follows:

- A sum of £200,000 has been released from the Pay contingency in 2014/15.
- Base changes for pay and prices in the planning period have reduced the total amount required by £162,000.
- Charges to committed costs and base adjustments have reduced the budget by around £100,000.

## 6 Funding Assumptions

### Grant

The grant settlement for 2014/15 is not yet confirmed, although indicative data has been provided as part of the technical consultation on the grant settlement. The consultation covered 2014/15, the last year of the current funding settlement, and also gave some information regarding 2015/16. This indicated that average further grant reductions, totalling 15% over the two years, could be expected.

It has been confirmed that the Council Tax Freeze Grant payable from 2011/12 will continue to be paid in 2015/16, although nothing has been confirmed after this date. The effect of this has been incorporated into the budget strategy.

## Precept

As the budget was set in February 2013, the Authority's precept strategy was as follows:

	2013/14	2014/15	2015/16	2016/17	2017/18
<b>Precept Increase</b>	1.99%	1.99%	1.99%	1.99%	1.99%
	(3p per week at Band D)				(4p per week at Band D)

As part of the technical consultation on the Grant settlement in September, it was announced that funding equivalent to a 1% increase in precept (pre council tax support base) would be available to those local authorities, who froze council tax in 2014/15, payable in 2014/15 and 2015/16. In addition, grant would also be payable to those, who froze council tax in 2015/16, payable in 2015/16 only. It is not known if the freeze grant will continue to be paid after 2015/16 – both scenarios are exemplified in the table below.

<b>Precept Strategy</b>	<b>2019/20 Surplus / (Deficit)</b>
Budget proposed in this paper – 1.99% Council Tax increase 2014/15 onwards	(1,535,000)
<b>2014/15</b> Do not increase council tax, accept freeze grant: £141k payable 2014/15 and 2015/16  <b>2015/16</b> Do not increase council tax, accept freeze grant: £141k payable 2015/16  Freeze grant <b>is not</b> rolled into base in 2016/17	(2,105,000)
<b>2014/15</b> Do not increase council tax, accept freeze grant: £141k payable 2014/15 and 2015/16  <b>2015/16</b> Do not increase council tax, accept freeze grant: £141k payable 2015/16  Freeze grant <b>is</b> rolled into base in 2016/17	(1,821,000)

Those local authorities that choose to increase precept levels by more than 2% will trigger a referendum.

## Collection Fund

Given the changes around localisation of council tax support, which took effect in 2013/14, and resulting pressures on the Collection Fund, it was considered prudent to remove any anticipated surplus from our planning. This approach has continued for this budget setting process.

### Income

Income forecast for the planning period is as follows:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Revenue Support Grant	7,975	7,326	6,570	6,176	5,806	5,457
Precept	12,962	13,299	13,645	14,000	14,365	14,738
Collection Fund	0	0	0	0	0	0
Total Income	20,937	20,625	20,215	20,176	20,171	20,195

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 1.99% for 2014/15 and thereafter;
- Grant reduces by a total of 15% in 2014/15 and 2015/16, grant for 2016/17 onwards is assumed to reduce by 6% per year;
- There is an increase in Band D base in line with experience in recent years; and
- No surplus or deficit is anticipated on the collection fund.

The net changes to expenditure and income produce the following deficits:

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Forecast Expenditure	19,972	20,354	20,379	20,862	21,296	21,735
Forecast Income	20,937	20,625	20,215	20,176	20,171	20,195
Deficits / (Surplus)	(965)	(271)	164	686	1,125	1,540

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

## **7 Financial Implications**

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

## **8 Legal Comment**

There are no direct legal implications arising from this report.

## **9 Initial Impact Assessment**

An Initial Impact Assessment has been completed for this report.

## **10 Appendices**

There are no appendices attached to this report.

