

2013/14 and Later Years Revenue and Capital Budgets

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, 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 2012.

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 12 December 2012.

3 Background

The Committee has based its budget planning in terms of expenditure on the forecasts approved by the Fire Authority in February 2012. 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 2012.

	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000
Base Budget	20,572	20,606	20,339	21,149
Committed Changes	-1	51	387	-
Pay and Prices	399	324	529	591
Efficiencies	-40	-	-	-
Capital Schemes – New Starts	7	25	44	110
Service Transformation Programme	97	-370	-150	-
Public Value Reductions	-428	-297	-	-
Expenditure before Reductions	20,606	20,339	21,149	21,850
Reduction Required	444	409	85	-130
Expenditure	21,050	20,748	21,234	21,720

This was to be funded as follows:

Grant	6,517	5,734	5,734	5,734
Council Tax	14,503	14,984	15,470	15,956
Collection Fund – surplus	30	30	30	30
	21,050	20,748	21,234	21,720

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.

The grant settlement for 2013/14 is not yet confirmed, although indicative data was provided as part of the technical consultation on business rates retention. This indicated that average further grant reductions totalling 16% over the last two years of the settlement period could be expected.

This report adds forecasts for the fifth year of the planning period. The last three years are outside of the current Comprehensive Spending Review, and are speculative at this stage. Grant reductions of 6% per year have been used for forecasting purposes.

4 Revised Budget Summary

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

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Previous Year's Budget	20,570	20,186	19,970	20,602	21,055
Committed change	-745	-566	187	-28	90
Pay and Prices	399	324	435	476	487
Efficiencies	- 50	-	-	-	-
2012/13 and later Capital Programme	12	26	10	5	5
Service Developments	-	-	-	-	-
	20,186	19,970	20,602	21,055	21,637

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 2013/14 through to 2016/17 have been lowered by expenditure reductions from £21.850m to £21.040m, i.e. £810,000.

Points to note are as follows:

- Costs and savings associated with Public Value and Service Transformation Programme have been incorporated into committed costs, as these decisions have already been taken. Public Value savings for 2013/14 included a reduction of £50,000 for 2 non-uniformed staff. Reviews have determined that this saving cannot be achieved in 2013/14; however a reduction of £50,000 remains for 2014/15.
- An additional ongoing efficiency saving has been identified in 2013/14; the way, in which mapping services are provided to the Service has changed, and this service is now provided at no charge.
- As no pay awards have been made to operational or non-operational staff in 2011/12, a sum of £200,000 has been released from the Pay contingency.
- Following the Fire Authority's decision in April to fund capital schemes from reserves and balances, a sum of £203,000 has been released from the base budget, to reflect the reduction in debt charges.
- Council Tax Freeze Grant payable to the Fire Authority from 2011/12 has been added back in 2015/16, as this is the first year of the next spending review, and this Grant is unlikely to continue.
- Assumptions for pay and prices in 2015/16 and 2016/17 have reduced the total amount required by £209,000.

6 Funding Assumptions

Grant

The revenue grant allocated to Fire Authorities for 2013/14 is still unknown, and is unlikely to be announced until late December. Current planning is based on average control total reductions that were made available in the technical consultation on business rates retention, and subsequent documents released by Department of Communities and Local Government. Grant reductions currently used are 9% for 2013/14 and 5.4% for 2014/15.

The financial year 2015/16 is the first year of the next Comprehensive Spending Review. Assumptions for grant from 2015/16 are based on the expectation that the Authority will experience further reductions of 6% per year. It is also assumed that the Council Tax Freeze Grant payable from 2011/12 will cease at the end of this Spending Review, and the effect of this has been incorporated into the budget strategy.

It should be noted that no adjustments have yet been made in relation to the localisation of council tax support, although provision has been made in reserves and balances for volatility. Work is ongoing with constituent authorities to determine the impact of this policy on the Fire Authority.

Precept

As the budget was set in February 2012, the Authority's precept strategy was as follows:

	2012/13	2013/14	2014/15	2015/16	2016/17
Precept Increase	3.72% (5p per week at Band D)	2.99% (5p per week at Band D)	2.90% (5p per week at Band D)	2.82% (5p per week at Band D)	2.74% (5p per week at Band D)

In September the Fire Authority tasked officers with the modelling of alternative precept strategies, as projected deficits over five years had reduced, following its decision to fund capital schemes from reserves and balances.

