

Integrated Strategic Planning Process 2010/11: Financial Issues

Report of the Chief Fire Officer and Treasurer

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1 Purpose of Report

This report considers the service and financial planning process in order to make recommendations to the Fire Authority in July 2009.

2 Recommendations

The Committee is asked whether it will submit the attached financial planning timetable for 2010/11 for approval by the Fire Authority.

3 Background

The Fire Authority ensures that its strategic planning process fully integrates service, financial and improvement planning. It outlines the process and timetable at its July meeting each year.

The Fire Authority in April raised concerns about future prospects for public expenditure, given the well-publicised events in the economy and the implications of the Government's April budget. This report, therefore, sets out a proposed financial process within the context of the latest information available.

4 Financial Planning

Financial planning each year centres around preparing three to five-year revenue and capital budgets, leading in February to fixing the precept for the year ahead. The process for budget planning is agreed in detail each year but must be shaped by service planning (in particular Integrated Risk Management Planning), external reports (e.g. by the Audit Commission), the revenue support grant and the level of potential future precepts.

5 2010/11 Financial Planning

The proposed 2010/11 financial plan is set out in the Appendix.

The key factors impacting this year are:

Unavoidable variations

- Pay and price settlements and charges
- Other unavoidable changes (e.g. legislative, pension arrangements and available efficiencies)
- Revenue support grant settlements
2010/11 looks to be fixed, but 2011/12 onwards is unknown, with both changes to distribution methods as well as a possible reduction in the national total being distributed
- Changes to tax base and to the collection fund surplus / deficit

Self-determined

- Capital and revenue service growth or reductions
- Precept levels (unless capped)

The current position adopted in the last budget round is to predict the following outcomes:

	Surplus / (Deficit)
	£000
2009/10	-
2010/11	(182)
2011/12	(421)
2012/13	(445)
2013/14	(437)

This assumed:

- i A precept increase of 3.9% a year;
- ii A revenue support grant increase of 1.3% a year;
- iii Council Tax Base increases of 0.4% a year and a Collection Fund surplus of £50,000 a year;
- iv Pay awards of about 2.25% from 2011/12 onwards;
- v Growth of £200,000 a year; and
- vi Efficiencies of £150,000 a year.

The Authority was prepared to plan on this basis on the grounds that it had policies and procedures in place to meet these deficits, should it prove necessary, including:

- i Using potential savings identified in the Planning Process (the What-If analysis);
- ii Maximising the advantage of any unearmarked savings or efficiencies to fund the St Michael's Street project;
- iii Reducing growth items or increasing efficiencies, if possible; and
- iv Reviewing its precept plans.

It did, however, agree that it would constantly review its assumptions and the April 2009 Authority meeting wished, in particular, to review the "What-If" scenarios, so that it was prepared for any action, should serious cuts be required.

6 The Latest Position

Since the Budget was established in February 2009 a number of changes have occurred:

- i The 2010/11 grant settlement appears likely to stand;
- ii The 2011/12 settlement prospects have worsened;
- iii Pay and prices are likely to be reduced;
- iv No further developments yet on the St Michael's Street project or the national firefighters' pension position prior to April 2006;
- v Monitoring budgets and closing the accounts indicate the prospects for 2009/10 are better than expected;
- vi The Authority has not agreed any further significant commitment to revenue spend and, although it has expressed a wish to consider additional capital schemes at Wellington and Telford, these will form part of future budget considerations of service priorities.

The Committee is asked to consider whether the proposed attached detailed timetable is adequate to address the situation. The timetable is built round formal Committee and Authority meetings. In addition the Authority has in place the Budget Working Group, which can be called on an ad-hoc basis to consider all aspects of the budget setting process and would then report to the Strategy and Resources Committee.

7 Financial Implications

The financial implications are detailed in the main body of the report.

8 Legal Comment

When considering the timetable attached to this report the Committee should note that it has been prepared in consideration of the Fire Authority's legal obligations in relation to financial planning / decisions.

