

2009/10 and Later Years Budget Summary

Report of the Treasurer

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

1 Purpose of Report

The report summarises the budget position so far, and seeks approval to the basis of consultation during January 2009, leading to a final decision by the Fire Authority on 11 February 2009.

2 Recommendations

The Fire Authority is recommended to:

- i Base its revenue expenditure planning and consultation on the totals set out in Appendix C (2009/10 £20,649,000);
- ii Base its capital programme on that set out in report 6f of the Green Book (2009/10 £2,150,000) but subject to detailed consideration of the Wellington and Shrewsbury schemes, especially in the light of prudential guidelines;
- iii Agree to the recommendations in Reserves and Provisions set out in paragraph 8 of the report;
- iv Continue to base its planning and consultation on a precept increase of 3.9% each year; and
- v Request Strategy and Resources Committee to prepare a final budget package on 22 January 2009, for final decision of the Fire Authority on 11 February 2009.

3 Background

The starting point for this paper is the view of the Strategy and Resources Committee on the basis of planning for expenditure decisions. The Committee accepted the reports that are set out in the "Green Book" (attached at Appendix A to the report).

These reports concentrated on expenditure issues, and can be summarised as follows

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
2008/09 Budget	20,058	20,058	20,058	20,058	20,058
Committed Change	-78	47	153	175	225
Pay and Prices	599	1,243	1,908	2,571	3,221
Efficiencies	-150	-300	-450	-600	-750
2009/10 Onward Capital Budgets	110	360	620	754	870
Savings from capital funding			-25	-225	-225
Service Developments	161	361	561	761	961
	<u>20,700</u>	<u>21,769</u>	<u>22,825</u>	<u>23,494</u>	<u>24,360</u>

The Committee also received a presentation from the Chief Fire Officer on “What-if” options and an Integrated Risk Management Planning (IRMP) update. How the elements of that analysis develop, will affect both the “Efficiencies” and “Service Developments” totals set out in the table above from 2010/11 onward. In the meantime planning continues to be based on a net growth of £50,000 a year i.e. £200,000 for developments, offset by £150,000 of efficiencies

4 Latest Developments: Expenditure

Set out below are the changes that have occurred since the Strategy and Resources Committee papers were developed.

i Committed Change

Reviewing the base has been undertaken, and will continue up to the point of deciding the final budget. Further changes cannot therefore be ruled out, but so far relatively minor amendments have been identified:-

£000

- i Radio / Telecoms maintenance savings 12 -

This would enable the increased software licensing costs, listed as a potential growth item in Appendix B to be funded from the revenue base.

ii 2009/10 Onward Capital Projects

The capital budget has also been reviewed, and to date, no additional running costs have been identified. One scheme, in 2009/10, the Document Management System is however not likely to incur expenditure until 2010/11, and therefore the £8,000 of cost in 2009/10 will not be incurred.

More detailed costings are required for the Wellington and Shrewsbury scheme, and it is expected that more details will be available in January 2009.

iii Service Developments

The latest position on the service developments listed in the “Green Book” is set out in Appendix B. Assuming the revised proposals are agreed, the net effect is to reduce expenditure from £161,000 to £46,000 in 2009/10 and by the same amount in later years. If the interim arrangements proposed by the IRMP Working Group (see earlier on the agenda) are agreed then £107,000 would be added. This would leave a net reduction in expenditure on service developments of £8,000.

5 Latest Developments: Income

The Government Announcement on 24 November 2008 and Pre Budget announcements

There were two recent important announcements by Government. Firstly there was the Pre Budget Statement. Of quantifiable effect is the 0.5% increase in National Insurance for 2011/12 which might cost some £50,000 a year. It is clear that public expenditure totals will reduce in the next settlement period from 2011/12 down from 1.9% a year to 1.1% in real terms. Efficiency targets have been increased in the current spending period and efficiencies will no doubt be a significant ingredient in the next period.

Secondly the Local Government Minister confirmed grant for both 2009/10 and 2010/11, and grant floors at 0.5% for fire authorities. He also promised that details of authorities’ efficiency performance would appear on Council Tax bills in 2009/10. Nothing definitive was said on capping, although he said

“This year saw the average Council Tax rise by 3.9% - the lowest increase for 14 years and the second lowest ever. I expect this trend to continue and will not hesitate to use capping powers as necessary to protect taxpayers from excessive increases as I did last year”.

The Band D equivalent Council Tax base will not be known formally until early January 2009, but preliminary estimates show that it might have stood still rather than grown by the 0.7% annually, used in financial forecasting. The current budget assumes annual growth in the Band D base of about 0.7% a year – the lowest annual rise hitherto experienced. Preliminary indications show that the Band D base in the Borough of Telford & Wrekin has grown by 0.12% and in the new Unitary area has shown a slight decrease as a result of equalising policies toward long-term void properties. The net effect is virtually no change from 2008/09 and a loss of predicted income of £89,000. In the circumstances the forward projections have also been revised downwards. This has a significant cumulative effect, although it can be no more than a projection at this stage.

The position on the Collection Fund surplus or deficit is not yet known, although the evidence to hand suggests there will be a surplus.

6 Potential Budget Position

From the latest developments above, the situation for 2009/10 has changed from that predicted in February 2008 as follows:-

	2009/10 (February 2008) £000	2009/10 (Latest) £000	Difference
Forecast expenditure	20,919	20,649	-270
Forecast income			
Grant	-7,975	-7,975	-
Council Tax			
+ 3.9%	-12,896	-12,807	-89
Collection Fund Surplus	-50	-50	-
Contribution from Retained Service Reserve	-98	-98	-
Contribution to Capital Reserve	100	281	+181
	-20,919	-20,649	270

The longer term position can be summarised as follows

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Expenditure (see Appendix C)	20,649	21,661	22,574	23,297	24,017
Forecast Income					
Grant (average)	-7,975	-8,268	-8,372	-8,477	-8,586
Council Tax (+3.9%)	-12,807	-13,323	-13,893	-14,487	-15,106
Collection Fund Surplus	-50	-50	-50	-50	-50
Contribution from Reserves	-98	-20	-259	-283	-275
Contribution to Reserves	281	-			
	-20,649	-21,661	-22,574	-23,297	-24,017

In order to produce single figures for 2011/12 onward, an average of optimistic and pessimistic projections has been taken for each year. The optimistic assumption for inflation is that the overall increase would be about 2.0% from 2011/12 onwards, or 2.5% pessimistically.

The current optimistic / pessimistic assumptions for grant are +2.5% p.a. for optimistic and zero increases for pessimistic. The optimistic assumption for the Band D base, is that it would start to increase at 0.6% p.a. from 2011/12 or pessimistically continue throughout the period at 2009/10 forecast levels. The resulting shortfalls in income over expenditure are shown in the table as “Contributions from Reserves”.

7 Conclusions

From the analysis above, it is clear that the forecast shortfall in 2010/11 has reduced significantly to £20,000 and shortfalls may arise in 2011/12 and subsequent years. The other point is it must be emphasised that deficits of any significance would not emerge for another two years. The deficits are also dependent on major assumptions:-

- i the annual rate of increase in the Band D base;
- ii assumptions on increased pension and National Insurance contributions costs (£122,000 of the increase by 2013/14);
- iii the cost of the Shrewsbury Scheme – currently estimated to cost an additional £135,000 by 2013/14;
- iv assumptions on expenditure – especially pay and prices;
- v plans for capital programmes, growth and efficiencies; and
- vi grant settlement 2011/12 onwards.

If the Authority decided to consult on budget projections set out above, its methods for dealing with the potential deficits would be:-

- using savings identified in the What-If analysis;
- maximising reserve funding of the Shrewsbury Scheme by continuing the policy of using surplus funds to increase the capital reserve, and reviewing other funds to see if monies could be diverted to the capital reserve. Every £100,000 funding reduces revenue costs by £9,000;
- revising plans for service developments; and
- constantly reviewing assumptions

A detailed analysis of these issues is attached at Appendix D.

