

**Minutes of the Meeting of  
Shropshire and Wrekin Fire Authority  
Strategy and Resources Committee  
held at Brigade Headquarters, Shrewsbury,  
on Thursday, 25 January 2007 at 2.00 pm**

**Present:**

Councillors Eade, Hartin (Chair), Holyoak, Hussey and West (from 2.05 pm)

Councillor Hartin, as Vice-Chair of the Committee, chaired the meeting, as Councillor Morgan, the Chair of the Committee was not present.

**1 Apologies for Absence**

Apologies for absence had been received from Councillors Box and Morgan. Having been advised by the Chair that Councillor Morgan was ill in hospital, Members asked that their best wishes for a speedy recovery be conveyed to him.

**2 Declarations of Interest**

There were no declarations of interest.

**3 Non-Exempt Minutes**

Members received the non-exempt minutes of the Strategy and Resources Committee meeting, held on 16 November 2006.

**Resolved** *that the non-exempt minutes of the Strategy and Resources Committee meeting, held on 16 November 2006, be agreed and signed by the Chair as a correct record*

**4 Public Questions**

No questions, statements or petitions had been received from members of the public.

**5 2006/07 Expenditure Statistics**

This report set out the comparative financial information for fire authorities, as reported by the Chartered Institute of Public Finance and Accountancy (CIPFA). This enabled the Fire Authority to consider areas for further investigation with the intention of ensuring that any opportunities for improving performance were fully explored.



Councillor West arrived at this point (2.05 pm).

The Treasurer brought Members' attention to Appendix B to the report and, in particular, the section in the table relating to income. This was one area where further comparative work could be done with other members of the West Midlands Regional Management Board.

The Chief Fire Officer reported that in-depth analysis of the CIPFA statistics was currently being carried out to feed into the Integrated Risk Management Planning process. Consequently, officers would be able to provide much clearer information, when CIPFA provided its statistics next year.

**Resolved** *that Members note the report, and request that the Fire Authority assures itself that any potential opportunities for service improvement are followed up, through the Strategy and Resources Committee*

## **6 Precept 2007/08 Consultation Presentation and Feedback from Public Scrutiny Panels**

### **6a Precept 2007/08 Consultation Presentation**

The Chief Fire Officer gave a presentation on the Precept 2007/08 Consultation. A copy of the presentation slides is attached to the signed minutes.

**Resolved** *that Members note the content of the presentation*

### **6b Feedback from the Public Scrutiny Panels**

The Chief Fire Officer presented feedback on the precept consultation from the Fire Authority's Public Scrutiny Panels, which had been collated by Opinion Research Services (ORS). A copy of the presentation slides was tabled at the meeting and is attached to the signed minutes. The Chief Fire Officer advised that ORS would be producing a more detailed report, which he would bring to the full Fire Authority in due course.

It was noted that the Scrutiny Panels were made up of a cross section of those people in Shropshire, who had responded to the Fire Authority's Best Value Survey. This year, for the precept consultation, the Shrewsbury Panel had consisted of 16 members and the Ludlow Panel of 12 members. The Panels had been working with the Fire Authority on Integrated Risk Management Planning and precept consultations for three years and they had, therefore, gained excellent knowledge of these areas. There were also people on each Panel, who had worked at senior level in local government. In order to stimulate fresh discussion, however, a few members of the Panels did change each year with the result this year that there were more young people involved. The Treasurer confirmed that the Panels had a good understanding of the precept and budget and they had asked key questions during the consultation process.



A discussion took place regarding new and proposed posts and the possibility that the Road Traffic Collision Co-ordinator post could become self-funding in the future by virtue of money, which it might bring in from other organisations. The Deputy Chief Fire Officer advised that he proposed to bring the Young and Older Persons' Officers posts together in an 'At Risk Team', which would co-ordinate the work of operational staff in this area.

**Resolved** *that Members note the content of the presentation*

## **7 Assurance Statement on the Robustness of Budget and Adequacy of Financial Reserves**

This report addressed the requirement that the Treasurer give a positive assurance about the robustness of the 2007/08 budget and the adequacy of financial reserves.

The Treasurer brought Members' attention to the Appendix to the report, which set out all of the budget provisions and reserves for agreement by the Committee and recommendation to the Fire Authority.

**Resolved** *that the Committee:*

- a) *Accept that the budget proposed to the Fire Authority is robust;*
- b) *Agree the reserves and provisions, set out in the Appendix, for recommendation to the Fire Authority; and*
- c) *Accept the Treasurer's assurance that these reserves and provisions are adequate.*

## **8 Capital Programme 2007/08 to 2009/10 and Prudential Guidelines**

This report presented the capital programme, together with suggested amendments, for consideration by the Committee in the context of Prudential Guidelines.

The Treasurer brought Members' attention to the table at paragraph c) on page 3 of his report and in particular the increase in prudential borrowing in 2009/10 as expenditure increased but the Capital Reserve ran down. He emphasised, however, that the support to be provided by the Government in 2008/9 and 2009/10 had been estimated and was based on current levels provided. No information was available as to the level of support, which the Government would provide in the future.

**Resolved** *that the Committee forward the amended programme for consideration by the Fire Authority as part of its final precept deliberations*



## 9 Revisions to Revenue Budget

This report developed a final revenue budget package for consideration by the Fire Authority. It took into account public consultation and review by officers to see if the increase in precept could be limited to 4%.