## **11 Background Papers**

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

## Base Budget plus Committed Change

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011 or Joanne Coadey, Head of Finance, 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 2013/14 revenue budget, and anticipated changes for 2014/15 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

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
<b>a) 2012/13 Budget</b>	20,568	20,568	20,568	20,568	20,568	20,568
<b>b) Committed Changes</b>						
Firefighters' pension revaluation	50	50	50	100	100	100
LGPS valuation	60	60	60	100	100	100
Leasing	0	0	-85	-85	-85	-85
Debt charges	-70	-90	-110	-110	-110	-110
RDS pensions	40	40	40	40	40	40
Uniforms and clothing	50	50	50	50	50	50
Audit fees	-30	-30	-30	-30	-30	-30
Investment income	-15	-15	-15	-15	-15	-15
Pay contingency	-200	-200	-200	-200	-200	-200
Fire safety system upgrade	-20	-20	-20	-20	-20	-20
Animal rescue training	-	-20	-20	-20	-20	-20
Incident command training	-2	-9	-7	-9	-7	-9
Business rates	40	40	40	40	40	40
<b>Revenue Contribution to Capital</b>						
Schemes from 13/14	-500	-500	-500	-500	-500	-500
Implement replacement of Mobile Data Terminals	-	150	-	-	-	-
<b>d) Public Value Review</b>						
Remove permanent crewing of Rescue Tender	-217	-217	-217	-217	-217	-217
Reduction of 5 Retained Duty System posts	-30	-30	-30	-30	-30	-30
Reduction of 2 non-uniform posts	-50	-50	-50	-50	-50	-50
<b>Total</b>	<b>19,674</b>	<b>19,777</b>	<b>19,524</b>	<b>19,612</b>	<b>19,614</b>	<b>19,612</b>
<b>Total movement in base budget</b>	<b>-894</b>	<b>-791</b>	<b>-1,044</b>	<b>-956</b>	<b>-954</b>	<b>-956</b>

## 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 Initial Impact Assessment**

An Initial Impact Assessment has been completed for this report.

## **8 Appendices**

There are no appendices attached to this report.

## **9 Background Papers**

There are no background papers associated with this report.

## Pay and Prices Assumptions

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

This report sets out the possible provision to be made for pay and price inflation in 2014/15 and later years.

### 2 Recommendations

The Committee is asked to recommend that the Fire Authority bases its future budget plans on the calculations set out in paragraph 5.

### 3 Background

During this year's strategic planning process, the Fire Authority has continued its policy of fixing a realistic provision for pay and prices changes, whilst continuing to incorporate Government directives on pay increases. A long-term view has ensured low, steady increases in precept, with savings identified, when the position with pay awards has been confirmed. This strategy has avoided the need to put pressure on future budgets, when pay awards may exceed those seen in recent years.

Officers have continued to use the methodology previously adopted by the Authority for establishing its pay and prices contingencies, namely to:

- i) Analyse its base budget (2013/14) 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 issues, 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

During 2011/12, the Government announced a pay cap of 1% from 2013/14 for two years, with a corresponding reduction in formula grant. As a result, contingencies for pay in the revenue budget have been held at 1% in 2014/15.

Officers have reviewed the assumptions on future pay and price contingencies, and have held estimates for 2015/16 onwards as last year, in light of the current positions on pay awards and inflation.

Pay increases have been budgeted at 1% for 2014/15 to 2016/17, and 2% thereafter, and inflation assumptions have been held at 2.5%.

## 5 Conclusions

It is proposed that the figures for pay and price assumptions over the planning period will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
2014/15	1.0	136	3.0	153
2015/16	1.0	138	2.5	131
2016/17	1.0	139	2.5	134
2017/18	2.0	252	2.5	138
2018/19	2.0	286	2.5	141
2019/20	2.0	291	2.5	145

## 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 Initial Impact Assessment

An Initial Impact Assessment has been completed for this report.

## 9 Appendices

There are no appendices attached to this report

## 10 Background Papers

There are no background papers associated with this report.

## Capital Programme 2014/15 to 2018/19

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

### 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 a review of financing possibilities.

### 2 Recommendations

The Committee is recommended to propose to the Fire Authority, for inclusion in its planning period:

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

### 3 Background

The Authority has already agreed capital programmes for 2013/14 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years.