8 Reserves and Provisions

The latest estimates of reserves and provisions are set out below:-

	Forecast 01/04/09 £000	Notes
Provisions		
Equipment Replacement	95	
Reserves		
General	718	Reflects £270,000 switch to Pensions / Staff Issues
Efficiency	60	
Retained Service	102	
Extreme Weather	295	
Pensions / Staff Issues	731	
Capital - Earmarked	345	
- Unearmarked	1,112	Includes forecast underspend in 2008/09
General Fund	28	To fund one-off service developments
	<u>3,486</u>	

A full report on Reserves, Provisions and the robustness of the budget will be made to the Strategy and Resources Committee in January 2009 and to the Fire Authority in February 2009. In the meantime it is recommended:-

- i that the following reserves be examined to see if they can be reduced without risk to future finances
 - General Reserve
 - Extreme Weather
 - Pensions / Staff Issues;
- ii these reserves, for now, are not “inflation-proofed” i.e. do not earn interest; and
- iii any surplus funds are switched to the Unearmarked part of the capital reserve.

9 Financial Implications

The financial implications are as outlined in the main body of the 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 Appendices

Appendix A

Shropshire and Wrekin Fire Authority, Strategy and Resources Committee, 13 November 2008, Reports 6 and 6a to 6g

Appendix B

Summary of 2009/10 Growth

Appendix C

Forecast Revenue Expenditure

Appendix D

Analysis of Assumptions in the Light of Recent Changes to Economic Outlook

13 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	*



Shropshire and Wrekin Fire Authority
Strategy and Resources Committee
13 November 2008

2009/10 and Later Years Revenue and Capital Budgets

Report of the Treasurer

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

1 Purpose of Report

This paper brings together the elements of the budget as set out in the papers that follow, and seeks the Committee's approval for a budget outline to be recommended to the Authority in December.

2 Recommendations

The Committee is asked to approve the revised figures as a basis for budget consideration by the Fire Authority in December 2008.

3 Background

The Committee has based its budget planning to date on the following:-

	2009/10	2010/11	2011/12	2012/13	2013/14
	£ 000	£ 000	£ 000	£ 000	£ 000
2008/09 Budget	20,058	20,058	20,058	20,058	20,058
Committed changes	108	208	208	208	208
Pay and Prices	627	1,271	1,921	2,571	3,221
Service Developments	65	270	470	670	870
Efficiencies	150 -	300 -	450 -	600 -	750 -
Capital	211	456	650	659	659
Expenditure	20,919	21,963	22,857	23,566	24,266

This was to be funded:-

Grant	7,975	8,268	*	*	*
Council Tax (+ 3.9% a year)	12,896	13,493	14,116	14,769	15,450
Collection Fund – surplus	50	50	50	50	50
Net (addition) or reduction in reserves	(2)	152	*	*	*
	20,919	21,963	22,857	23,566	24,266

* Pessimistic / optimistic assumptions of grant lead to different potential balancing items for reserves ranging from an addition to reserves of £138,000 (optimistic) to a reduction in reserves of £355,000 (pessimistic)

This report deals with the changes to expenditure and forecasts other effects on reserves. Funding can only be finalised once final information is available in early January on the Council Tax band D base and the Collection Fund surplus. The grant settlement for 2011/12 (or possibly 2010/11) onward will not be known until after the 2009/10 precept has been set and is therefore why “what-if” planning is necessary.

4 Revised Budget Summary

The changes to revenue expenditure covered in the following papers (assuming no change to service developments) can be summarised as follows:-

	2009/10	2010/11	2011/12	2012/13	2013/14
	£ 000	£ 000	£ 000	£ 000	£ 000
2008/09 Budget	20,058	20,058	20,058	20,058	20,058
Committed change	78 -	47	153	175	225
Pay and Prices	599	1,243	1,908	2,571	3,221
Efficiencies	150 -	300 -	450 -	500 -	650 -
2009/10 and later Capital Programme	110	360	595	704	820
Service Developments	161	361	561	761	961
	20,700	21,769	22,825	23,769	24,635

This shows that expenditure has reduced by the following:-

	£ 000	
2009/10	219	
2010/11	194	
2011/12	32	
2012/13	(28)	} Less funding from reserves / receipts / grant assumed at £175,000 revenue savings
2013/14	(194)	

The reasons for the changes in 2009/10 are:-

- i Committed growth has reduced by £136,000. This is a reduction in ill-health retirements, net savings in pay awards compared to forecasts and to other variations set out in 6a;
- ii Revenue costs of Capital Programmes from 2008/09 have reduced by £31,000 and the 2009/10 programme is currently expected to cost £24,000 less;
- iii Inflation estimates have reduced by £28,000 as a result of the lower than expected pay award for firefighters.

The changes reduce in 2010/11 and 2011/12 as capital programmes slippage catches up, and additional forecasts for pension contributions are introduced. Further work needs to be completed on 2012/13 and 2013/14 where capital programme consequences need to be revisited to take account of capital grant and reserve availability.

5 Conclusions

At this stage, further work is needed to:-

- i Capital Programme and its financing; and
- ii Service Developments

However changes already identified show that the originally estimated potential reduction in the reserve in 2010/11 of £152,000 can be offset by the expenditure reductions now identified.

6 Financial Implications

The financial implications are as outlined in the main body of 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.

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	*

Base Budget plus Committed Change

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202 or Joanne Coady, Principal Accountant, 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 6

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 2008/09 revenue budget, and anticipated changes for 2009/10 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 Revised Position following Review

	2009/10 £'000	2010/11 £'000	2011/12 £'000
a) 2008/09 Budget	20,058	20,058	20,058
b) Committed Changes			
Firefighters' Pensions	(55)	23	143
Leasing	(36)	(36)	(36)
Debt Charges:			
2008/09 Capital Programme (less charges for cancelled schemes, approved 2008/09)	46	46	46
MRP	(13)	(16)	(20)
Retained Review	91	91	91
Efficiencies 2007/08 –			
Ill Health redeployment	19	19	19
Recruit training	17	17	17
One off growth items 2008/09	(157)	(157)	(157)
Increase in growth items	61	66	66
Vehicle Repairs	0	(5)	(5)
Internal Audit	(4)	(4)	(4)
Firefighters Actuarial Valuation	0	50	50
c) Other			
Contract car charges – increase necessary in 2008/09, also affecting future years	8	8	8
Conferences – increased attendance for information gathering and development	5	5	5
Hospitality – correction to base budget, following previous in year adjustments	3	3	3
Pay & prices – savings identified in 2008/09 which are ongoing	(60)	(60)	(60)
Bounty payments – payments to retained firefighters are to be phased out by 2010/11	(20)	(30)	(50)
CPD payments – retained duty system, likely to increase over future years	0	10	20
Occupational Health services – higher demand for consultations and medicals	5	5	5
Fitness test equipment – increased costs of preferred fitness testing for recruits	7	7	7
Reduced income streams – budgets reflected previous high levels of income generation	6	6	6
Road Safety strategy – reduction in costs following unexpected income generation	(8)	(8)	(8)
Fire crimes reduction – publicity material to encourage further reductions	4	4	4
Information Management – additional running costs required for data replication	3	3	3
Total	19,980	20,105	20,211
Total movement in base budget	(78)	47	153

5 Financial Implications

There are no financial implications other than those mentioned in the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 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.

8 Appendices

There are no appendices attached to this report.

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		Equality Impact Assessment	*

Pay and Prices Assumptions

Report of the Treasurer

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

1 Purpose of Report

The report sets out the possible provision to be made for pay and price inflation in 2009/10 and later years.

2 Recommendations

The Committee is asked to recommend that the Authority base its future budget plans on pay assumptions of 3½ % and 3% a year and 2½ % for prices.

3 Background

The Authority has always had a policy of fixing a realistic provision for unknown pay and prices changes. This avoids, on the one hand making too big a charge on the tax payer, leading either to pressure elsewhere in the budget or to under-funding. If too small a provision is made then the balance would have to be funded elsewhere in the budget, either from reserves or possibly by cuts in service. The following year's budget would then have to make up the shortfall; and find money to restore the service cuts if they were not to be ongoing.

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

- i) Analyse its base budget (2008/09) into the spending areas where pay or price charges can be significant;
- ii) Make pay assumptions for firefighters based on any consensus that exists among fire authorities for a formula based on negotiated outcome;
- iii) Make pay assumptions for other pay based on a realistic expectation of the outcome of any outstanding negotiations;

- iv) Take account of known problem areas such as increments; rank to role; expected progression through scales; tax changes
- v) Analyse the prices budget into key elements including those to which no inflation applies, such as debt charges, and apply appropriate percentages to each.