The Treasurer referred to a higher than expected pension transfer value, which had resulted in a further £81,000 being made available to the Fire Authority. His recommendation was that this be included in the sum to be transferred to the Capital Reserve, making a total of £143,000. In response to a question from Councillor Eade he confirmed that the figure of £143,000 was in addition to the figure given for the Capital Reserve in Report 7.

The Treasurer explained the prudence of transferring £190,000 into a reserve to pay for the rephasing of the Retained Review implementation. Referring to the retained service pension uptake, he reported that retained employees had until 31 March to advise whether they wished to participate. It was not possible, therefore, to calculate the cost to the Fire Authority until after that date. He hoped that the pay and price contingency would be sufficient to meet this cost but, if not, there was money in the general reserve. This would, however, impact on future years' budgets.

The Chair advised that he had earlier that day attended a meeting of the West Midlands Regional Management Board, at which it had been proposed that the Board fund the employment of the Business Change Manager. He was concerned about introducing, at this late stage, an additional growth item, which would stretch funding further, but wanted to flag the issue up with the Treasurer. If it did go ahead, the likely cost to this Fire Authority would be around £5,000.

The Treasurer then outlined the various options open to the Fire Authority regarding the Collection Fund, which had been notified at £82,000. The full amount could be taken out of the 2007/08 budget. It would, however, be prudent to take only £69,000 (the minimum surplus received in previous years) and add the difference of £13,000 to the Capital Reserve. His rationale for this was that this year, for the first time, the Collection Fund of one of the collection authorities had been in deficit. Also, the amount of Collection Fund due to the Fire Authority was not notified until very late in the financial year.

Councillor Eade did not support all of the recommendations put forward in the Treasurer's report, as he believed that the percentage increase in the Fire Authority's precept should be around 3% to keep in line with inflation. He, therefore, proposed, and Councillor Mrs Holyoak seconded, the following amendments to the 2007/08 budget:

- *The £30,000 for an Information Officer be taken out*  
He was not convinced that this post was warranted, as it did nothing to contribute to front-line services.



- *The £24,000 for an Older Persons' Officer be taken out*  
He believed that the work carried out by this officer should be done by other agencies, not the Fire Authority.
- *The £13,000, which the Treasurer recommended adding to the Capital Reserve, be put into the Revenue Account instead*
- *The additional sum to be added to the Capital Reserve be reduced by £23,000 to £120,000*

This amounted to a reduction of £90,000, which would bring the percentage increase in the precept down to about 3%.

The Chair asked Officers for their comments on Councillor Eade's proposals. The Chief Fire Officer pointed out that Officers had made the case for the two posts to the Fire Authority in December. With respect to the Information Officer post he advised that the Audit Commission had given a warning about the quality of the Fire Authority's data. He was, therefore, concerned that the performance of the Authority could be affected, if the post were not established. The post would be very valuable, as its purpose was not only to provide statistics to the Government but also to staff, who used information as a management tool to improve performance. He was most concerned about the implications of taking the post out of the budget.

The Deputy Chief Fire Officer spoke about the Older Persons' Officer post. He reported that Shropshire had more than 80,000 residents, who were 65 or over and who, as identified by the Government, were at significantly greater risk from fire. The purpose of this post was to co-ordinate the work of front-line staff and other agencies, such as Help the Aged. It was not the role of those agencies to safeguard older people from fire. If the post were taken out of the budget, the significant work, which was currently being carried out in this area would stop. The Fire Authority already had a Young People's Officer to safeguard the interests of young people. It was, therefore, appropriate to have a similar post safeguarding the interests of older people.

Councillor Eade responded that he had stated at the last meeting of the Fire Authority that it should be looking for no more than a 3% increase. The establishment of an Information Officer post would not affect the performance of the Fire Authority. Although it would assist in the provision of data, that was not the purpose of the Fire Authority: it was here to protect the public.

A discussion took place regarding the necessity of the two posts, during which Members put forward differing views.

The Chair then gave his view. He said that at its last meeting the Fire Authority had tasked Officers with finding reductions to bring the percentage increase in the precept down to 4%. This fitted in with the figures put forward during the precept consultation the previous year. Officers had done what had been asked of them and put forward a 3.9% increase. He was concerned that, if the Fire Authority cut out necessary service developments, it could create difficulties for the future. He felt that Councillor Eade had proposed his amendments merely to reach an increase of 3%, whereas he was looking at



the needs of the Service. He was also looking at protecting future performance, as a reduction in performance would impact upon the Fire Authority financially. Officers had made reductions and put forward a balanced package. Under the circumstances he could not support Councillor Eade's amendments.

Councillor Hussey suggested reducing the amount to be added to the Capital Reserve, as this was a higher than anticipated figure. It would not then be necessary to cut the two posts proposed. Councillor Eade agreed that in December the Fire Authority had not known that it would have the additional resources advised by the Treasurer in Report 9. He still did not agree, however, with creating an Information Officer post. He, therefore, proposed, and it was seconded by Councillor Mrs Holyoak, that:

*Provision for the Older Persons' Officer post be retained in the budget and that £24,000 less be added to the Capital Reserve.*

The Treasurer advised Members that any reductions made in proposed additions to the Capital Reserve would not be ongoing into future years and would, therefore, be building up potential problems in what Members and Officers already knew were likely to be difficult budget years.

