

Revisions to the 2012/13 Budget and Medium Term Financial Planning

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 develops a final revenue budget package for 2012/13 for consideration by the Fire Authority, taking into account latest information. The report also addresses the options for dealing with planning for later years.

2 Recommendations

The Committee is recommended to:

- a) Note the Service Transformation Programme;
- b) Propose to the Fire Authority a revenue budget of £20.570m for 2012/13, which, together with a transfer to reserves, gives a budget requirement of £21.119m;
- c) Task officers to update the Medium Term Corporate Plan, with assumptions considered by the Fire Authority, when the revenue budget for 2012/13 is agreed.

3 Background

At its meeting in December 2011, the Fire Authority considered a budget package for consultation, which was based on the following:

- An expenditure budget of £20.057m for 2012/13, with a projected surplus of £1.031m from Public Value savings, making a total budget requirement of £21.088m;

- A council tax precept increase of 2.5%, as agreed by the Strategic Risk and Planning (STRaP) Working Group in June 2011;
- An assumed Council Tax Base of £160,966.27 and an assumed Collection Fund surplus of £30,000.

At the meeting, the Fire Authority also considered the long-term financial implications of the proposed council tax freeze grant, available to those authorities that held precept levels at the same as those charged in 2011/12.

Members were minded to refuse the freeze grant offer and continue with the existing strategy of a precept increase of 2.5%. However, budget consultation with members of the public and local businesses had not yet taken place, and so no firm decision was taken at the meeting.

This report updates the Committee on developments since last December, and seeks its approval to submitting a revised budget to the Fire Authority in February 2012, when the final precept package for 2012/13 must be agreed.

The Committee will also have heard the results of budget consultation and is asked to consider this report in the light of the outcome.

Context of Budget Reductions

Members will be aware of the following announced budget reductions of the constituent authorities. The comparative reductions put the Fire Authority's level of cuts into perspective.

Telford & Wrekin Council: Budget of £421million. Cuts of £40 million = 9%

Shropshire Council: Budget of £660 million. Cuts of £80 million = 12%

Shropshire and Wrekin Fire Authority: Budget £21 m. Cuts of £4m = 19%

4 Changes to Expenditure

Service Transformation Programme

As part of the Service's annual strategic planning process a series of interviews and workshops have taken place with Service managers in order to determine what areas of activities the Service needs to deliver over the next four to five years. This has resulted in the development of a high-level programme of activities, reviews and projects that Service managers believe need to be made to ensure that the Service is best placed to meet the challenges it is likely to be presented with over the coming years.

The structure of the programme will be based along similar lines to that used successfully in delivering the Shrewsbury HQ and Fire Station Refurbishment Programme and will be known as the Service Transformation Programme.

The Service Transformation Programme will essentially consist of a series of projects, reviews and activities, which will be supported and delivered by a mixture of Service staff and third party resource.

Acting as project managers, offering project support or undertaking individual pieces of work, resource will be brought in and then released at various stages of the Programme.

The Programme will be overseen by a Programme Manager, thus ensuring that a strategic overview is maintained of all projects, reviews and activities. The Programme will dovetail into the existing service / financial planning processes and will ensure that the appropriate controls are maintained throughout the lifecycle of the Programme.

A high-level outline Programme Plan is attached as an appendix to this report in the form of a Gantt chart, which captures the key activities that have been identified to date. This will now be developed into a Programme Brief, which will formally assess the viability and achievability of the Programme and will document, amongst other things, programme approach, structure, control, budget, risk management strategy and service benefits.

Strategic Planning

Expenditure associated with the projects identified within the Service Transformation Programme is outlined below. It is proposed that this is added to the revenue budget.

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Corporate Gazetteer	65	-	-	-	-
Fit out of major incident room	30	-	-	-	-
Procurement of people management system	113	-	-	-	-
Positive pressure ventilation fans	30	-	-	-	-
Road Traffic Collision (RTC) equipment on station vehicles	100	-	-	-	-
Installation of heating system at Tweedale	60	-	-	-	-
Command and control pods and vehicle		50	-	-	-
Light pumping unit		350	-	-	-
Capital training improvements		100	-	-	-
Implement replacement of mobile data terminals			150	-	-
Total	398	500	150	-	-

The above projects will be added to the capital programme but will be funded from revenue contributions. Therefore there will be no debt charges to add to the revenue budgets, but any in-life running costs will be taken into account.