4 Current Developments

The Authority's policy has always therefore been to make realistic provision for unknown pay and price changes. After a number of years during which pay and prices have been relatively stable, assumptions of 3½% for firefighters pay, 3% for other pay and 2½% for prices, have proved affective.

In 2008/09 price inflation has exceeded estimates but this has been matched by pay settlements being lower than anticipated. Looking forward, there is great uncertainty. The key determinants are pay settlements – in July for firefighters and April for support staff. For example the table below shows how our budget is made up:-

	Base Budget 2008/09	Inflation Estimate	
	£ 000	%	£ 000
Firefighter pay etc (* adjusted for 2008 awards)	12,862	3½ *	425
Support staff pay etc	1,916	3	57
Prices / Increase	4,687	2½	117
Zero Items	932		-
	20,034		599

i.e. 1% error in the assumptions on the firefighters' pay settlement costs / saves £129,000 in a full year.

5 Conclusions

There is no consensus over how pay and prices will move over the next year, or indeed the five years of the service plan. In addition other unknown factors may increase or reduce the cash costs of simply maintaining current service levels. It is therefore recommended at this stage, to continue to plan on previous assumptions. The detailed calculations are shown in the appendix.

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 Appendix

Pay and Prices Assumptions 2009/10 to 2011/12

10 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	*

Pay and Prices Assumptions 2009/10 to 2011/12

		Base 2009 £	Assumption	2009/10 £	2010/11 £	2011/12 £
Firefighter Pay						
	2008 July	11,764,978	2.45%	72,060	72,060	72,060
	2009 July	11,837,039	3.5%	310,722	414,296	414,296
	2010 July	12,251,335	3.5%		321,598	428,797
	2011 July	12,680,132	3.5%			332,853
				382,783	807,954	1,248,007
Chief Officers Pay						
	2009 January	468,201	3.5%	16,387	16,387	16,387
	2010 January	484,588	3.5%	4,240	16,961	16,961
	2011 January	501,549	3.5%		4,389	17,554
	2012 January	519,103	3.5%			4,542
				20,627	37,736	55,444
Control						
	2008 July	629,284	2.45%	3,854	3,854	3,854
	2009 July	633,138	3.5%	16,620	22,160	22,160
	2010 July	655,298	3.5%		17,202	22,935
	2011 July	672,500	3.5%			17,653
				20,474	43,216	66,603
Support Staff Pay						
	2009/10	1,916,009	3.0%	57,480	57,480	57,480
	2010/11	1,973,489	3.0%		59,205	59,205
	2011/12	2,032,694	3.0%			60,981
				57,480	116,685	177,666
Prices						
Indirect Employees Expenses						
	2009/10	450,810	2.5%	11,270	11,270	11,270
	2010/11	462,080	2.5%		11,552	11,552
	2011/12	473,632	2.5%			11,841
				11,270	22,822	34,663
Premises						
	2009/10	888,660	2.5%	22,217	22,217	22,217
	2010/11	910,877	2.5%		22,772	22,772
	2011/12	933,648	2.5%			23,341
				22,217	44,988	68,330
Transport						
	2009/10	804,865	2.5%	20,122	20,122	20,122
	2010/11	824,987	2.5%		20,625	20,625
	2011/12	845,611	2.5%			21,140
				20,122	40,746	61,887
Supplies and Services						
	2009/10	2,165,343	2.5%	54,134	54,134	54,134
	2010/11	2,219,477	2.5%		55,487	55,487
	2011/12	2,274,964	2.5%			56,874
				54,134	109,620	166,495
Debt Charges						
		696,000				
Investments						
		(260,000)				
Other Income						
	2009/10	(203,703)	2.5%	- 5,093	- 5,093	- 5,093
	2010/11	(208,796)	2.5%		- 5,220	- 5,220
	2011/12	(214,015)	2.5%			- 5,350
				- 5,093	- 10,312	- 15,663
Pension						
	2009/10	399,620	2.5%	9,991	9,991	9,991
	2010/11	409,611	2.5%		10,240	10,240
	2011/12	419,851	2.5%			10,496
				9,991	20,231	30,727
Contingency						
	2009/10	181,748	2.5%	4,544	4,544	4,544
	2010/11	186,292	2.5%		4,657	4,657
	2011/12	190,949	2.5%			4,774
				4,544	9,201	13,975
Contribution to Reserves						
		133,000				
		20,034,815		598,548	1,242,888	1,908,132

Efficiencies 2009/10 and Forward Budgets

Report of the Treasurer

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

1 Purpose of Report

This report looks at the implications for setting efficiency budgets in 2009/10 to 2013/14.

2 Recommendations

The Committee is recommended to confirm the efficiencies of £150,000 a year as set out in paragraph 4 for inclusion in future budget planning.

3 Background

The Authority had a total of £930,000 of on-going savings if it was to meet the national average target of efficiencies by March 2008. The Authority confirmed cumulative ongoing savings of £940,000, thereby achieving the national target average.

4 2008/09 to 2010/11

2008/09

An annual target of 1.6% was set for the Fire Service during the three year settlement announced in December 2007. 1.6% equates to about £275,000.

The Authority has decided to continue its policy of maximising efficiencies and therefore value for money, whether or not this falls short of or exceeds the national average target for the Service.

The current situation for 2008/09 is that efficiencies are projected to be delivered through reduced call-outs and incidents (£100,000); managing service delivery and staff vacancies, without increasing associated costs such as overtime (£60,000) and restructuring duties with our partners (£41,000).

2009/10 to 201/11

The annual target for the service of 1.6% - £275,000 if disaggregated to Shropshire and Wrekin, continues for these two years.

Planning has been based on £100,000 in 2008/09 – expected to be exceeded at £201,000 although still short of the £275,000 disaggregation.

The £100,000 was increased to a planned £150,000 in 2009/10 and later years. This still seems to be a prudent target on which to budget.

It is recommended that managed vacancy totals, be increased by £50,000 in 2009/10 – given experience this year, and the £100,000 reduction in call-outs and incidents identified in 2008/09 be confirmed in 2009/10.

An additional £150,000 from the same sources could be planned for 2010/11, although this would need to be confirmed by experience next year before being removed from the budget.

Finally it has been possible to maintain an estimated £50,000 balance within the Efficiency Reserve, partly by using other underspendings to invest in efficiencies – e.g. undertaking work to reduce the rates bill. Given the present uncertainty on future targets it would be prudent to maintain this balance for pump-priming future efficiencies.

5 Financial Implications

The financial implications are as outlined in the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 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.

8 Appendices

There are no appendices attached to this report.

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		Equality Impact Assessment	*

Service Developments 2009/10

Report of the Chief Fire Officer

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260225 or Ged Edwards, Programme Manager on 01743 260208.

1 Purpose of Report

This report informs members of service developments (growth) that has been identified by officers for inclusion within the 2009/10 budget.

2 Recommendations

The Strategy and Resources Committee is asked to:

- a) Note the service developments identified by officers to date;
- b) Note the suggested actions to fund service developments in 2009/10;
- c) Note that further potential growth was identified at a recent strategic planning workshop on 28 and 29 October 2008 which requires further analysis; and
- d) Agree to the Fire Authority receiving a report at its December meeting for a final decision on 2009/10 service developments.

3 Background

As part of the 2009/10 strategic planning process, officers have been asked to consider areas of the service which require additional resources in order to deliver against their respective directorate objectives. Where growth has been identified officers were required to develop an Outline Business Case (OBC) detailing the reasons and justification for new growth.

This paper summarises the seven growth items that have been identified with their indicative costs which amount to £145,000 per annum and £18,000 one off costs (the summary can be found in the appendix to this report). Following an evaluation of all the growth items, officers have been tasked with investigating whether growth can be funded by reviewing existing budget areas or through under spends across other service areas.

The table in the appendix identifies what actions are currently being considered in order to fund growth items. It is proposed to bring a paper to the Fire Authority in December for a final decision on funding 2009/10 growth.

4 Strategic Planning Workshop

During a strategic planning workshop conducted by officers on 28 and 29 October 2008 a number of potential growth items, in addition to those outlined in this paper, were also identified. Due to the timing of the workshop it has not been possible to undertake detailed analysis for inclusion within this report. It is now intended to review and evaluate these items prior to bringing a paper to the Fire Authority in December.