The Chair then summed up Councillor Eade's amendments to the 2007/08 budget as follows:

- *The £30,000 for an Information Officer be taken out*
- *The £13,000 from the Collection Fund, which the Treasurer recommended adding to the Capital Reserve, be put into the Revenue Account instead*
- *The additional sum to be added to the Capital Reserve be reduced by £47,000 to £96,000*

He asked the Treasurer to advise what impact these amendments would have on the 2007/08 and 2008/09 budgets. The Treasurer calculated that taking £90,000 out of the 2007/08 budget would reduce the increase in precept from 3.9% to 3.1%. The 2008/09 budget would reduce by only £30,000 and the knock-on effect of the reductions in the Capital Reserve would result, on current assumptions, in an increase in the precept from 5.2% to 5.8%.

The amendments were then put to the vote and, with 3 Members voting for and 2 against, were carried. Subject to the above amendments, it was

**Resolved** *that the Committee put forward a final budget package, as outlined in the report, for consideration by the Fire Authority at its meeting in February*

Councillor West left at this point (4.05 pm).



## 10 Income and Charging: Consultation by the Department for Communities and Local Government

This report dealt with a response to a consultation paper by the Department for Communities and Local Government (DCLG) on Extension to Charging. It also dealt with outstanding matters from the Fire Authority's own annual review of charges.

**Resolved** *that the Committee:*

- a) *Does not wish any further comments to be forwarded to the DCLG on its consultation paper;*
- b) *Is content with its present Income Generation Policy and does not wish to reconsider any aspect; and*
- c) *Agrees to a revised scale of fees being brought back to the Fire Authority in February 2007.*

## 11 Corporate Risk Management Summary

This report was the latest of the regular Risk Summary Reports to the Strategy and Resources Committee. As previously, these reports are intended to enable Members to meet the requirements of this Committee's Terms of Reference as they relate to the Fire Authority's management of corporate risk.

The Head of Performance and Risk highlighted the increased involvement of Councillor Tandy, the Fire Authority's Champion for Risk Management and Audit in the corporate risk management process.

Referring to Risk 17, the Chair asked whether there was any sign that the Government would provide assistance, if the case went in favour of retained firefighters. The Treasurer responded that the cost to the Fire Authority could be millions of pounds, depending on the implementation date of the Tribunal's decision. If the Government did not provide any grant, it might give permission to fire authorities to borrow. This was contained as a risk within the Medium Term Financial Plan and money had been set aside within the General Reserve. It was not possible, however, to plan precise amounts into the budget, as they were as yet unknown.

It was noted that the other most significant risk, Risk 51, would now need to be revisited in light of the Committee's decision earlier in the meeting to take the Information Officer post out of the 2007/08 budget.

**Resolved** *that Members note the contents of the report*





## 12 Local Government Act 1972

**Resolved** that, in accordance with section 100A(4) of the Local Government Act, the public be excluded from the meeting for the consideration of items 13 and 14 on the grounds that they involved the likely disclosure of exempt information as defined by the provisions of Part I of Schedule 12A to the Act, by virtue of paragraphs 3 and 4

## 13 Corporate Risk Management – Exempted Information (Paragraphs 3 and 4)

The Committee had received an open session report (at item 11 on the agenda), which summarised the Fire Authority’s current exposure to corporate risk. Report 13 supplemented Report 11 but was considered in closed session, as it contained information, which was exempt from publication by virtue of paragraphs 3 and 4 of Schedule 12A of the Local Government Act 1972.

Having considered the contents of the report in conjunction with the Corporate Risk Management Summary contained within Report 11, Members

**Resolved** that the exempt report be noted

## 14 Opportunity for Relocation of Wellington Fire Station

This report informed Members about the recent opportunity for relocation of Wellington Fire Station.

**Resolved** that Members

- a) Note the contents of the report;
- b) Give outline agreement for officers to proceed with discussions and planning on the basis of the principals set out in the report; and
- c) Task Officers to present a final report on the proposed agreement, when this has been formulated.

The meeting closed at 4.25 pm.

Chair.....

Date.....





# Definitions of Exempt Information Local Government Act 1972 – Schedule 12A

## Part 1 Descriptions of Exempt Information: England

### Paragraph 1

Information relating to any individual

### Paragraph 2

Information which is likely to reveal the identity of an individual

### Paragraph 3

Information relating to the financial or business affairs of any particular person (including the authority holding the information)

### Paragraph 4

Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under, the authority

### Paragraph 5

Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings

### Paragraph 6

Information which reveals that the authority proposes:

- (a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or
- (b) to make an order or direction under any enactment.

### Paragraph 7

Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime



# Assurance Statement on the Robustness of Budget and Adequacy of Financial Reserves

## Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

### 1 Purpose of Report

This report addresses the requirement that the Treasurer gives a positive assurance about the robustness of the 2007/08 budget and the adequacy of financial reserves.

### 2 Recommendations

The Committee is recommended to:

- a) Accept that the budget proposed to the Authority is robust;
- b) Agree the reserves and provisions, set out in the Appendix; and
- c) Accept the Treasurer's assurance that these reserves and provisions are adequate.

### 3 Background

The Treasurer is required by the Local Government Act 2003 to give positive assurances that the budget is robust and that financial reserves are adequate.