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

## 4 The Capital Programme from 2014/15

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				
		2014/15 £ 000	2015/16 £ 000	2016/17 £ 000	2017/18 £ 000	2018/19 £000
2014/15	25	5	5	5	5	5
2015/16	910		10	10	10	10
2016/17	25			5	5	5
2017/18	25				5	5
2018/19	25					5
	<b>1,010</b>	<b>5</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>
Annual Addition		5	10	5	5	5

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 schemes that start in 2014/15. The majority of schemes are currently shown as being spent in the start year. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspendings.

At its meeting in April 2012, the Fire Authority agreed that reserves and balances would be used to fund those capital schemes, which were to be funded originally from borrowing. This decision has resulted in substantial savings over the next five years, and means that no borrowing from Public Works Loan Board is required.

Where schemes are to be funded from the Earmarked Capital Reserve, repayments are made back into the reserve to ensure that funds are available for future replacements.

Appraisals for each scheme will 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 associated revenue consequences, such as running costs of property or systems.

## 5 Prudential Guidelines

In addition to the merits of the individual schemes within the final capital programme presented in January, the Authority will need to evaluate the programme in the light of Prudential and Treasury Management Guidelines. Compliance with these indicators will demonstrate the affordability, sustainability and prudence of the proposed programme of schemes.

In July 2012, Fire Authorities were invited to submit capital bids to the Department of Communities and Local Government (DCLG). Officers submitted a bid for £350,000, made up of £150,000 for road traffic collision equipment for appliances and support vehicles, and £200,000 for support vehicles. The bid was successful, with funds being paid by DCLG during 2013/14 and 2014/15.

In addition to the successful bid, the Fire Authority received an unallocated grant of £755,000 for 2014/15, with the same amount payable in 2015/16.

## **6 Future Capital Schemes**

The forward capital programme is being thoroughly reviewed by officers and any future requests for schemes will be considered as part of the ongoing strategic planning process. Projects for consideration will be tested to ensure that, as far as possible, they are both realistically costed and resourced; will start when scheduled; and that, where possible, they have long-term revenue saving potential.

## **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 Initial Impact Assessment**

An Initial Impact Assessment has been completed for this report.

## **10 Appendix**

Capital Programme 2014/15 to 2018/19

## **11 Background Papers**

There are no background papers associated with this report.

## Capital Programme 2014/15 to 2018/19

Scheme		Total	2014/15	2015/16	2016/17	2017/18	2018/19
		£000	£000	£000	£000	£000	£000
<b>2014/15</b>							
Thermal Imaging Cameras Replacement (new)	Fund	25	5	5	5	5	5
		<b>25</b>					
<b>2015/16</b>							
Replace batteries for tactical radios	Fund	25		5	5	5	5
Implement replacement of mobile data terminals	Revenue	150		-	-	-	-
Replace Sabre Appliances	Revenue	710		-	-	-	-
Thermal Imaging Cameras Replacement (new)	Fund	25		5	5	5	5
		<b>910</b>					
<b>2016/17</b>							
Thermal Imaging Cameras Replacement (new)	Fund	25			5	5	5
		<b>25</b>					
<b>2017/18</b>							
Thermal Imaging Cameras Replacement (new)	Fund	25				5	5
		<b>25</b>					
<b>2018/19</b>							
Thermal Imaging Cameras Replacement (new)	Fund	25					5
		<b>25</b>					

## Provisions, Reserves and Funds

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 255011, or Joanne Coadey, Head of Finance, on 01743 260215.

### 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) Review and confirm the current position of reserves and provisions;
- b) Review the level of the General Reserve, and
- c) Re-price the reserves and provisions currently held.