5 Financial Implications

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

6 Legal Comment

There are no direct legal implications arising from this report.

7 Equality Impact Assessment

This report is purely an update on service developments therefore an Initial Equality Impact Assessment is not required.

8 Appendix

Summary of 2009/10 Growth Items.

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		Equality Impact Assessment	

Summary of 2009/10 Growth

Growth item	Brief Description	Cost	Consequence of not pursuing	Position statement
Vulnerable Persons Officer (VPO)	Seeks to establish the current temporary post of VPO on a permanent basis	£22,000 approx p.a. (inclusive of on costs)	The current post would have to be dispensed with or continued on temp basis using under spends.	Officers to review current budgets with a view to funding from existing budgets.
Rural Outreach Officer	Seeks to establish the current temporary post on a permanent basis.	£20,000 approx p.a. (inclusive of on costs)	The current post would have to be dispensed with or continued on temp basis using under spends.	Officers to review current budgets with a view to funding from existing budgets.
Graphics Provision and Image Library	Seeks to establish a part time graphics post to manage/act as POC for the corporate identity and develop image library	£20,000 pro rota 18.5 hrs p.a. Approx 6k one off for image library	Dilution of Corporate identity likely to occur through lack of management and lack of capacity.	Virement from under spends in another service area in 2008/09 budget to fund position for 12 months. A review of the management of the corporate identity in the long term to be undertaken.
Data Replication	Establish an alternative location (Telford) for data storage and Availability for business continuity	£12,000 one off approx for equipment £3,000 revenue per year for maintenance	Disaster recovery and business continuity will be compromised.	Reviewing whether 2008/09 under spends in other service areas can fund this item. Revenue implications to be considered as part of the base budget review.



Growth item	Brief Description	Cost	Consequence of not pursuing	Position statement
Increased Software Licensing	Procure additional Microsoft user licences for server/PC access and third party software (anti spam)	£12,500 p.a 50 additional user Licenses at a cost of £250	No increase in current user base to software systems. Potential to contravene licensing laws resulting in prosecution.	Reviewing whether this item can be accommodated within current service budgets.
Training Establishment Increases	Introduce 1 additional watch manager as an instructor and 1 general duties post	£57,500 p.a approx Watch Manager £45,000 General Duties £12,500	Deterioration in the level of service provided by the training section as training requirements increase e.g. water and line safety, new dimensions. Continual reliance on Tech Services GD (not always available)	Reviewing whether this item can be accommodated within the current training budget.
Admin Support in Technical Services	Introduce 1 additional admin support post	£20,000 p.a	Risk that current workloads and project will not be delivered	Reviewing whether this item can be accommodated within current service budgets.

Shropshire and Wrekin
 Fire Authority
 Strategy and Resources
 Committee

What If and IRMP Update

13 November 2008



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What If?


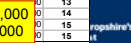
- Comprehensive Spending Review 07
- Huge areas of uncertainty for budgets in 2008/09 and beyond...
- Prepared for the worst
- Built into Medium Term Financial Plan

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Detailed Risk Assessment

	Financial Implications			Overall Threat Level
	2008/09	2009/10	2010/11	
1) Budget for Vacancies	-£115,000	-£115,000	-£115,000	3
2) Reduce FSC/Management Courses	-£40,000	-£20,000		4
3) Removal of Messing	-£30,000	-£59,000	-£59,000	5
4) Reduce Hydrant Maintenance	-£50,000			5
5) Reduce Building Maintenance	-£50,000	-£25,000		5
6) Extend Appliance Life		-£38,000	-£49,000	5
7) Cease funding of RMB	-£35,000	-£35,000	-£35,000	5
8) Reduce Senior Management		-£90,000	-£90,000	6
9) Reduce Support Staff	-£25,000	-£30,000	-£75,000	6
10) Reduce W1 Overtime	-£40,000	-£40,000	-£40,000	7
11) Cease Voluntary Revenue Provisions	£75,000	£108,000	-£135,000	7
12) Budget for Vacancies		-£115,000	-£115,000	7
13) Reduce Riders at SY		£140,000	£140,000	8
14) RTC Reduction	-£42,000	-£42,000	-£42,000	8
15) Cease Contributions to Capital Reserve	£139,000	-£197,000	-£197,000	9
16) Retained OPS	-£100,000	-£100,000	-£100,000	9
17) R		-£140,000	-£140,000	9
18) C	2008/09 Pessimistic - £379,000		-£290,000	9
19) R	Items 1 to 10 Total - £385,000	-£140,000	-£140,000	10
20) C			-£125,000	12
21) Close Retained Site	2009/10 Pessimistic - £536,000		-£125,000	12
22) Close Retained Site	Items 1 to 11 Total - £578,000		-£125,000	12
23) Close Retained Site			-£125,000	12
24) Close Retained Station (C)			-£125,000	13
25) Close Retained Station (R)	2010/11 Pessimistic - £585,000			14
26) Remove Wholtime Appliance	Items 1 to 12 Total - £683,000			15
27) Remove Wholtime Appliance				15
TOTAL	£881,000	-£1,452,000	-£4,292,000	

For current year vacancy management became an efficiency	
Option	Budget for Vacancies
Current Budget	£11.5 million (not including Retained pay of £2.2m)
Proposal	Reduce by 1% and manage vacancies
Budget Reduction	£115,000
Risk to Objectives (1 to 5)	Without Controls 2 With Controls 1
Risk to Reputation (1 to 5)	Without Controls 1 With Controls 1
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 1
Overall Risk	Medium 6 Low 3
Comment	Recent history of expenditure appears to indicate that this budget reduction is achievable. (Proven 2008/09)

Update

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		Detail	Financial Implications			Risk
			2009/10	2010/11	2011/12	
1	Removal of Messing	3 x cooks + 12 mess managers	-£30,000	-£59,000	-£59,000	5
2	Reduce Hydrant Maintenance	Repairs only for one year	-£50,000			5
3	Reduce Building Maintenance	Safety issues only	-£50,000	-£25,000		5
4	Extend Appliance Life	From 12 to 13 years		-£66,000	-£49,000	5
5	Cease funding of RMB	Reduced to 15K 2008/09	-£15,000	-£15,000	-£15,000	5
6	Reduce FSC/Management Courses	Reduce by 25% then 15%	-£40,000	-£20,000		6
7	Reduce Senior Management	Sub regional working		-£60,000	-£60,000	6
8	Reduce Support Staff	Review of all HQ support	-£25,000	-£50,000	-£75,000	6
9	Reduce WT Overtime	Maintaining crewing levels	-£40,000	-£40,000	-£40,000	7
10	Cease Voluntary Revenue Provisions	No longer feasible	£0	£0	£0	0
11	Reduce Ridership Factor to 1.4	Equates to 8 FF posts	-£300,000	-£300,000	-£300,000	8
12	RTC Reduction	Stop and remove post	-£42,000	-£42,000	-£42,000	8
13	Cancel SY/HQ Capital Investment	Maintain Existing	-£23,000	-£146,000	-£315,000	9
14	Cease Contributions to Capital Reserve	Higher debt charges in future	-£139,000	-£197,000	£197,000	9
15	Retained CFS	Stop	-£100,000	-£100,000	-£100,000	9
16	RSO Reduction	Reduce from 8 to 4	-£150,000	-£150,000	-£150,000	9
17	Aerial Rescue Pumps (SY and TC)	Reduce 8 FF posts			-£300,000	9
18	RSO Reduction	Reduce from 4 to 0		-£150,000	-£150,000	10
TOTAL			-£1.00 m	-£1.42 m	-£1.85 m	

3. Reduce Building Maintenance	
Option	Reduce Building Maintenance
Current Budget	£281,000
Proposal	Reduce in year one and two only
Budget Reduction	£50,000 year one £25,000 year two
Risk to Objectives (1 to 5)	Without Controls 1 With Controls 1
Risk to Reputation (1 to 5)	Without Controls 3 With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 2
Overall Risk	Medium 7 Low 5
Comments	Not sustainable longer term