The main consideration has always been in respect of capping, which, if applied, would seriously compromise the budget and services. The Fire Authority has no intention of levying a precept increase of 5% or greater in 2007/08. Given the stated objective of the Government to consider capping as 5%, this will not, therefore, be a threat to the budget in 2007/08.



## 4 Overall Robustness

The main threats to robustness are:

- i **Errors and omissions**  
These have been minimised by referring back to budgets in the current year, through the base budget review and regular monitoring.
- ii **Failure to budget adequately for pay and price changes**  
The Fire Authority has always made a realistic estimate for inflation.
- iii **Inclusion of reductions that cannot be delivered**  
All reductions are realistic and deliverable.
- iv **Additional spending pressures to deliver the service**  
These have been identified and included in the items for growth to be considered by the Fire Authority.

The proposed budget is, therefore, in my view robust and deliverable.

## 5 Reserves and Provisions

Linked to the robustness of the budget are the reserves and provisions created to protect the Service should unforeseen circumstances arise, or unseen spending pressures affect future years.

Firstly, the Fire Authority has established “provisions” to meet known future spending pressures. These are:

- i **Equipment Replacement**  
This meets the cost of replacement equipment, which occurs unevenly, but receives equal annual contributions from the revenue account over the life of the equipment.
- ii **Other Provisions**  
Although not currently established, it would be prudent to set aside the expected underspends on Long Service Increments (LSI) in order to meet the costs of Continuing Professional Development (CPD), which, although not yet agreed, will be back-dated to October 2006 (£9,000).

It would also be prudent to set aside the savings in the retained service, in 2006/07 to meet the planned increase in 2008/09 as retained service recruitment gets back to projected levels (£190,000).

Although strictly a “reserve”, the Fire Authority also has a balance of £101,000 available to offset loss of grant in 2007/08 as the Government recovers its transitional funding of modernisation.



Secondly there are a number of reserves, which have been earmarked to meet specific spending needs in future years. These include:

**iii Efficiency Reserve**

This was created to enable one-off investment in initiatives to increase the efficiency and effectiveness of the Service. An existing commitment is to invest in property advice to deal with the relocation of Brigade Headquarters at St Michael's Street.

**iv Capital Reserve**

This fund was set up to meet small or short-lived capital investments. It is funded by contributions from the revenue account to replace the assets so funded at the end of their life. It would also be available to meet unusually high levels of investment in later years, e.g. St Michael's Street relocation costs.

Both of these reserves have specific purposes, but contain balances, which could, in an emergency, be used to increase the financial standing of the Fire Authority.

Thirdly, there are those reserves which are specifically established to meet unexpected, financial demands. These include:

**v Extreme Weather Reserve**

To meet abnormal calls on the retained service

**vi Pensions Reserve**

To meet abnormal increases in charges to the Pension Account for sickness or to meet injury awards etc.

**vii General Reserve**

This is to meet all of the other potential issues that might occur, but for which it would not be practical to raise the precept. These are well documented and reviewed as part of the December budget reports. Latest developments do raise concerns about whether CPD payments can be matched to LSI savings beyond 2006/07 (see 5ii above) and this is covered specifically in the Budget Update report. Also to be resolved are the assumptions that the take-up of the new pension scheme will be in line with estimates (the answer will not be known until late February). It is considered that these risks can be covered by the current reserves for inflation and pensions respectively.

Finally, therefore, I consider that the level of financial reserves is adequate to meet potential pressures in 2007/08.

The appendix sets out the financial position on provisions and reserves in 2007/08 and later years.



## 6 Financial Implications

The financial implications are as set out in the report.

## 7 Legal Comment

The Treasurer is obliged to give the assurances set out in this report by the Local Government Act 2003.

## 8 Appendix

Budget for Provisions and Reserves

## 9 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		Initial Equality Impact Assessment Form completed	✓



## Budget for Provisions and Reserves

	<b>2007/08</b> <b>£ 000</b>	<b>2008/09</b> <b>£ 000</b>	<b>2009/10</b> <b>£ 000</b>	
<b>i Equipment Replacement Provision</b>				
Balance 1 April	107	113	125	
Expenditure	15 -	10 -	10 -	
Income - Receipts	18	18	20	
- Interest	3	4	4	
Balance 31 March	<u>113</u>	<u>125</u>	<u>139</u>	
<b>ii LSI/CPD Payments Provision</b>				
Balance 1 April	9			
Expenditure	9 -			
Income - Receipts	-			
- Interest	-			
Balance 31 March	<u>-</u>			
<b>ii(a) Retained Review Project</b>				
Balance 1 April	190 *	195	100	
Expenditure	-	98 -	101 -	
Income – Interest	5	3	1	
Balance 31 March	<u>195</u>	<u>100</u>	<u>-</u>	
* Subject to approval from 2006/07 savings and efficiencies				
<b>ii(b) Transitional Funding Reserve</b>				
Balance 1 April	101			
Expenditure	101 -			
Income – Interest	-			
Balance 31 March	<u>-</u>			
<b>ii Efficiency Reserve</b>				
Balance 1 April	95	48		
Expenditure	50 -	50 -		
Income - Interest	3	2		
Balance 31 March	<u>48</u>	<u>-</u>		
<b>iii Capital Reserve</b>				
Balance 1 April	387	159	3	
Expenditure	320 -	290 -	-	**
Income - Contributions	85	127	127	**
- Interest	7	7	2	
Balance 31 March	<u>159</u>	<u>3</u>	<u>132</u>	