### 3 Background

The Authority's provisions, reserves and funds at 1 April 2013 were as follows:

<b>Provisions</b>	<b>£000</b>
Equipment Replacement	41
<b>Total</b>	<b>41</b>
<b>Reserves</b>	
General Reserve	566
Efficiency Reserve	0
Extreme Weather / Operational Conditions	328
Pension Liabilities and Other Staff Issues	1,424
Capital – earmarked	1,562
– un-earmarked	1,002
ICT Reserve	998
Income Volatility Reserve	1,015
Service Transformation Programme Staff Reserve	258
Service Delivery Reserve	232
General Fund	1,506
<b>Total</b>	<b>8,891</b>



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 Equipment Replacement Provision**

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 provision has continued to prove useful in dealing with the ongoing replacement of equipment, and has been used extensively over the last year, preventing peaks of expenditure in the revenue account. As the 2012/13 accounts were closed, an additional contribution of £59,000 was made to the provision, to ensure its continued use in 2013/14.

#### **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 £566,000, 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 £566,000 represents just below 2.7% of gross expenditure.

The major uncertainties around the costs of establishing a link with Hereford and Worcester Fire and Rescue Service for joint mobilising have been alleviated by the receipt of capital and revenue grant totalling £1.80m from Department of Communities and Local Government (DCLG). However, risk and uncertainty remains around communications, and, in particular, the sustainability of mobilising systems.

#### **6 Earmarked Reserves**

##### **a) Efficiency and Growth**

This reserve is now empty, the balance having been used to fund initiatives relating to the Headquarters move, which are expected to result in future efficiencies.

**b) Extreme Weather / Extreme Operational Conditions Reserve**

The balance on this reserve represents the monies saved in previous years against the budget provision for an average year.

Some reductions have been made to the retained budgets over the past three years as part of the Public Value review. As a result, it is important that this reserve remains intact and inflation proofed to deal with extreme weather conditions and unanticipated future activity, which may not be containable within the revenue budgets.

**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.

The scope of this reserve was widened to include the potential liabilities arising from the part-time workers employment tribunal case. Compensation payable to retained firefighters for terms and conditions has been met from the reserve; the issue around pension contributions that may be payable for the period 2000 to 2006 has yet to be resolved. The reserve should be inflation proofed in readiness for the outcome of this issue.

A balance of £100,000 was added to the reserve in 2011/12 to meet any one-off transitional costs of staff changes that may arise from Public Value proposals.

Another small element of this reserve is to provide for staff issues relating to equality and diversity. Provision has been made for expenditure for reasonable adjustments and mediation, in order that these issues are not budgeted for on an annual basis.

**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 is no known reason to change this approach, although a review may be required, if savings are needed in future years.

In addition, amounts were added following the close of 2010/11, to cover major building schemes, which have been identified but not yet developed.

Further contributions will be made to this reserve from 2012/13 onwards to fund capital schemes that were previously to be funded from borrowing. This funding approach was approved by the Fire Authority in April 2012.

The current position is as follows:

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>	<b>£ 000</b>
Balance 1 April	1,562	1,339	1,324
Expenditure	-1,511	-928	-890
Income			
- Contributions	168	154	162
- One-off receipts	1,090	729	0
- Re-pricing	30	30	30
Balance 31 March	1,339	1,324	626

#### e) Capital - Un-Earmarked

The objective of this reserve was to build up funding from revenue savings that could then be used to maximise revenue funding of the St Michael's Street capital scheme. The objective is to minimise borrowing and, therefore, committed debt charges in future years. Now that this scheme has been completed, this reserve will be used to fund other major projects.

Currently the position is expected to be as follows:

	<b>Reserve</b>
	<b>£000</b>
<b>Balance 1 April 2013</b>	<b>1,002</b>
<b>2013/14</b>	
Inflation proofing	30
<b>31 March 2014</b>	<b>1,032</b>
<b>2014/15</b>	
Inflation proofing	30
<b>31 March 2014</b>	<b>1,062</b>

#### f) ICT Reserve

The Fire Authority agreed to set up this reserve from funds available on closing the 2010/11 accounts, to ensure that ICT improvements and resilience issues were managed and funded in a clear and consistent manner.