4. Extend Life of Fire Appliances	
Option	Extend Fire Appliance life
Current Budget	Varies by year dependant upon Capital Programme
Proposal	Extend Appliance life from 12 to 13 years
Budget Reduction	£66,000 year two £49,000 year three
Risk to Objectives (1 to 5)	Without Controls 1 With Controls 1
Risk to Reputation (1 to 5)	Without Controls 3 With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 2
Overall Risk	Medium 7 Low 5
Comments	Further work required on cost of extending leases and possible increased maintenance costs

5. Cease RMB Funding	
Option	Cease Regional Management Board Funding
Current Budget	£15,000
Proposal	Withdraw funding
Budget Reduction	£15,000
Risk to Objectives (1 to 5)	Without Controls 2 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 4 With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls 1 With Controls 1
Overall Risk	Medium 7 Low 5
Comments	Current regional funding of Programme Office is also likely to cease which means that this could actually represent an increase in budget

6. Reduce Management Courses	
Option	Reduce FSC and Management Courses
Current Budget	Fire Service College £110,000 Other Management Courses £101,000
Proposal	Reduce by 20% year one and 10% year two
Budget Reduction	£40,000 year one £20,000 year two
Risk to Objectives (1 to 5)	Without Controls 2 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 2 With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls 2 With Controls 2
Overall Risk	Medium 6 Low 6
Comments	Not sustainable longer term

7. Reduce Senior Management	
Option	Reduce Senior Management
Current Budget	£512,000
Proposal	Proposals to be developed taking into account improved sub-regional working
Budget Reduction	£60,000 from year two onwards
Risk to Objectives (1 to 5)	Without Controls 3 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 1 With Controls 1
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 3
Overall Risk	Medium 7 Medium 6
Comments	Need to consider fully the implications on maintaining operational cover within Shropshire

8. Reduce Support Staff	
Option	Reduce Support Staff
Current Budget	£1.5 million
Proposal	Reduce one post per year for three years
Budget Reduction	£25,000 year one £50,000 year two £75,000 year three
Risk to Objectives (1 to 5)	Without Controls 3 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 1 With Controls 1
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 3
Overall Risk	Medium 7 Medium 6
Comments	Substantial review required of all departments

9. Reduce Wholetime Overtime	
Option	Reduce Wholetime Overtime
Current Budget	£173,000
Proposal	Reduce
Budget Reduction	£40,000 ongoing
Risk to Objectives (1 to 5)	Without Controls 2 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 3 With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls 3 With Controls 3
Overall Risk	Medium 8 Medium 7
Comments	Not available if current crewing levels are reduced

10. Cease Voluntary Revenue Provisions	
Option	Cease Voluntary Revenue Provisions
Current Budget	£75,000
Proposal	Remove
Budget Reduction	£75,000 year one £108,000 year two £135,000 year three
Risk to Objectives (1 to 5)	Without Controls 3 With Controls 3
Risk to Reputation (1 to 5)	Without Controls 3 With Controls 3
Risk to Staff Relationships (1 to 5)	Without Controls 1 With Controls 1
Overall Risk	Medium 7 Medium 7
Comment	Included for 2008/09 but now no longer an option to the Fire Authority

11. Reduce Wholetime Ridership Factor	
Option	Reduce Wholetime Ridership Factor
Current Budget	£4 million
Proposal	Reduce Ridership factor from 1.46 to 1.39
Budget Reduction	£300,000
Risk to Objectives (1 to 5)	Without Controls 2 With Controls 2
Risk to Reputation (1 to 5)	Without Controls 4 With Controls 3
Risk to Staff Relationships (1 to 5)	Without Controls 5 With Controls 3
Overall Risk	High 11 Medium 8
Comment	Reduces wholetime operational posts from 164 to 156

12. Cease RTC reduction work

Option	Cease RTC reduction work		
Current Budget	£42,000		
Proposal	Cease work on RTC reduction		
Budget Reduction	£42,000		
Risk to Objectives (1 to 5)	Without Controls	4	With Controls 4
Risk to Reputation (1 to 5)	Without Controls	3	With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls	3	With Controls 2
Overall Risk	Medium	10	Medium 8
Comment	Unlikely to be popular with the public, staff or partners		

13. Cancel SY/HQ Capital Investment

Option	Cancel Shrewsbury Fire Station and Headquarters Capital Investment		
Current Budget	£900,000 in 2009/10 £2,600,000 in 2010/11 -£1,000,000 return in 2011/12		
Proposal	Continue operating from existing buildings		
Budget Reduction	£23,000 2009/10 £146,000 in 2010/11 £315,000 in 2011/12 (no account taken of capital receipt)		
Risk to Objectives (1 to 5)	Without Controls	1	With Controls 1
Risk to Reputation (1 to 5)	Without Controls	3	With Controls 3
Risk to Staff Relationships (1 to 5)	Without Controls	5	With Controls 5
Overall Risk	Medium	9	Medium 9
Comment	Likely to result in increased maintenance costs		

14. Cease Contributions to Capital Reserve

Option	Cease Contributions to Capital Reserve		
Current Budget	£139,000		
Proposal	Remove		
Budget Reduction	£139,000 year one £197,000 years two and three		
Risk to Objectives (1 to 5)	Without Controls	4	With Controls 4
Risk to Reputation (1 to 5)	Without Controls	4	With Controls 4
Risk to Staff Relationships (1 to 5)	Without Controls	1	With Controls 1
Overall Risk	Medium	9	Medium 9
Comment	When an asset is funded through the capital reserve, contributions from revenue are made over the life of that asset in order to replace the asset from the reserve. If this is stopped then the assets will need replacing either from a lump sum or from additional borrowing with implications for prudential guidelines.		

15. Cease Retained CFS			
Option	Cease Retained CFS		
Current Budget	£100,000		
Proposal	Cease all Retained CFS including home fire risk assessments and smoke alarm fitting		
Budget Reduction	£100,000		
Risk to Objectives (1 to 5)	Without Controls	4	With Controls 4
Risk to Reputation (1 to 5)	Without Controls	3	With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls	3	With Controls 3
Overall Risk	Medium	10	Medium 9
Comment	Significant impact upon the achievement of objectives.		

16. Reduce Retained Support Officers			
Option	Reduce Retained Support Officers		
Current Budget	£300,000		
Proposal	Reduce from 8 posts to 4		
Budget Reduction	£150,000		
Risk to Objectives (1 to 5)	Without Controls	3	With Controls 3
Risk to Reputation (1 to 5)	Without Controls	3	With Controls 2
Risk to Staff Relationships (1 to 5)	Without Controls	4	With Controls 4
Overall Risk	Medium	10	Medium 9
Comment	Budget reduction may be reduced in year one through redundancy payments		

17. Introduce Combined Aerial Rescue Pumps			
Option	Introduce Combined Aerial Rescue Pumps		
Current Budget	£280,000		
Proposal	Introduce at SY and TC no specialist crews required		
Budget Reduction	£280,000 in year three		
Risk to Objectives (1 to 5)	Without Controls	2	With Controls 2
Risk to Reputation (1 to 5)	Without Controls	4	With Controls 3
Risk to Staff Relationships (1 to 5)	Without Controls	5	With Controls 4
Overall Risk	High	11	Medium 9
Comment	Will not be possible within year one and two		

18. Reduce Retained Support Officers	
Option	Reduce Retained Support Officers
Current Budget	£300,000
Proposal	Reduce from 4 posts to 0
Budget Reduction	£150,000 from year two
Risk to Objectives (1 to 5)	Without Controls 3 With Controls 3
Risk to Reputation (1 to 5)	Without Controls 3 With Controls 3
Risk to Staff Relationships (1 to 5)	Without Controls 4 With Controls 4
Overall Risk	Medium 10 Medium 10
Comment	Budget reduction year two may initially be reduced through redundancy payments

Recommendation

- Approve updated 'What if' for inclusion in update of MTFP
- Revisit and implement 'What ifs' as required
- Consider when do cuts become efficiencies!