\*\* Expenditure and contributions will be adjusted if additional incomes are approved from 2006/07 net savings and efficiencies



iv	Extreme Weather Reserve			
	Balance 1 April	400	412	424
	Expenditure	-	-	-
	Income - Interest	12	12	13
	Balance 31 March	<u>412</u>	<u>424</u>	<u>437</u>
v	Pensions Reserve			
	Balance 1 April	273	281	289
	Expenditure	-	-	-
	Income - Interest	8	8	9
	Balance 31 March	<u>281</u>	<u>289</u>	<u>298</u>
vi	General Reserve			
	Balance 1 April	899	926	953
	Expenditure	-	-	-
	Income - Interest	27	27	28
	Balance 31 March	<u>926</u>	<u>953</u>	<u>981</u>





# Capital Programme 2007/08 to 2009/10 and Prudential Guidelines

## Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

### 1 Purpose of Report

This report presents the capital programme, together with suggested amendments, for consideration by the Committee in the context of Prudential Guidelines.

### 2 Recommendations

The Committee is recommended to forward the amended programme for consideration by the Authority as part of its final precept deliberations

### 3 Background

The capital programme currently included by the Fire Authority in its 2007/08 budget adopted for consultation is attached at Appendix A.

Your officers have considered the programme in more detail and recommend a number of variations.

Detailed project appraisals are available electronically for further consideration by the Committee.



## 4 Variations to the Programme

	Amended Capital Cost	Revenue Consequences		
		2007/08	2008/09	2009/10
2007/08 Starts Programme	£ 000	£ 000	£ 000	£ 000
<b>4 Tweedale Improvements</b> Integrated Risk management planning (IRMP) consultation indicates additional costs of £15,000, increasing the capital cost to £35,000 and adding to revenue consequences	35	+1	+2	+2
<b>7 Telford Central Improvements</b> A project closely designed to improve facilities at Telford means reducing costs by £200,000 to £100,000 and reducing revenue consequences.  Forecast future spending at Telford in 2008/09 and 2009/10 has been deleted and the additional costs added in 2010/11 when the outcome of IRMP and the review of the future of Brigade Headquarters is known	100	-5	-28	-64
<b>3 Fire Alarm Installation</b> The project has been re-examined and costs reduced by £20,000 to £100,000.	100	-3	-3	-3
<b>Reduction in capital costs and revenue consequences</b>	<b>-205</b>	<b>-7</b>	<b>-29</b>	<b>-65</b>

## 5 Prudential Guidelines

The Local Government Act 2003 requires the Fire Authority to “determine and keep under review how much money it can afford to borrow”. In doing so, it “shall have regard to the Prudential Code for Capital Finance in Local Authorities”. The key issue is to ensure that the revenue consequences of the proposed investment will not lead to unacceptable financial pressures in later years.



The position is as follows:

**a) Ratio of Financing Costs to Net Revenue Stream**

	<b>2005/06 Actual</b>	<b>2006/07 Revised</b>	<b>2007/08 Budget</b>	<b>2008/09 Budget</b>	<b>2009/10 Budget</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
2006/07 and Earlier Programmes		419	532	532	532
2007/08 Programmes			66	134	134
2008/09 Programmes				62	139
2009/10 Programmes					91
Investment Income		121 -	121 -	121 -	121 -
	95	298	477	607	775
Net Revenue Stream (Budget) (£ 000)	£17,948	£18,296	£19,059	£20,046	£20,892
Rates	0.5%	1.6%	2.5%	3.0%	3.7%

**b) The impact of Capital Investment on the level of Band D Council Tax is:**

<b>2007/08</b>	£179,000 divided by 156,159.54 = 1.15p
<b>2008/09</b>	£309,000 = 1.98p
<b>2009/10</b>	£477,000 = 3.05p

**c) The capital programme that gives rise to these increases is:**

	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Payments (Appendix amended as paragraph 4) financed by:	1,050	1,035	1,470
Loan – supported by grant	411	411 (est)	411 (est)
- prudential borrowing	319	334	1,059
Capital Reserve	320	290	-
	1,050	1,035	1,470

Although there is just over £300,000 prudential borrowing in 2007/08 and 2008/09, this is within the range of previous annual financial arrangements, particularly operational leasing, and there is an offsetting reduction in leasing costs of £90,000 in 2007/08, a further £55,000 in 2008/09, and £88,000 in 2009/10.

If there is a question about further commitments, it is in 2009/10, when it is currently predicted that there will be £455,000 suitable for funding from capital reserve but no reserve currently predicted as available.



Nevertheless, it is a policy of the Fire Authority to increase the capital reserve with one-off savings and this, together with a review of the budget and of the programme in 2009/10 would permit the position to be addressed nearer the time, if necessary.