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Road model	20	5	5	5	5
Corporate Gazetteer		15	15	15	15
People management system		30	30	30	30
Communications resilience	10	-	-	-	-
Plan web (corporate GIS)	20	-	-	-	-
Virtual desk top	25	-	-	-	-
Foam inductors	10	-	-	-	-
Large animal rescue equipment	10	-	-	-	-
FSEC software upgrade	20	-	-	-	-
Fire safety system upgrade		20	-	-	-
Retained control staff system		40	40	40	40
Total	115	110	90	90	90

These projects will be added to the revenue budget.

Pay Contingency in future years

Government has announced a proposed pay cap of 1% from 2013/14, with a corresponding reduction to formula grant.

The Local Government control total is to be reduced by £240m in 2013/14, with a further £257m reduction in 2014/15, although there is no indication of the amount to be taken from the Fire Control amount, which is included in this total.

The contingencies for pay have been reduced to 1% in 2013/14 and 2014/15, in line with the announcement, reverting back to 2.5% in 2015/16. Prices have also been reviewed, and contingencies increased to 4% in 2013/14 and 3% thereafter.

5 Changes to Income

Council tax base figures have been provided for Borough of Telford & Wrekin (51,345.1), and Shropshire Council (109,997.75). This is an increase of 0.64% on last year's total tax base, and exceeds the assumption in the budget setting calculations. This will result in further income of around £31,600.

No formal notification has been received on the Collection Fund and, therefore, the working assumption of £30,000 surplus will remain.

Referendum Criteria

The Local Government Minister has announced that a referendum will be triggered for those local councils that choose to refuse council tax freeze grant in 2012/13 and set a precept of more than 3.5%, and for those fire authorities that set a precept of more than 4%.

6 Summary of Changes

The changed position can be summarised as follows:

	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000
Expenditure					
As reported to the Fire Authority in December 2011	20,057	20,085	20,381	21,341	21,993
Variations:					
Improvements	513	513 97 0	513 97 -370	513 97 -370	513 97 -370
Pay and price contingency	0		-90 -190	-150 -90 -190	-150 -90 -190 49
	20,570	20,605	20,341	21,151	21,852
Income					
Grant	-7,229	-6,607	-5,924	-5,734	-5,734
Less pay adjustment		90	190		
Council Tax	-13,860	-14,263	-14,679	-15,106	-15,545
Collection Fund	-30	-30	-30	-30	-30
Total Income	-21,119	-20,810	-20,443	-20,870	-21,309
Balance (-) to capital reserve or budget deficit	(-549)	(-205)	(-102)	281	543

7 Consultation and Information

Staff have continued to be kept informed of the Authority's financial planning through the Public Value consultation process. In addition, public consultation has taken place with members of the public and the business community, throughout the Shropshire and Telford and Wrekin areas.

8 Medium Term Financial Planning

Figures presented to the Fire Authority predict a potential deficit in 2016/17 of £539,000, based on a number of assumptions around pay and prices levels, potential grant reductions and precept strategy over the next five years.

Some of these assumptions have changed since the Medium Term Corporate Plan was published in 2011/12, and therefore it is recommended that the document is updated to reflect the current planning strategy agreed by Members, when the budget is set for 2012/13.

There are a number of issues, over which the Fire Authority has little control, such as pay and price changes, and the level of grant reductions over the final two years of the Spending Review. Therefore, financial modelling will continue to exemplify the possible scenarios faced by the Fire Authority over the coming months and years.

9 Financial Implications

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

10 Legal Comment

There are no direct legal implications arising from this report.