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Cuts/Efficiencies			Financial Implications			
	Detail		2009/10	2010/11	2011/12	Risk
1	Removal of Messing	3 x cooks + 12 mess managers	-£30,000	-£59,000	-£59,000	5
2	Reduce Hydrant Maintenance	Repairs only for one year	-£50,000			5
3	Reduce Building Maintenance	Safety issues only	-£50,000	-£25,000		5
4	Extend Appliance Life	From 12 to 13 years		-£66,000	-£49,000	5
5	Cease funding of RMB	Reduced to 15K 2008/09	-£15,000	-£15,000	-£15,000	5
6	Reduce FSC/Management Courses	Reduce by 25% then 15%	-£40,000	-£20,000		6
7	Reduce Senior Management	Sub regional working		-£60,000	-£60,000	6
8	Reduce Support Staff	Review of all HQ support	-£25,000	-£50,000	-£75,000	6
9	Reduce WT Overtime	Maintaining crewing levels	-£40,000	-£40,000	-£40,000	7
10	Cease Voluntary Revenue Provisions	No longer feasible	£0	£0	£0	0
11	Reduce Ridership Factor to 1.4	Equates to 8 FF posts	-£300,000	-£300,000	-£300,000	8
12	RTC Reduction	Stop and remove post	-£42,000	-£42,000	-£42,000	8
13	Cancel SY/HQ Capital Investment	Maintain Existing	-£23,000	-£146,000	-£315,000	9
14	Cease Contributions to Capital Reserve	Higher debt charges in future	-£139,000	-£197,000	£197,000	9
15	Retained CFS	Stop	-£100,000	-£100,000	-£100,000	9
16	RSO Reduction	Reduce from 8 to 4	-£150,000	-£150,000	-£150,000	9
17	Aerial Rescue Pumps (SY and TC)	Reduce 8 FF posts			-£300,000	9
18	RSO Reduction	Reduce from 4 to 0		-£150,000	-£150,000	10
TOTAL			-£1.00 m	-£1.42 m	-£1.85 m	

IRMP

Driving Service Improvements

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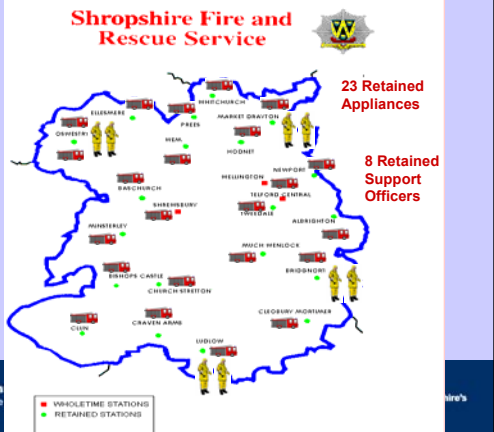
Retained Review

- Over £1,000,000 a year investment
- Retained Ffs up by 10%
- Retained availability up from 94% to 99%
- Over 40,000 home fire risk assessments conducted by Retained personnel

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Shropshire Fire and Rescue Service



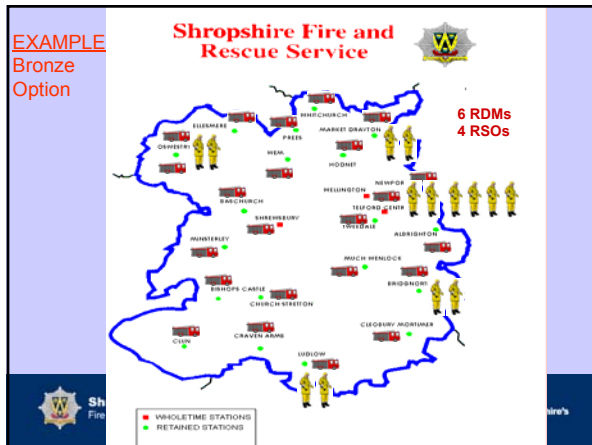
But!

- Retained Ff Development remains a huge issue
- And
- Management of Risk requires resources
- Station Management can be improved
- Solution ???
- Retained Development Managers/Teams

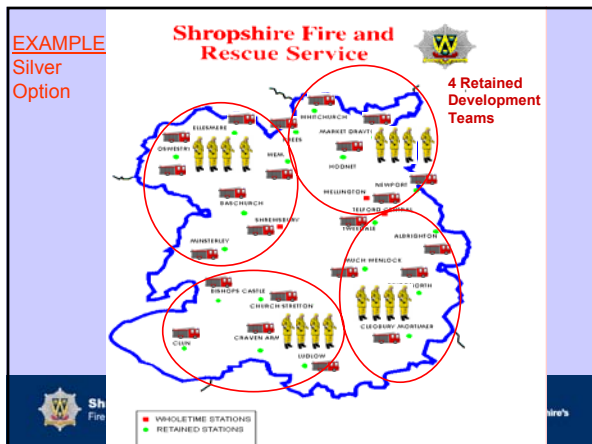
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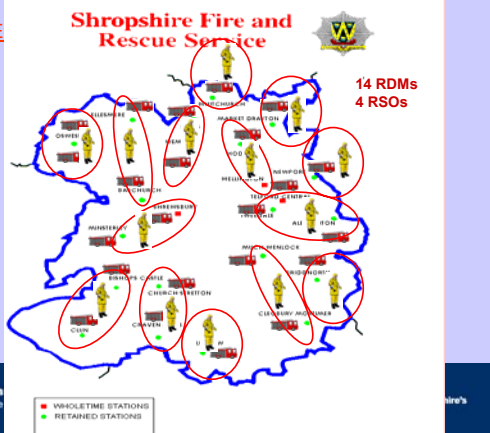
EXAMPLE
Bronze
Option



EXAMPLE
Silver
Option



EXAMPLE
Gold
Option



The Cost

	RSO	RSO Cost	RDM	RDM Cost	Total Cost	Budget Increase
Current	8	£292,936	0	£0	£292,936	
Bronze	4	£146,468	6	£255,462	£401,930	£108,994
Silver	8	£292,936	8	£340,616	£633,552	£340,616
Gold	4	£146,468	14	£596,078	£742,546	£449,610

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Finding Funding

	Funding Available
Reduce Ridership Factor at WT Stations (From 1.46 to 1.39 Equals 8 Posts)	£300,000
Reduce Retained Support Officers (From 8 to 4 Equals 4 Posts)	£150,000
2009/10 Efficiencies	£150,000
TOTAL	£600,000



Recommendations

- IRMP Members' Working Group to develop proposals
- Widespread Consultation from April 2009
- Plan for implementation April 2010
- Possibly make incremental improvements during 2009

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Any Questions?

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Capital Programme 2009/10 to 2013/14

Report of the Treasurer

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

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 project appraisals and a review of financing possibilities.

2 Recommendations

The Committee is recommended to propose to the Authority for inclusion in its five year budget planning:-

- a) The schemes set out in the appendix, subject to reports on the "Shrewsbury Scheme";
- b) The potential funding of these schemes and the maximisation of the capital reserve if possible; and
- c) The revenue consequences that would flow from these schemes.

3 Background

The Authority has already agreed capital programmes for 2008/09 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years. These figures are included in earlier papers as commitments.

There is now reduced scope for changing the revenue consequences by altering policy on how these committed schemes are financed. This follows changes in accounting rules which attempt to link funding to the anticipated life of the asset acquired.

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

4 The Starts Programme

The schemes currently under consideration are set out in the appendix, and can be summarised as follows:-

Year of Start	Total Project Cost of Starts £ 000	Revenue Consequences				
		2009/10 £ 000	2010/11 £ 000	2011/12 £ 000	2012/13 £ 000	2013/14 £ 000
2009/10	2,150	110	238	238	238	238
2010/11	3,450		122	348	348	348
2011/12	840			34	137	137
2012/13	720				31	121
2013/14	535					26
	<u>7,695</u>	<u>110</u>	<u>360</u>	<u>620</u>	<u>754</u>	<u>870</u>
Less funding by capital receipt		-	-	25	- 50	- 50
		<u>110</u>	<u>360</u>	<u>595</u>	<u>704</u>	<u>820</u>

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 2009/10 scheme starts, and all 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. In the case of the Shrewsbury Project there is the potential for major variations, and in addition the Authority may have to commit itself in February to that part of the project currently shown as a 2010/11 start.

The revenue consequences are calculated in the following way. It is assumed that a loan will be raised at a mid point in the year – at 5%. Provision to repay the loan is required at least at a rate of 4% (Minimum Revenue Provision or MRP) from 1 April in the year following when the loan is raised, i.e. a further 4% is added from 2010/11 onward for 2009/10 schemes. The Authority has decided and is now required to set an appropriate MRP where asset life is shorter than 25 years. Similarly where assets are financed from the capital reserve, repayments for their replacement are made over the life of the asset.