**d) The Capital Financing Requirement**

The Prudential Code requires the calculation of the Capital Financing Requirement for 31 March in current and future years. The Capital Financing Requirement is simply the amount of capital spending not funded by grant, receipts or revenue, i.e. that which is financed from borrowing. The position is estimated to be:

	<b>In Year Requirement</b>	<b>At 31 March</b>
	<b>£ 000</b>	<b>£ 000</b>
31 March 2006 (Preceding Year)		3,355
31 March 2007 (Current Year)	1,729	5,084
31 March 2008	390	5,474
31 March 2009	472	5,946
31 March 2010	704	6,650

The importance of the Capital Financing Requirement is that net external borrowing must not (except in the short term) exceed the total of capital financing requirements in the preceding year plus the estimates of any additional capital financing requirements for the current and next two years, i.e. £5,946,000. At present, gross external borrowing is around £4.4 million, and net (i.e. after investments and cash) is a net investment of £1.4 million.

**e) Authorised Limit for External Debt**

The limit is established, beyond which borrowing is not permitted. The limit must not only accommodate the capital financing requirement, but must be adequate to meet temporary borrowing, e.g. if income is delayed.

The following limits are recommended:

	<b>£ 000</b>
<b>2005/06</b>	3,355
<b>2006/07</b>	5,424
<b>2007/08</b>	8,474
<b>2008/09</b>	8,946
<b>2009/10</b>	9,650



**f) Operational Boundary for External Debt**

This is set as a likely and prudent boundary that can be exceeded, but, if so, would prompt investigation and, if necessary, corrective action. The following boundaries are recommended based solely on budgeted capital expenditure:

	<b>£ 000</b>
<b>2007/08</b>	6,005
<b>2008/09</b>	6,750
<b>2009/10</b>	7,765

**g) Treasury Strategy 2007/08**

The Fire Authority employs Shropshire County Council to manage its Treasury Functions, who in turn have appointed Sector Treasury Services as their advisor.

The current (after the surprise January increase) forecast for short term (Bank) rates is that they will begin the year at 5.5%, and remain there until a drop in the first quarter of 2008 to 5.0%. Longer term, the 25 – 30 year Public Works Loan Board (PWLB) rate is expected to start 2007/08 at a rate of 4.5%, and remain at that rate for the foreseeable future. The 50 year PWLB rate is expected to remain flat at 4.25%, although this will be under review as the rationale for the Monetary Policy Committee’s decision becomes known. Any revisions to the strategy will be reported to the Fire Authority in February.

The Treasurer will be advised about the balance between borrowing short term, at lower, but potentially variable rates, and borrowing at relatively low long-term fixed rates. Any decisions taken will be reported to the Fire Authority.

The Treasurer will also be mindful of rescheduling opportunities, but, given the short history of borrowing by the Fire Authority of relatively low amounts, these would not be expected to be significant.

**h) Investment Strategy**

The Fire Authority’s investment priorities are the security of capital and its liquidity. The aim will be to maximise its returns commensurate with proper levels of security and liquidity. Borrowing partly to invest is unlawful and will not be done.

Investments will be sterling dominated, with maturities up to a maximum of one year. The borrowers will only be those institutions acceptable to the County Council. Funds available for investment are cash flow derived, but there may be a core balance available as the Fire Authority builds up its reserves. This core balance will be invested on the advice of our Treasury Functions Manager, to maximise



investment returns.

## i) Prudential Indicators for Borrowing and Lending

Consistent with Treasury and Investment Strategies, the Fire Authority is recommended to adopt the following Prudential Guidelines for the period to 31 March 2010:

### Borrowing

- a) Upper limit for net principal fixed interest rate exposure - 100%
- b) Upper limit for net principal variable interest rate exposure - 20%

### Investment

- a) Upper limit for net principal fixed interest rate exposure -100%
- b) Upper limit for net principal variable interest rate exposure - 100%

### Maturing Structure of Fixed Rate Borrowing

	Upper Limit (%)	Lower Limit (%)
Under 12 months	30	0
12 months to 24 months	30	0
24 months and within 5 years	30	0
5 years and within 10 years	30	0
10 years and above	100	70

**Investments for more than 364 days – £1,000,000**

## 6 Financial Implications

The financial implications are as set out in the report.

## 7 Legal Comment

There are no legal implications arising directly out of this report.

## 8 Appendix

Capital Programmes 2007/08 to 2008/09

## 9 Background Papers

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services



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		Initial Equality Impact Assessment Form completed	





## 2007/08 Starts Programme

### Revenue Implications

		<b>Cost</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
		<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Small schemes, some with, say, a 7 year life</b>					
These might be funded from reserve.					
11	Ford Ranger	80	11	11	11
12	Road Traffic Collision Equipment for Ford Ranger	50	7	7	7
22	Training facilities	30	4	4	4
23	Information Technology	50	7	7	7
25	Station End Equipment	10	2	2	2
		220	31	31	31

### Large schemes, some with a longer life

These might be funded from borrowing or leasing.