At the Conservative party conference in October, it was announced that funding equivalent to a 1% increase in precept would be available to those authorities, who froze council tax in 2013/14. Unlike the funding offered last year, the grant would be payable in 2013/14 and 2014/15. Authorities are not mandated to accept this freeze grant.

It was also announced at the conference that those local authorities that chose to increase precept levels by more than 2% would trigger a referendum.

The implications of these two developments have been taken into account in the following exemplifications, for consideration by the Committee.

Precept Strategy	16/17 Surplus / (Deficit)	17/18 Surplus / (Deficit)
Approved at February Fire Authority meeting – Council tax 5p per week 13/14 onwards	(130,000)	-
Following April Fire Authority meeting – strategy as above, surpluses used to pay for capital schemes, resulting in debt charge savings	223,000	-
Budget proposed in this paper – 2% Council Tax increase 13/14 onwards	(132,000)	(672,000)
0% 13/14, 2% increase 14/15 onwards (£141k pa freeze grant payable 13/14 and 14/15, if accepted)	(435,000)	(982,000)

Collection Fund

Planning for the revenue budget is historically based on the assumption of a total surplus on the Collection Fund of £30,000. Given the changes around localisation of council tax support and added pressures on the Collection Fund, it has been considered prudent to remove any anticipated surplus from our planning.

Income

Income forecast for the five-year period is as follows:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Revenue Support Grant	6,577	6,222	5,849	5,498	5,168
Precept	14,363	14,709	15,063	15,426	15,797
Collection Fund	0	0	0	0	0
Total Income	20,940	20,931	20,912	20,924	20,965

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 2% for 2013/14 and thereafter;
- Grant reduces by 14.4% in 2013/14 and 2014/15, grant for 2015/16 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:

	2013/14	2014/15	2015/16	2016/17	2017/18
	£000	£000	£000	£000	£000
Forecast Expenditure	20,186	19,970	20,602	21,055	21,637
Forecast Income	20,940	20,931	20,912	20,924	20,965
Deficits / (Surplus)	(754)	(961)	(310)	131	672

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 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 Appendices

There are no appendices attached to this report.

11 Background Papers

Reports 7a to 7e 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 Rachel Musson, Treasurer, on 01743 252007 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 7.

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 2012/13 revenue budget, and anticipated changes for 2013/14 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 Service Transformation Programme

This is a high level programme of activities, reviews and projects that has been designed to ensure that the Service is best placed to meet future challenges. The Programme was approved by Members as part of the strategic planning process for 2012/13. The financial implications of the Programme have been reviewed, and costs for the financial year 2013/14 and onwards have been incorporated into committed costs.

5 Public Value Review

The Public Value Review, initiated in 2010, was a Member-led review which sought the views, opinions and support of all staff in the organisation, to form a collective strategy to address likely budget cuts.

Staff identified a range of initiatives, which, if successfully managed, would deliver revenue savings of around £3.0m over a four-year period.

Savings identified for 2013/14 and 2014/15, the third and fourth years of the review, have been taken into account in the table below.

Although a reduction of two non-uniformed posts had been included in the savings for 2013/14, following a review of the Authority's support services, it is unlikely that these savings will be achieved. However, further efficiencies have been identified in Performance Management, and these are reported at report 7c.

6 Revised Position following Review

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
a) 2012/13 Budget	20,570	20,570	20,570	20,570	20,570
b) Committed Changes					
Firefighters' pension revaluation	-	50	50	50	100
LGPS valuation	-	60	60	60	100
Leasing	-63	-72	-72	-100	-100
Debt charges: 2012/13 schemes	-	-	-	-	-
Debt charges: approved April 12	-203	-203	-203	-203	-203
Health and safety post	12	12	12	12	12
Audit Commission fees	-10	-10	-10	-10	-10
2011/12 Council Tax freeze grant	-	-	337	337	337
2011/12 Pay contingency	-200	-200	-200	-200	-200
c) Service Transformation Programme					
Corporate gazetteer	15	15	15	15	15
Road model	5	5	5	5	5
People management system	30	30	30	30	30
Fire safety system upgrade	20	-	-	-	-
Retained Control staff system	40	40	40	40	40
Revenue Contribution to Capital					
Schemes from 12/13	-513	-513	-513	-513	-513
Command and Control pods and vehicle	50	-	-	-	-
Light pumping unit	350	-	-	-	-
Capital training improvements	100	-	-	-	-
Implement replacement of Mobile Data Terminals	-	150	-	-	-

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
d) Public Value Review					
Remove permanent crewing of Rescue Tender	-80	-297	-297	-297	-297
Reduction of 5 Retained Duty System posts	-30	-60	-60	-60	-60
Reduction of 2 non-uniform posts	-	-50	-50	-50	-50
Reduction in smoke alarm budget	-75	-75	-75	-75	-75
Reduction of 1 training instructor post	-43	-43	-43	-43	-43
Reduction in building maintenance budget	-50	-50	-50	-50	-50
Reduction of 1 Brigade Manager post	-100	-100	-100	-100	-100
Total	19,825	19,259	19,446	19,418	19,508
Total movement in base budget	-745	-1,311	-1,124	-1,152	-1,062

7 Financial Implications

There are no financial implications other than those mentioned 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 Appendices

There are no appendices attached to this report.

