

Revenue Budget and Capital Programme – Budget Recommendations 2009/10

Report of the Treasurer

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

1 Purpose of Report

The report incorporates the recommendations of the Strategy and Resources Committee on 22 January 2009 for this Authority's 2009/10 Budget and precept, and updates the figures for any changes that have taken place since then.

2 Recommendations

The Fire Authority is recommended to approve:

- i its capital programme as set out in Appendix A;
- ii agree the provisions and reserves set out in Appendix A and paragraph 5 of the report;
- iii agree the revenue budgets set out in paragraph 6 of the report; and
- iv approve the key finance principles for service and financial planning set out in paragraph 8 of the report.

3 Background

The Strategy and Resources Committee on 22 January 2009 received the preliminary views of the public based on the budget package agreed by the Fire Authority in December 2008. The formal response to the process is attached at Appendix C. They also considered a number of reports updating the budget and considered the implications of the St Michael's Street site capital scheme.

These reports are attached at Appendix A, amended for the decision on the St Michael's Street site, and for subsequent minor changes as set out in this report.

4 Capital Programme 2009/10 and Later Years

The Committee considered the Capital Programme together with the Prudential Guidelines set out in Appendix A, and consider them to be affordable, prudent and sustainable. The option recommended for the St Michaels' Street scheme did not impact on the borrowing requirement reported in December 2008, or incorporated in the prudential guidelines:-

	December 2008	January 2009	Change
	£000	£000	£000
Scheme cost	3,500	3,990	+90
Financed by:-			
Grant	-1,000	-1,293	-293
Capital Reserve	-1,000	-1,197	-197
Borrowing	-1,500	-1,500	-
	<u>-3,500</u>	<u>-3,990</u>	<u>-490</u>

Debt charges did not therefore change, and early advice is that running costs of the new asset will not be materially different from current running costs.

5 Provisions / Reserves and the Robustness of the Budget

The Committee received assurances about the adequacy of reserves and provisions. These are set out in Appendix A, together with details of the various reserves and provisions. Although net revenue expenditure has increased as reported to the Committee, this is offset by a reduced contribution to reserves, and therefore the increases in the precept and net budget requirement both remain the same – within the 5% capping warning level.

6 Revisions to the Revenue Budget

Set out below is the table considered by the Committee showing the expenditure reported to the last Fire Authority meeting, variations reported to the Committee, and how that net expenditure will be funded, including by a precept of £81.45 or plus 3.9%.

The table is amended by late notification of collection fund surpluses from £50,000 in 2009/10 to £64,000. This has the effect of increasing the surplus of income over expenditure in 2009/10 from £179,000 to £193,000.

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000
Expenditure					
As reported to CFA in December 2008	20,649	21,661	22,574	23,297	24,017
Variations:-					
i Other Capital	2	12	12	12	12
ii Loss of interest	100	100	100	100	100
iii Firefighter Pensions	-	50	50	50	50
Total Expenditure	20,751	21,823	22,736	23,459	24,179
Income					
iv Grant	-7,975	-8,268	-8,372	-8,477	-8,586
v Council Tax					
£81.45 x 157,242.62	-12,807				
£84.63 x 157,431		-13,323			
£87.93 x 158,000			-13,893		
£91.36 x 158,570				-14,487	
£94.92 x 159,144					-15,106
vi Collection Fund (surplus)	-64	-50	-50	-50	-50
vii Contribution from Retained Service Reserve	-98	-	-	-	-
Total Income	-20,944	-21,641	-22,315	-23,014	-23,742
Balance of Income and expenditure. (-) being surplus to be added to capital reserve.	(-193)	182	421	445	437
Otherwise a potential deficit					

7 Future Years

The table does include projections for future years. This shows a deficit of £182,000 in 2010/11, to ongoing deficits between about £400,000 and £450,000 for the following three years – i.e. the period of the next public expenditure and grant settlement.

Whilst there is a relative certainty about 2010/11 projections, in so far as a provisional grant has already been announced, the following years are uncertain.

The Committee were well aware of this and accepted the need for caution.

8 Key Finance Principles for Service and Financial Planning

In the light of the latest developments and future potential deficits, the Fire Authority is asked to consider the following principles for financial planning in the next Medium Term Financial Plan:-

- i continue the policy of planning for precept increases of 3.9% a year, whilst examining the scope for reducing the rate of increase;
- ii continue to provide for realistic levels of increase in service pressure – currently £200,000 a year;
- iii seek to maximise efficiencies each year and to set a realistic but challenging total of £150,000 a year – and also take into account findings of the Audit Commission in their national report “Rising to the Challenge: Improving Fire Service Efficiency”;
- iv specifically address the forecast shortfall in income of £182,000 in 2010/11;
- v monitor closely the key external uncertainties that could affect service levels, especially pay and prices and pension increases; 2011/12 grant settlement; Band D equivalent tax base; and other changes arising from the current recession; and
- vi review the current schedule of “What-If” service reductions if needed in the next five years.