Officers are currently producing project appraisals for each scheme to 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 knock-on revenue consequences such as running costs of property or systems.

One major uncertainty is the “Shrewsbury Project”. At present our advisors are looking at all options with a view to bringing these to the January meeting of the Committee. The best way forward can then be recommended to the Authority in February as part of an overall budget package. There are also uncertainties on the funding side, especially the final decision on up to £1.0 million capital grant phased over 2009/10 and 2010/11, the amount available in the capital reserve, and the capital receipt generated by the Shrewsbury Project.

5 Summary

The main overall question concerns sustainability. Notwithstanding the proposed capital grant, Government supported borrowing totals a little over £400,000 each year, therefore the Authority would be undertaking prudential borrowing and is required to take into account prudence and sustainability as well as the merits of the schemes involved. This year’s programme is dominated by the “Shrewsbury Project”. The current paper does not take account of grant, or the availability of capital reserve funding. Nevertheless the Authority will need to evaluate the options presented in January in the light of Prudential Guidelines.

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

Capital Programme 2009/10 to 2013/14

10 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	*

Appendix to report on
Capital Programme 2009/10 to 2013/14
Shropshire and Wrekin Fire Authority
Strategy and Resources Committee
13 November 2008

Scheme		Total	2009/10	2010/11	2011/12	2012/13	2013/14
2009/10							
RDS Availability System	Fund	25	4	4	4	4	4
Document Management System	Fund	40	8	8	8	8	8
Document Storage System	Fund	60	12	12	12	12	12
Training Facilites	Fund	50	7	7	7	7	7
Firekit Replacement	Fund	250	36	36	36	36	36
Retaining approval for WL scheme	<i>Fund</i>	100					
Shrewsbury Project	Loan	900	23	81	81	81	81
Building Improvements	Loan	105	3	9	9	9	9
Appliance Replacement	Loan	370	10	48	48	48	48
Light Pumping Unit	Loan	250	7	33	33	33	33
			110	238	238	238	238
2010/11							
Retaining approval for WL scheme	<i>Fund</i>	50					
Firekit Replacement	Fund	250		36	36	36	36
Training Facilities	Fund	50		7	7	7	7
Shrewsbury Project	Loan	2,600		65	234	234	234
Appliance replacement	Loan	185		5	24	24	24
Building Improvements	Loan	65		3	9	9	9
BA Set Upgrade	Loan	250		6	38	38	38
				122	348	348	348
2011/12							
Training Facilities	Fund	50			7	7	7
Information Technology	Fund	50			7	7	7
Building Improvements	Loan	65			3	9	9
Appliance replacement	Loan	555			14	98	98
Water Carriers	Loan	120			3	16	16
					34	137	137
2012/13							
Training Facilities	Fund	50				7	7
Information Technology	Fund	50				7	7
Building Improvements	Loan	65				3	9
Appliance replacement	Loan	555				14	98
						31	121
2013/14							
Training Facilities	Fund	50					7
Information Technology	Fund	50					7
Building Improvements	Loan	65					3
Appliance replacement	Loan	370					9
							26
			110	360	620	754	870

Provisions, Reserves and Funds

Report of the Treasurer

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

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:

- a) Confirm the existing policy and Equipment Replacement Provision;
- b) Review the level of the capital reserve as the current budget position becomes clearer;
- c) Switch part of the General Reserve to a renamed Pensions Reserve; and
- d) Confirm the other earmarked reserves.

3 Background

The Authority's provisions, reserves and funds at 1 April 2008 were as follows:

Provisions	£000
Equipment Replacement	92
	<hr/>
	92
Reserves	
General Reserve	988
Efficiency Reserve	109
Retained Service	197
Extreme Weather	295
Pensions	461
Capital	1,005
	<hr/>
	3,147
General Fund	775
Total	<hr/>
	3,922

Of these, £775,000 in the General Fund has been released to add to the 2008/09 budget, partly to enable expenditure, which had slipped from 2007/08, to take place and partly to meet staff turnover issues resulting from retirement.

This leaves £3.147m of reserves and provisions.

The Authority's policy is to:

- Make provision for known and quantifiable future expenditure;
- Establish reserves for known future expenditure, which cannot be precisely quantified or scheduled;
- Establish a general reserve for known risks, which cannot be easily quantified or scheduled;
- 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-protected, 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 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 balance is budgeted to be £95,000 in April 2009 and £99,000 in April 2010. The provision has proved useful in dealing with the ongoing replacement of equipment, particularly relating to leases, and it is recommended that the provision is maintained.

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 £988,000, details of which are set out in the appendix.

The level of value of the risks has been repriced to match inflation, and the probabilities reviewed. The total reserve of £988,000 represents just under 5% of gross expenditure, i.e. in line with general Audit Commission guidelines.

The two areas of major current uncertainty that were again highlighted on closing the accounts and producing the Medium Term Financial Plan (MTFP) are the questions of Retained Service Pensions prior to April 2006 (risk 10) and the transition to Firelink/Regional FireControl. In the case of the former, there is little firm progress, as current negotiations are still taking place, and no outcome is expected before December 2008 at the earliest. There is a prospect that eligible years between 2000 and 2006 could be bought by employees, triggering an employer contribution of about £350,000. Without more clarity, it is recommended that the current level of risk and potential commitment within the reserve is increased to £350,000 and the existing £270,000 in the General Reserve switched to the Pensions Reserve. The other risk is the cost of Firelink/FireControl transition. At present some risk of maintaining current systems is covered (net £32,000) but there may be staff related issue, which will be kept under review to see if there is a case for setting aside reserves for this major one-off risk.

6 Earmarked Reserves

a) Efficiency

There is a budgeted expenditure of £50,000 for investment in consulting advice on the future of the St Michael's Street site. This would still leave about half of the fund, and it would be useful to retain this for future initiatives, especially given the challenging new efficiency targets. The reserve has been effectively maintained by funding efficiency investments from net savings in yearly budgets.

b) Retained Service

These funds were set aside to ensure that the planned investment in the Retained Service can be completed within the scheduled increases in net budgets. This reserve should, therefore, continue and be released as planned, being exhausted during 2009/10.

c) Extreme Weather

The balance represents the monies saved in previous years against the budget provision for an average year. Recent experience indicates that the revenue provision for call-outs and additional hours may be too high – i.e. the average annual cost has dropped. This may be due to Community Fire Safety driven efficiencies, or better weather etc. It is recommended that this reserve is now frozen and the revenue budget reviewed.

d) Pensions

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. At present the notional provision by the Government Actuary for sickness pensions nationally would be £375,000 each year. Our present revenue budget is £223,000, i.e. reflecting our anticipated better-than-average performance at managing ill-health retirements. This does however

argue for caution but the number of ill health retirements has not yet exceeded three in any year since 2006/07. Given the uncertainties referred to above for retained pensions and the Regional Control Centre it is recommended that the scope of this reserve be broadened to cover such risks and indeed other staff related matters. It is also recommended that appropriate funds are transferred in from the General Reserve. Finally it is recommended that the Reserve be renamed the “Pensions and Other Staff Matters’ Reserve”.

e) Capital

The objective of this reserve, set up at the end of 2005/06, is to fund small and recurring items of capital, and receive contributions over their life, thereby ensuring their eventual replacement from the reserve. It is also a possible source for funding peaks in capital expenditure, such as may be needed for dealing with the Brigade site in St Michael’s Street.

The position before amendments to the capital programme are made is as follows:

	Actual		Estimates			
	2007/08	2008/09	2009/10	2010/11		
	£000	£000	£000	£ 000		
Balance 1 April	822	1,005	899	703		
Expenditure	251 -	516 -	540 -	214 -		
Income						
- Contributions	63	139	204	277		
- One-off receipts	333	231	100	152 -		
- Interest	38	40	40	40		
Balance 31 March	<u>1,005</u>	<u>899</u>	<u>703</u>	<u>654</u>		

The following points should be noted:-

- i expenditure and contributions will need to be changed to reflect decisions on the current approved capital budgets;
- ii one-off receipts reflect the current budget surpluses (and in 2010/11, deficit) which again will change when the rest of the revenue budget is amended;

However the balance at 31 March 2011 is currently predicted to be in surplus by £654,000. Further work will be needed to test how much of this is available after funding routine future capital expenditure. However there is every prospect of a sizeable proportion being available to fund the £3.5m gross investment in the Shrewsbury Integrated Risk Management Planning project.