11 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 Rachel Musson, Treasurer, on 01743 252007, 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 2013/14 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, but has also incorporated 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.

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

- i) Analyse its base budget (2012/13) 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 were reduced to 1% in 2013/14 and 2014/15. Prices were also reviewed, and contingencies increased to 4% in 2013/14 and 3% thereafter.

Officers have reviewed the assumptions on future pay and price contingencies, and as a result, have reduced previous estimates for 2015/16 onwards, in light of the current positions on pay awards and inflation.

Pay increases have been budgeted at 2%, as opposed to 2.5%, from 2015/16, and inflation assumptions have been reduced to 2.5% from 3%.

5 Conclusions

The figures for pay and price assumptions over the next five years will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
2013/14	1.0	192	4.0	207
2014/15	1.0	162	3.0	162
2015/16	2.0	296	2.5	139
2016/17	2.0	334	2.5	142
2017/18	2.0	341	2.5	146

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.

Efficiencies 2013/14 and Forward Budgets

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, or Joanne Coady, Head of Finance, on 01743 260215.

1 Purpose of Report

This report looks at progress in identifying efficiencies for the period 2013/14 to 2017/18.

2 Recommendations

The Committee is asked to recommend to the Fire Authority that it include £50,000 for planning the 2013/14 budget, and that it continues to seek out efficiencies as part of the budget setting process in 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 budgeted for efficiencies and achieved the disaggregated targets set by Government. It has also complied with the Code of Recommended Practice for Local Authorities on Data Transparency, which has placed requirements on local authorities to make information available to the public. Compliance with the Code should demonstrate how value for money has been achieved in public bodies, and should also highlight inefficiency.

4 Approach to Efficiencies

A review for possible efficiencies has continued to form part of the Authority's budget setting process. Although a formal efficiency return is no longer required, 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 achieving value for money.

5 Work to date

To date potential efficiency savings have been identified as follows:

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Ordnance survey mapping costs – current service provided at no cost	50	50	50	50	50
	50	50	50	50	50

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.

Capital Programme 2013/14 to 2017/18

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, 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 to a review of financing possibilities.

2 Recommendations

The Committee is recommended to propose to the Fire 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
- c) The revenue consequences that would flow from these schemes.

3 Background

The Authority has already agreed capital programmes for 2012/13 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.

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

4 The Capital Programme from 2013/14

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				
		2013/14 £ 000	2014/15 £ 000	2015/16 £ 000	2016/17 £ 000	2017/18 £000
2013/14	725	12	12	12	12	12
2014/15	1,085		26	26	26	26
2015/16	710			10	10	10
2016/17	25				5	5
2017/18	25					5
		12	38	48	53	58
Annual Addition		12	26	10	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 2013/14. 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.

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.

The Fire Authority received a capital grant of £915,000 in 2012/13, which was distributed by Government to provide support for local government capital expenditure. Grants in 2012/13 were distributed to fire authorities using a standard basic amount, and the remainder based on population. For 2013/14, fire authorities were invited to submit bids for capital schemes, which demonstrated efficiency and value for money, and the outcome of this bidding process will be known by the end of December.

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 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 2013/14 to 2017/18

11 Background Papers

There are no background papers associated with this report.