1	Building Improvements	65	3	6	6
2	Garaging Ford Ranger	20	1	2	2
4	Tweedale Improvements	20	1	2	2
7	Telford Central Improvements	300	8	27	27
10	Fire Appliances*	510	12	68	68
		915	25	105	105

### Large schemes with a shorter life

These would ideally be funded from reserve

3	Fire Alarm Installations	120	17	17	17
<b>Total 2007/08</b>		<b>1255</b>	<b>73</b>	<b>153</b>	<b>153</b>

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\* 12 years life



## 2008/09 Starts Programme

### Revenue Implications

	<b>Cost</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Small schemes some with, say, a 7 year life</b>				
12	Replacement for L4Ps (Small Fires Units)	100	14	14
22	Training Facilities	30	4	4
23	Information Technology	50	7	7
24	Regional Fire Control Link	10	2	2
25	Station End Equipment	25	4	4
26	Information Technology and Communications Equipment Room Relocation	75	11	44
		290	42	42
<b>Larger schemes with a longer life</b>				
1	Building Improvements	65	3	6
7	Telford Central Improvements	400	10	36
10	Fire Appliances	680	17	91
		1145	30	133
<b>Total 2008/09</b>		<b>1435</b>	<b>72</b>	<b>175</b>



## 2009/10 Starts Programme

		Revenue Implications		
	Cost	2007/08	2008/09	2009/10
	£ 000	£ 000	£ 000	£ 000
<b>Small schemes some with, say, a 7 year life</b>				
12	Replacement for L4Ps (Small Fires Unit)	100		17
22	Training Facilities	30		5
23	IT	50		9
25	Station End Equipment	25		5
		<u>205</u>		<u>36</u>
<b>Large schemes with a longer life</b>				
1	Building Improvements	105		3
7	Telford Central Improvements	400		10
8	Crucial Crew Venue	150		4
10	Fire Appliances	510		12
13	Light Pumping Unit	250		
		<u>1415</u>		<u>29</u>
<b>Large schemes with a shorter life</b>				
19	Firekit Replacement	250		36
<b>Total 2009/10</b>		<u><b>1870</b></u>		<u><b>101</b></u>



## Revisions to the Revenue Budget

### Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

### 1 Purpose of Report

This report develops a final revenue budget package for consideration by the Fire Authority, taking into account public consultation and review by officers to see if the increase in precept could be limited to 4%.

### 2 Recommendations

The Committee is recommended to put forward a final budget package, as outlined in this report, for consideration by the Fire Authority at its meeting in February.

### 3 Background

The Fire Authority, in December, agreed a 2007/08 budget package for consultation purposes as follows:

	£ 000	£ 000
<b>Expenditure</b>		
i Base plus committed growth	18,323	
ii Pay and Prices	598	
iii Capital Programme	73	
iv Efficiencies	100	-
v Rephasing the Retained Services Implementation Plan	95	-
vi Service Developments		
- Road Safety Strategy	41	
- Integrated Risk Management Proposals	160	
- Quality of Data	30	
- Older People's Officer	24	
- Equality, Diversity and Disability Costs	25	
		<u>19,079</u>



## Resources for Funding Expenditure

vii	Government Grant	7,195	-
viii	Collection Fund (net surplus)	50	-
ix	Council Tax – Precept £75.78 (Band D base 156,159.54)	<u>11,834</u>	-
			<u>19,079</u> -

A precept of £75.78, however, represented an increase of 4.4% over the current precept of £72.62. The Fire Authority tasked officers with seeing whether the increase could be reduced to 4.0%, i.e. the precept reduced to £75.52, and expenditure by £41,000.

## 4 Update Since December Fire Authority Meeting

### i Reserves and Provisions

At the December Fire Authority meeting it was reported that total net underspendings approved by the Authority in 2006/07 totalled £252,000 and it was recommended that this be used to fund firstly a reserve to pay for the rephasing of the retained review implementation and secondly the capital reserve.

Monitoring since the last meeting indicates a further £81,000 is available, made up principally by a transfer value relating to 2005/06 which is, therefore, receivable by the Fire Authority.

This totals £333,000 and would enable the following transfers to reserves:

	£	
i	Retained Review Project	190,000
ii	Capital Reserve	<u>143,000</u>
		<u>333,000</u>

The £143,000 is less than the £445,000 potentially needed to fund the third year of the capital programme, but is a helpful addition to addressing the prudential borrowing issues that might arise in 2009/10.

### ii Pay and Prices

A National Joint Council Circular (NJC/10/06) was issued on 21 December 2006, outlining a proposed resolution of the Continual Professional Development issue. A further meeting will take place in February. Although not yet resolved, there is a potential for costs to rise above the savings from phasing out the Long Service Increment. There is no further update on the likely costs of retained service pension uptake, although it is known that our assumptions – based on national figures, are lower than some authorities. There is also hope, however, that there will be offsetting savings elsewhere within the pay and price contingencies, which the Fire Authority established at a



prudent level. It is recommended, therefore, that no increase be made to the budget.

### iii Other Changes

The likely reduction in reimbursement from the Regional Management Board (RMB) for the Programme Manager post is expected to be in the order of £20,000 and it is assumed that an offsetting reduction in the Fire Authority's contribution to the RMB's budget will be agreed.

Although no figures have yet been produced, it is likely that the employer's contribution to the Local Government Pension Fund will increase from 2008/09 onward.

## 5 Three Year Projections

Before considering the final budget for 2007/08, it would be prudent to look at the current projections for the next three years. There have been some minor changes to the later years, and the adjusted position is as follows:

	2007/08 £ 000	2008/09 £ 000	2009/10 £ 000
<b>Expenditure</b>			
i As at December Fire Authority meeting – Base (Plus additions for Local Government Pension Scheme assumed in 2008/09)	18,994	20,082	20,921
Efficiencies	100 -	160 -	124 -
Retained Review	95 -	-	-
Growth	280	277	277
ii Release of Retained Reserve	-	98 -	91 -
	19,079	20,101	20,983
<b>Resources</b>			
Government Grant	7,195 -	7,477 -	7,664 -
Collection Fund surplus	50 -	50 -	50 -
Precept	11,834 -	12,574 -	13,269 -
	19,079 -	20,101 -	20,983 -

### NB

In 2008/09 onwards grant is based on assumed 2.5% annual increases, enhanced in 2008/09 by £100,000 as the Government stops clawing back funding for modernisation.