The balance of £998,000 at the beginning of 2013/14 includes the balance of the £800,000 Control revenue grant from DCLG, which will be released as work on the Control project progresses. It is proposed that this reserve continues to be used for ICT improvements, and that the level of the reserve is reviewed at the close of the financial year.

**g) Service Transformation Programme Staff Reserve (£258,000)**

The Service Transformation Programme is a high-level programme of activities, which will be completed to ensure that the Service is best placed to meet the challenges it is likely to face over the coming years.

Funding for projects identified as part of the Programme have been taken into account in the revenue budget and the capital programme. This reserve was set up to cover the staff elements of the projects.

**h) Income Volatility Reserve (£1,015,000)**

A number of changes were introduced in 2013/14, which affected the way in which the Fire Authority is funded, and the levels of funding that were achieved. This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.

**i) Service Delivery Reserve (£232,000)**

This reserve was established as the accounts were closed in 2012/13, and was set up to fund initiatives in service delivery and prevention.

## **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 2013 was £1,506,000 and the Fire Authority agreed to add £147,000 to various budgets in the current year to meet previously approved expenditure that had slipped into, or was needed in, 2013/14.

Three new reserves were created as the 2012/13 accounts were closed and part of the balance of the General Fund of £1,359,000 was allocated to these reserves, with the remainder being allocated to existing reserves and provisions.

### **New Reserves**

#### **Training Reserve (£250,000)**

There have been, and will continue to be, changes in the management structure of the Service, which will inevitably require additional training and development of staff over the next three years and beyond. It is proposed that a reserve is created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.

#### **New Operational Equipment (£300,000)**

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established.

In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years.

### **Building Maintenance (£400,000)**

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget.

#### **Contributions to existing reserves and provisions:**

ICT Reserve	£200,000
Service Transformation Programme (STP) Staff Reserve	£150,000
Equipment Replacement Provision	£59,000

## **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 Initial Impact Assessment**

An Initial Impact Assessments has been completed for this report.

## **11 Appendix**

Build-Up of General Reserve 2013/14

## **12 Background Papers**

There are no background papers associated with this report.

## Build-up of General Reserve 2013/14

	Risks as categorised by CIPFA	Absolute Level £'000	Probability %	Current Provision £'000	Comment
1	Cash Flow	55	10	6	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
3	Other demands, including new legislation	55	10	6	Deals with issues, such as unexpected costs arising from changes as costs and responsibilities within the public sector are resolved.
4	Communications / mobilising system	370	10	37	Risk around the sustainability of our current mobilising systems
5	Specific Risks	125	50	62	Deals with one-off technical matters threatening service delivery
6	Ongoing Risks				
	i Vehicle Accident	230	20	46	Would deal with one major appliance at £200,000. Would cover any gap between early termination of a lease and any insurance receipt
	ii Ill health and injury	-	-	-	Dealt with by pensions earmarked reserve provision
	iii Industrial Action	110	50	55	Based on known experience
	iv Technical Problems	108	50	54	Principally IT or telecoms problems
	v Uninsurable Risks	222	50	111	Would cover such issues as data protection
7	Loss of grants, receipts or other external funding	191	35	67	Grants should become part of revenue budget processes each year, as they are likely to be absorbed into Revenue Support Grant. This covers any unexpected loss of income mid-year.
8	Changes to national purchasing	126	50	63	Could mean current contracts unviable

	<b>Risks as categorised by CIPFA</b>	<b>Absolute Level £'000</b>	<b>Probability %</b>	<b>Current Provision £'000</b>	<b>Comment</b>
12	Financial Control	280	10	28	Reflects likely risk of overspends through weak systems of control
13	Uninsurable health and safety risks	127	10	14	Identified from the risk register
14	Fines from Corporate Manslaughter Legislation	170	10	17	Based originally on a £170,000 fine imposed on an Authority. Not a high amount, as courts may not want to penalise local taxpayers
	<b>General Reserve</b>	<b>2,595</b>		<b>566</b>	