Capital Programme 2013/14 to 2017/18

Scheme		Total	2013/14	2014/15	2015/16	2016/17	2017/18
		£000	£000	£000	£000	£000	£000
2013/14							
Provisional sum to replace light vehicles	Fund	50	7	7	7	7	7
Replacement of Prime Movers (2) moved into 13/14 from 14/15 in line with LPU	Revenue	150			-	-	-
Command and control pods and vehicle	Revenue	50		-	-	-	-
Light pumping unit	Revenue	350		-	-	-	-
Capital training improvements	Revenue	100		-	-	-	-
Thermal Imaging Cameras Replacement (new)	Fund	25	5	5	5	5	5
		725					
2014/15							
Replace Ford Rangers (5) and Land Rovers (2) including pods	Fund	250		21	21	21	21
Implement replacement of mobile data terminals	Revenue	150		-	-	-	-
Replace Sabre Appliances(3) split from total scheme into 15/16	Revenue	660		-	-	-	-
Thermal Imaging Cameras Replacement (new)	Fund	25		5	5	5	5
		1,085					
2015/16							
Replace Sabre Appliances(3) half of these have been moved to 14/15	Revenue	660			-	-	-
Thermal Imaging Cameras Replacement (new)	Fund	25			5	5	5
Replace batteries for tactical radios	Revenue	25			5	5	5
		710					
2016/17							
Thermal Imaging Cameras Replacement (new)	Fund	25				5	5
		25					
2017/18							
Thermal Imaging Cameras Replacement (new)	Fund	25					5
		25					

Provisions, Reserves and Funds

Report of the Treasurer

For further information about this report please contact Rachel Musson, Treasurer, on 01743 252007, 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) Continue the Equipment Replacement Provision;
- b) Review the level of the General Reserve;
- c) Re-price the General, Earmarked and Unearmarked Capital, Extreme Operational Conditions, Information and Communications Technology (ICT), and Pension Liabilities and Other Staff Issues Reserves; and
- d) Confirm the earmarked reserves at their current levels.

3 Background

The Authority's provisions, reserves and funds at 1 April 2012 were as follows:

Provisions	£000
Equipment Replacement	35
	<u>35</u>
Reserves	
General Reserve	552
Efficiency Reserve	14
Extreme Weather	320
Pension Liabilities and Other Staff Issues	1,389
Capital – earmarked	587
– un-earmarked	2,185
	<u>5,047</u>
General Fund	<u>1,411</u>
Total	<u>6,458</u>

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 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 2011/12 accounts were closed, an additional contribution of £30,000 was made to the provision, to ensure its continued use in 2012/13.

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 £552,000, 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 £552,000 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

Most of the balance on this reserve has been used to fund initiatives relating to the Headquarters move, which are expected to result in future efficiencies. There may be merit in topping up the reserve from any future net savings, to be prudent in servicing 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. 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:

	2012/13	2013/14	2014/15
	£000	£000	£ 000
Balance 1 April	588	1,294	1,983
Expenditure	-473	-200	-910
Income			
- Contributions	107	100	117
- One-off receipts	1,044	759	987
- Re-pricing	28	30	33
Balance 31 March	1,294	1,983	2,210

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. Following completion of this scheme, this reserve will be used to fund other major projects.

Currently the position is expected to be as follows:

	Reserve
	£000
Balance 1 April 2012	2,185
2012/13	
Agreed contribution	-
One-off contributions	-
Capital payments	- 420
Payment to earmarked reserve	-
Inflation proofing	28
31 March 2013	1,793
2013/14	
Agreed contribution	-
Capital payments	-
Inflation proofing	30
31 March 2014	1,823

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 £966,000 at the beginning of 2012/13 includes £800,000 Control revenue grant from DCLG, which will be released over the next two years. 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.

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 2012 was £1,411,000 and the Fire Authority agreed to add £148,000 to various budgets in the current year to meet previously approved expenditure that had slipped into, or was needed in, 2012/13.

Two new reserves were created as the 2011/12 accounts were closed and the balance of the General Fund of £1,263,000 was allocated to these reserves.

Service Transformation Programme Staff Reserve (£300,000)

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.

Income Volatility Reserve (£963,000)

There are a number of changes being introduced in 2013/14, which will affect the way in which the Fire Authority is funded, and the levels of funding that will be achieved.

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 2012/13

12 Background Papers

There are no background papers associated with this report.

Build-up of General Reserve 2012/13

	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	Communications / Mobilising system	360	10	36	Risk around the sustainability of our current mobilising systems.
7	Specific Risks	120	50	60	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	210 110 108 222	20 - 50 50 50	42 - 55 54 111	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 data protection.
9	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.
11	Changes to National Purchasing	122	50	61	Could mean current contracts unviable.
12	Financial Control	270	10	27	Reflects likely risk of overspends through weak systems of control.
13	Uninsurable Health and Safety Risks	126	10	13	Identified from the risk register.
14	Fines from Corporate Manslaughter Legislation	160	10	16	Based originally on a £160,000 fine imposed on an Authority. Not a high amount, as courts may not want to penalise local taxpayers.
	General Reserve	2,515		552	