It should also be noted that the Statement of Accounts referred to in the attached appendix should be agreed by the Fire Authority no later than 30 June – paragraph 10, The Accounts and Audit Regulations 2003 (as amended). However, the timetable shows that on this occasion the approval will take place after that date (currently scheduled for 3 July). The reason for this is due to the logistical issues following on from the creation of the new Shropshire Council. Officers from the Fire Authority have been in dialogue with the Fire Authority’s auditors to address this matter. The auditors have confirmed that the late approval of the Statement of Accounts is acceptable on this occasion due to the extenuating circumstances referred to.

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

Strategic Planning – Financial Timetable 2009/10

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.

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	*

Strategic Planning – Financial Timetable 2009/10

2009	
Month	
July 3 rd Fire Authority	Fire Authority agrees <ul style="list-style-type: none"> – Annual Statement of Accounts 2008/09 – Medium Term Financial Plan (MTFP) 2009/10 – Service and Financial Planning Process 2010/11
July/August Up to September Strategy and Resources Committee on 17 th September	<p>Officers review Directorate and Departmental Plans, revenue and capital budgets, together with financial plans with partner organisations.</p> <p>Policy Group receive monthly reports on capital and revenue spending in line with progress on service plans. In particular, pay awards, price increases, prudential guidelines, efficiencies and the St Michael's Street project are monitored.</p> <p>The risk register is reviewed together with the level, nature and potential calls on reserves. These processes then continue throughout the year.</p> <p>Directorate heads review service pressures and capital programmes. Bids or project appraisals are developed, where necessary.</p> <p>“What-If” Budget savings are reviewed. A meeting of the Budget Working Group would be called to consider this review and other aspects of officers’ work, in time to report to the Strategy and Resources Committee in September.</p> <p>Lead Officers and the Partnership Assessment Group (PAG) consider any partnership resource needs.</p>
September 17 th Strategy and Resources Committee	Strategy and Resources Committee receives progress reports on budget planning issues and put forward a Budget Strategy for 2010/11 and later years.
October 14 th Fire Authority	The Fire Authority approves their budget process, setting out the key issues it wishes officers to explore.

<p>October cont. 14th Fire Authority</p>	<p>Officers prepare reports on the budget, disaggregated in the way previously used, as follows:</p> <ul style="list-style-type: none"> i Changes to the base budget – i.e. the net cost of delivering the policies and services currently approved; ii Pay and Prices contingency – i.e. the sum required to meet pay awards and price increases that are not currently known and budgeted; iii Service efficiencies; iv Service growth and savings (presumed to flow from the updated What-If analysis); v The cost, both capital and revenue, of new, and previously un-approved capital projects – i.e. new starts scheduled from 2010/11 onwards; and vi Changes to reserves and balances.
<p>November 12th Strategy and Resources Committee</p>	<p>Strategy and Resources Committee receives officers' reports on the six topics above, summarised and converted into overall budget implications for 2010/11 and later years. This forms the basis of a budget recommendation to the Fire Authority.</p>
<p>December 16th Fire Authority</p>	<p>Fire Authority on 16 December agrees a budget for both expenditure and income, which will then form the basis for consultation with the public, local business and other stakeholders.</p>
<p>2010</p>	
<p>January Strategy and Resources Committee TBA</p>	<p>Formal consultation process Strategy and Resources Committee finalises the budget proposal</p>
<p>February Fire Authority TBA</p>	<p>Fire Authority agrees the final budget for 2010/11 and later years and fixes the precept for 2010/11.</p>
<p>March Strategy and Resources Committee TBA</p>	<p>2010/11 MTFP outline is prepared. The Budget Book is produced.</p>
<p>May Strategy and Resources Committee TBA</p>	<p>Strategy and Resources Committee prepare the draft for the 2011/12 financial planning process.</p>
<p>June Fire Authority TBA</p>	<p>The MTFP 2010/11 and Annual Statement of Accounts 2009/10 are agreed by the Fire Authority.</p>