11 Equality Impact Assessment

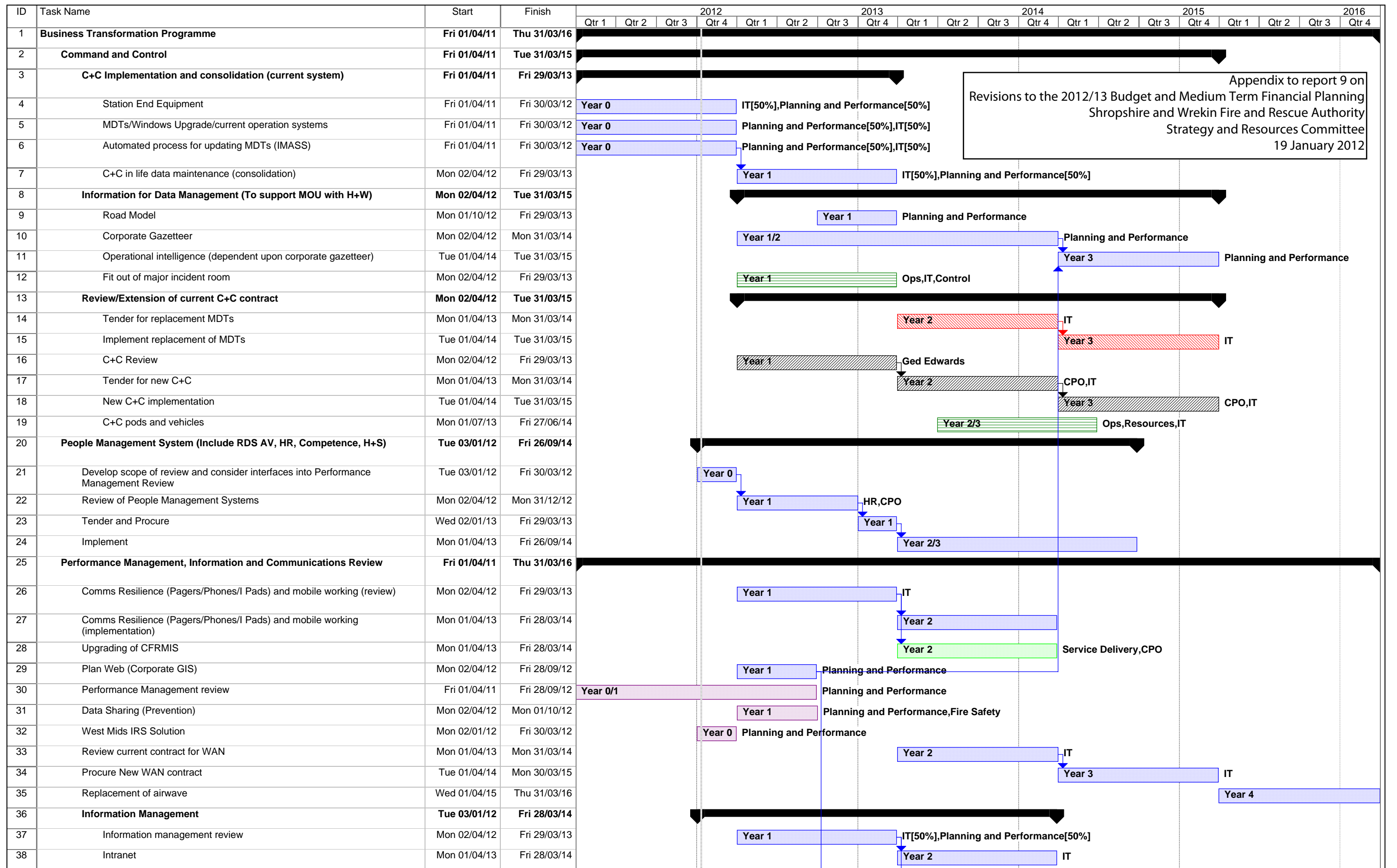
Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