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). All of the General Fund at 31 March 2008 has been committed to expenditure this year.

From monitoring reports to date, there looks to be a potential balance in this fund at 31 March 2009, and the Authority will need to confirm that this be added to the capital reserve as the overall budget situation becomes clearer.

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 Appendix

Build-Up of General Reserve 2008/09

10 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	*

Build-up of General Reserve 2008/09

	Risks as categorised by CIPFA	Absolute Level	Probability	Current Provision	Comment
		£ 000	%	£ 000	
1	Cash Flow	50	10	5	No reason to change
2	Inflation Assumptions	416	50	208	Adequate given realistic assumptions. Covers "rank to role" and other pay issues
3	Capital Receipts	-	-	-	Currently not an issue
4	Severe weather and other demand pressure	-	-	-	Severe weather dealt with. No significant other pressures
5	Other demands	50	10	5	Deals with issues such as Regional Fire Control. Should be quantifiable in good time to provide a formal budget.
6	Firelink / RCC	320	10	32	Delay could mean IT upgrades
7	Specific Risks	116	50	58	Based on specific known experience – e.g. I.C.H.S
8	Ongoing Risks				
	i Vehicle Accident	200	20	40	Would deal with one major appliance at £180,000
	ii Ill health and injury	-	-	-	Dealt with by pensions earmarked reserve provision
	iii Industrial Action	104	50	52	Based on known experience
	iv Technical Problems	102	50	51	Principally IT or telecoms problems
	v Uninsurable Risks	206	50	103	Would cover such issues as anti-discriminatory legislation and data protection
9	Loss of Grants	116	50	58	Loss of New Dimension, RMB, New Burdens
10	New Legislation	1,350	20	270	Specifically Retained Service Pensions prior to April 2006
11	Centralised Purchasing	108	50	54	Could mean current contracts unviable
12	Financial Control	240	10	24	Reflects likely risk of overspends through weak systems of control
13	Uninsurable health and Safety Risks	125	10	12	Identified from the risk register on closing the accounts. Really an additional aspect of 8v above
14	Fines resulting from Corporate Manslaughter Legislation	160	10	16	Based on the £150,000 fine imposed on an Authority recently. Not a high risk but amount based on the belief that fines would be limited by the effect they would have penalizing local taxpayers.
	General Reserve	3,663		988	

Summary of 2009/10 Growth

Reference	Growth item	Brief Description	Number of Options	Cost	Consequence of not pursuing	Financial Comment
1	Vulnerable Persons Officer (VPO)	Seeks to establish the current temporary post of VPO on a permanent basis	Three options	£22,000 approx p.a (inclusive of on costs)	The current post would have to be dispensed with or continued on temp basis using under spends.	To remain as a growth item within the budget
2	Rural Outreach Officer	Seeks to establish the current temporary post on a permanent basis.	Three options	£20,000 approx p.a (inclusive of on costs)	The current post would have to be dispensed with or continued on temp basis using under spends.	This post can be covered within the existing Prevention salaries budget
3	Graphics Provision and Image Library	Seeks to establish a part time graphics post to manage/act as POC for the corporate identity and develop image library	Five Options	£20,000 pro rota 18.5 hrs p.a = £10,000 Approx 6k one off for image library	Dilution of Corporate identity likely to occur through lack of management and lack of capacity.	This is one-off funding to be funded from underspends 2008/09

Reference	Growth item	Brief Description	Number of Options	Cost	Consequence of not pursuing	
4a 4b	Data Replication	Establish an alternative location (Telford) for data storage and Availability for business continuity purposes	Three Options	£12,000 one off approx for equipment £3,000 revenue per year for maintenance	Disaster recovery and business continuity will be compromised.	£12k to be funded from underspends 2008/09. £3k per year has already been included in committed growth
5	Increased Software Licensing	Procure additional Microsoft user licences for server/PC access and third party software (anti spam)	Three Options	£12,500 p.a 50 additional user Licenses at a cost of £250	No increase in current user base to software systems. Potential to contravene licensing laws resulting in prosecution.	To be funded from existing Communications budgets - £6k Radio Maintenance, £6k Remsdaq maintenance savings
6 6a 6b	Training Establishment Increases	Introduce 1 additional watch manager as an instructor and 1 general duties post	Four Options	£57,500 p.a approx Watch Manager £45,000 General Duties £12,500	Deterioration in the level of service provided by the training section as training requirements increase e.g.	Watch manager can be funded for at least two years from New Dimension grant. Training GD Officer to

Reference	Growth item	Brief Description	Number of Options	Cost	Consequence of not pursuing	
					water and line safety, new dimensions. Continual reliance on Tech Services GD (not always available)	remain as growth item within the budget
7	Admin Support in Technical Services	Introduce 1 additional admin support post	Two Options	£20,000 p.a	Risk that current workloads and project will not be delivered	Full review of Admin Support to be carried out – no growth at this stage
	Total			£163,000		

			£	
Growth items	(1 & 6b)		34,500	
One off items funded from underspend	(3 & 4a)		28,000	
Growth funded from existing budgets	(2 & 5)		32,500	(includes £12,000 on-going growth)
Already included in committed growth	(4b)		3,000	
To be funded from grant	(6a)		45,000	
No growth at this stage	(7)		<u>20,000</u>	
			<u>163,000</u>	

Forecast Revenue Expenditure

	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000
2008/09 Reported to S&R November 2008	20,700	21,769	22,825	23,494	24,360
CFA December 2008					
Committed Variations to Base	-12	-12	-12	-12	-12
Capital Projects					
- Slippage	-8				
- Funding Shrewsbury Scheme					
- financing savings *	-23	-108	-180	-180	-180
- less assumed in S&R Report			25	225	225
Growth Items					
- Revised as per Appendix B (Items 1; 4a; & 6b)	46	46	46	46	46
- IRMP Working Group					
2 Watch managers	90				
Transport	5				
Overheads	9				
Development of Firefighters	3				
	107				
- Balance available	-	327	527	727	927
Less previous provision for growth	-161	-361	-561	-761	-961
Total change to growth provision	-8	12	12	12	12
Increase in Employer NI rates			50	50	50
Revised expenditure	20,649	21,661	22,720	23,589	24,455
Effect of revising inflation assumptions downward	-	-	-146	-292	-438
	20,649	21,661	22,574	23,297	24,017

* The savings assume that the debt charges arising on the Shrewsbury Project – as shown in Appendix A, paper 6f - can be reduced by funding part of the project from a combination of capital grant and capital reserve totalling £2.0 million.

Analysis of Assumptions in the light of recent changes to Economic Outlook

1. Introduction

The budget report identifies potential deficits from 2011/12 onwards.

Current decisions will need to be made in the light of projections of budget three or more years ahead. It is worth understanding the scope for these projections to vary, and also the capacity to address any variations – particularly shortfalls.

The table below sets out the present (shortfalls) or surpluses, and examines how these may vary depending on changes to key assumptions:-

	2011/12	2012/13	2013/14
	£000	£000	£000
1. Deficits forecast in September			
• Optimistic	(216)	(60)	138
• Pessimistic	(340)	(355)	(332)
• Average	(278)	(208)	(97)
2. Revisions to expenditure (NI; Pensions; etc)	137	(23)	(189)
3. Change in Pay awards / Price assumptions	146	292	438
4. Average of 2½% or zero increase in Grant	(41)	(62)	(83)
5. Band D Growth	(223)	(282)	(344)
Potential average shortfalls	(259)	(283)	(275)

2. Options Available

From the table above, and depending on assumptions, a deficit of £259,000 could occur in 2011/12 and persist in later years.

The Authority would then have a number of options at its own disposal:-

- i Re-examine its provision for new developments, which is planned to rise to £927,000 by 2013/14;
- ii Look at options from the What-If analysis which total £1.86m by 2011/12;
- iii Re-examine or re-phase capital programmes; or
- iv Re-examine its policy on precept increases