If the Council Tax Base continues to increase at past rates, then there are possible precept increases in 2008/09 of 5.4% and 4.7% in 2009/10. Note that this is before efficiencies, and makes no specific assumption about additional resources becoming available as floor protection of grant for other authorities reduces.



## 6 Potential Reductions

Your officers have looked carefully at the capital and revenue budget, and taken into account latest monitoring reports. They had in mind the Authority's target of budget reductions of about £40,000, but were not constrained by these.

	2007/08 £ 000	2008/09 £ 000	2009/10 £ 000
i Capital Programme If Members accept the proposed amendments	7 -	29 -	65 -
ii Future management of the overtime budgets for firefighters and incident command could deliver savings.	11 -	11 -	11 -
iii Retained call-outs are showing a reduction, indicating some dividend for the drive to reduce incidents.	5 -	5 -	5 -
iv Although no other definite reductions have been found, it might be reasonable to set targets for budget reductions for service area managers.	10 -	10 -	10 -
	<u>33 -</u>	<u>55 -</u>	<u>91 -</u>
v The final collection fund surplus has been notified at £82,000 i.e. £32,000 over the predicted level. It might, however, be prudent to limit the net benefit to the minimum surplus received in previous years, which was £69,000 i.e. take £19,000 net credit. This would protect the position for 2008/09 and be achieved by adding the difference of £13,000 to capital reserve.	19 -	-	-
	<u>52 -</u>	<u>55 -</u>	<u>91 -</u>

Note: Given the assumption about the Collection Fund surplus, it would be consistent to assume an increased contribution of £69,000 in 2008/09 and 2009/10 as well





## 7 Final Budget

Subject to review, by the Committee, of the results of public consultation, it would, therefore, be possible to set a three year budget as follows:

	2007/08 £ 000	2008/09 £ 000	2009/10 £ 000
<b>Expenditure</b>			
Budget – as previously agreed	19,079	20,101	20,983
Reductions now proposed	33 -	55 -	91 -
Additional contribution to Capital Reserve	13	-	-
	<hr/>	<hr/>	<hr/>
	19,059	20,046	20,892
 Resources			
Grant	7,195 -	7,477 -	7,664 -
Collection fund surplus	82 -	69 -	69 -
Precept	11,782 -	12,500 -	13,159 -
	<hr/>	<hr/>	<hr/>
	19,059 -	20,046 -	20,892 -
 Precept	£75.45	£79.40	£82.92
% Increase	+ 3.9%	+ 5.2%	+ 4.4%

The reasons for the various changes are set out in the Appendix.

## 8 Financial Implications

The financial implications are as set out in the report.

## 9 Legal Comment

There are no legal implications arising directly out of this report.

## 10 Appendices

Analysis of Expenditure Increases and Effect on Precept

## 11 Background Papers

### Shropshire and Wrekin Fire Authority

Meeting 20 December 2006 – reports and minutes



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		Initial Equality Impact Assessment Form completed	



**Analysis of Expenditure Increases and Effect on Precept**

Ref	2007/08		2008/09		2009/10		
	Expenditure £ 000	Precept £	Expenditure £ 000	Precept £	Expenditure £ 000	Precept £	
i	Previous Year's Precept	11,249	72.62	11,782	75.45	12,500	79.40
ii	Pay and Prices	598	3.86	626	4.01	608	3.86
iii	Service Developments	280	1.81	3	0.02	-	-
iv	Retained Review	-	-	98	0.63	98	0.62
v	Efficiencies	100	0.64	60	0.38	36	0.23
vi	Amending Report (2006/07)	170	1.10	-	-	-	-
vii	Capital and Leasing	89	0.57	106	0.68	80	0.51
viii	Pension Changes	107	0.69	136	0.87	10	0.06
ix	Reserves	-	-	100	0.64	-	-
x	Other (net)	12	0.08	3	0.02	14	0.09
		<u>792</u>	<u>5.11</u>	<u>1,000</u>	<u>6.41</u>	<u>846</u>	<u>5.37</u>
xi	Grant	259	1.67	282	1.81	187	1.19
xii	Tax Base Increase	-	0.61	-	0.65	-	0.66
xiii	Total Precept Income	<u>11,782</u>	<u>75.45</u>	<u>12,500</u>	<u>79.40</u>	<u>13,159</u>	<u>82.92</u>

**Notes**

- i Previous Year Net cost of service met from the precept, i.e. after grant and collection fund surplus
- vi Amending Report £170,000 had to be accounted as spending in 2006/07, although it was grant clawed back from 2004/05 and 2005/06.
- ix Reserves Reflects £100,000 taken from reserves to offset the loss of grant as Transition Funding is clawed back in 2006/07 and 2007/08
- x Grant Increase in 2008/09 reflects hope that £100,000 will be added back once Transition Funding is recovered
- xii Tax Base Increase This is the benefit to Council Tax payers over their previous bill, to reflect the fact that there are more Band D properties