12 Appendix

Service Transformation Programme Gantt chart

13 Background Papers

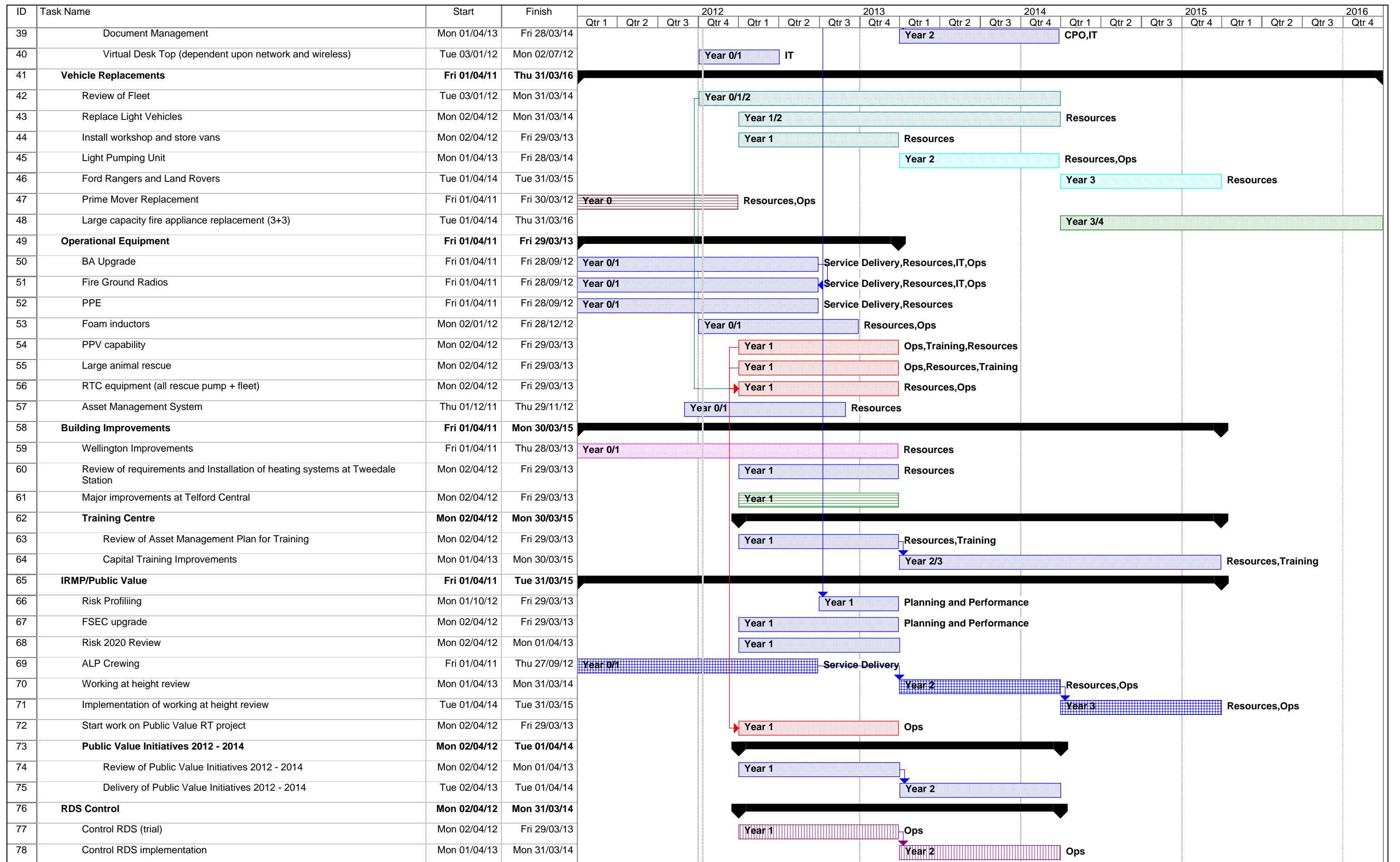
There are no background papers associated with this report.



Appendix to report 9 on
 Revisions to the 2012/13 Budget and Medium Term Financial Planning
 Shropshire and Wrekin Fire and Rescue Authority
 Strategy and Resources Committee
 19 January 2012

Project: Strategic Planning Gantt 2012
 Date: Tue 10/01/12

Task		Progress		Summary		External Tasks		Deadline	
Split		Milestone		Project Summary		External Milestone			



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