

Progress Report - Service and Budget Planning 2011/12

Report of the Chief Fire Officer and Treasurer

For further information about this report please contact Paul Raymond,
Chief Fire Officer, on 01743 260201 or Keith Dixon, Treasurer, on 01743 260202

1 Purpose of Report

This report updates the Committee on progress on service and budget planning carried out to date as agreed by the Fire Authority as part of its strategy for meeting the expected pressure of the next four years.

2 Recommendations

The Committee is asked to:

- a) Endorse the progress made to date, and
- b) Consider any other actions that may be necessary.

3 Background

The Fire Authority agreed a timetable for service and budget planning at its meeting in July 2010. This report updates members on events and progress since then

4 Planning Targets

Planning totals have been set in anticipation of the difficulties for service delivery and finances as the country addresses the national budget deficit. These represent a budget reduction of about £2.8million over the next four years, comprised of £0.5m in 2011/12, £0.9m in 2012/13, £0.7m in 2013/14 and £0.7m in 2014/15. These figures have been produced from assumptions about pay and price increases, grant entitlements and precept increases over the next four years as well as an assumption that there will be no changes to currently forecast budgets for providing the current level of service.

These are however only assumptions, furthermore the timing of changes may also be different. Some reassurance can be gained from comparing our assumed reductions with those of some neighbouring authorities and nationally on behalf of the service. If these assumptions are converted to Shropshire and Wrekin Fire and Rescue Authority (S&WFRA) equivalent totals then planned reductions of £3.0m, £3.1m and £3.5m would result. Although each is somewhat higher, taken over a four year period this does show that our current planning basis is not unrepresentative.

5 Main Planning Variables

The main planning variables are as follows

	Variable	Current assumptions	Annual Effect of a 1% Variation £000
1	Total Expenditure	Growth £200,000 p.a.; efficiencies £150,000 p.a Other expenditure as forecast.	210
2	Pay awards	Zero; zero; 1.5%;1.5%	150
3	Price inflation	3% each year	50
4	Grant entitlement	25% reduction spread evenly over the four years	80
5	Precept	Zero (but 2% equivalent grant incentive); Zero; 2.5%;2.5%	130

- 1 **Total Expenditure**
The current assumptions of growth and efficiencies will be reviewed as will the realism of all individual budgets that currently make up total expenditure. Some changes have already been identified (as detailed in the monitoring report at item 10 on the agenda). Main uncertainties include pension changes and the Regional Fire Control and FireLink costs.
- 2 **Pay awards**
A report will be brought to the November meeting recommending assumptions on both the level and phasing of awards. Hopefully the position on settlements for the current year will have been confirmed.
- 3 **Price inflation**
As part of the report on pay awards a view will also be needed on setting price inflation in order to establish an overall contingency for inflation. Although price movements are potentially significant, the level of pay settlements is of most importance.

- 4 Grant entitlement
No clear information will probably be available by the November meeting on grant distribution, (see the report on grant formulae at Item 8 on the agenda), or on the effect of up-dated data. However the Comprehensive Spending Review on 20 October 2010 may have indicated the size and phasing of grant reductions for the service nationally.
- 5 Precept
Although the Fire Authority has it in its power to determine the precept, there are major unknown issues such as the impact of any grant incentive to freeze precepts at 2010/11 levels, and most importantly the effect of the government's proposed referendums legislation. It is proposed that an excessive increase will be defined at the same time as the grant settlement, and any rise above this level will require a referendum. Levels of excessiveness, and possibly details of any incentives to freeze Council Tax, will not be known until the grant settlement in late November or early December.

The other main planning variable is the review of reserves and provisions. As is set out in the budget monitoring report, there has been no information on the major uncertainty of the Retained Service pensions issue for which provision was made in the final accounts. Equally there have been no unforeseen calls on any reserve. There may be opportunities to use these reserves to reduce revenue costs on a continuing basis e.g. by funding capital otherwise met from borrowing. On the other hand it will be necessary to consider the prudence of setting aside reserves to help with achieving unavoidable budget reductions over the next four years. This might involve having to fund one off costs such as redundancies should the settlement be so severe that current plans cannot cope, or to phase planned reductions which cannot be achieved in time to match grant cuts or other funding or spending difficulties

6 Budget Reductions

There are so many unknowns at present that planning to balance the budget over the next four years has not been able to progress beyond identifying potential reductions of about £3million and even this may under or over estimate the eventual position. If accurate, such a scale of reductions clearly would have serious implications for service delivery. The Fire Authority has therefore adopted as open and inclusive an approach to the problem as it can through the Public Value process. The progress achieved so far is set out below, and it is intended to bring the results to the November Strategy and Resources Committee together with the latest position on all the issues set out in paragraph 5 above.

7 Public Value Review

To address and plan for the anticipated impact of budget reductions upon service delivery functions the Service has implemented a Public Value Review. An interim review of the process was undertaken by the Fire Authority's 'STRaP Group' in early September 2010, following completion of 40% of staff consultation sessions. Members of STRaP concluded that the process was delivering the expected outcomes and was succeeding in engaging staff in a constructive and positive manner to secure a consensus approach to addressing the likely budget deficit. The remaining 27 (60%) staff consultation sessions will be completed by mid-October, coinciding with the expected publication of the Comprehensive Spending Review 2010 (CSR2010). The approach adopted continues to receive the support of all representative bodies.

8 Financial Implications

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

9 Legal Comment

There are no direct legal implications arising from this report.

10 Equality Impact Assessment

This report is purely an update on budget and service planning processes and the recommendations within the report have no impact on people.

11 Appendices

There are no appendices attached to this report.

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.

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	*		