9 Financial Implications

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

10 Legal Comment

The Fire Authority must comply with the provisions of the Local Government Act 2003, which relates to finance, and in particular, parts 1 and 2 of the Act, which relate to capital finance and accounts and financial administration.

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

Strategy and Resources Committee reports 11 and 9 of 22 January 2009

Appendix B

Analysis of the Increase in Precept in 2009/10

Appendix C

Opinion Research Services' report on Consultation on the Budget Strategy

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	*

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Shropshire and Wrekin Fire Authority
Strategy and Resources Committee
22 January 2009
(amended for their decisions)

Capital Programmes 2009/10 to 2013/14 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 programmes for 2009/10 to 2013/14, for consideration by the Committee in the context of Prudential Guidelines.

2 Recommendations

The Committee is recommended to forward the 2009/10 onward programmes, as set out in the Appendix, for consideration by the Fire Authority as part of its final precept deliberations.

3 Background

Consideration of the future capital programmes must be in the context of producing a balanced budget. This means that the increases in capital expenditure must be limited by increases in debt charges caused by increased borrowing and increases in running costs from new capital projects.

The Fire Authority must also have regard to the Prudential Code and must set Prudential Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable.

4 Amendments to the Capital Programme

The capital programme approved for consultation purposes in December produced the following summary.

Total Cost of Schemes	Revenue Consequences				
	2009/10	2010/11	2011/12	2012/13	2013/14
£'000	£'000	£'000	£'000	£'000	£'000
7,695	79	252	440	574	690

Since the December 2008 meeting, two schemes have increased in cost:

2009/10 Building Improvements £105,000

This is now estimated to be £165,000, i.e. an increase of £60,000, with an increase in debt charges of £6,000 in a full year (an extra £1,000 in 2009/10). The reason for this is that the refurbishments at Cleobury Mortimer have exceeded the previous estimate due to difficulties likely to be encountered at this station.

2009/10 Light Pumping Unit £250,000

This is now estimated to be £300,000, i.e. an increase of £50,000, with an increase in debt charges of £6,000 in a full year (an extra £1,000 in 2009/10). The reason for this estimated increase is the effect of price rises, and in particular the movements in currency. The vehicle is likely to be paid for in euros.

At the time of writing, the St Michaels Street and Wellington schemes remain unchanged.

The capital programme now proposed to the Fire Authority for its 2009/10 budget is attached at Appendix A.

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

5 Treasury Management Strategy Statement

The Local Government Act 2003 requires the Authority to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance issued subsequent to the Act) (included as paragraph 9); this sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

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

6 Prudential Guidelines

The Act requires the Authority to 'have regard to' the Prudential Code for Capital Finance in Local Authorities and to set Prudential Indicators for the next three years to ensure that the Authority's capital investment plans are affordable, prudent and sustainable.

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

	2008/09 Revised £ 000	2009/10 Budget £ 000	2010/11 Budget £ 000	2011/12 Budget £ 000
2008/09 and Earlier Programmes	696	696	696	696
2009/10 Programmes		81	169	169
2010/11 Programmes			95	249
2011/12 Programmes				34
Investment Income	-160	-160	-160	-160
	536	617	800	988
Net Revenue Stream (Budget) (£ 000)	20,029	20,832	21,641	22,315
Rates	2.68%	2.96%	3.70%	4.43%

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

2009/10	£81,000 divided by 157,242.62 = 52p
2010/11	£264,000 = 168p
2011/12	£452,000 = 287p

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

	2009/10 £ 000	2010/11 £ 000	2011/12 £ 000
Payments (Appendix A) financed by:			
Loan – supported by grant	483	497	497
– prudential borrowing	392	1,503	243
Capital Reserve	783	1,249	100
Capital Grant	602	691	0
	2,260	3,940	840

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:

	In Year Requirement	At 31 March
	£ 000	£ 000
31 March 2008 (Preceding Year)		5,155
31 March 2009 (Current Year)	553	5,708
31 March 2010	959	6,627
31 March 2011	1,560	8,187
31 March 2012	156	8,343

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. £8,187,000. At present, gross external borrowing is around £5.8 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:

	£ 000
2007/08	5,155
2008/09	8,708
2009/10	9,627
2010/11	11,187
2011/12	11,343

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:

	£ 000
2009/10	6,529
2010/11	8,089
2011/12	8,245

7 Treasury Strategy 2009/10

Economic Background

The world banking system came near to collapse during 2008, and governments were forced to recapitalise and rescue their major banks. A co-ordinated global interest rate cut of 50 base points took place on 8 October 2008. Forecasts in the UK were for further sharp cuts in interest rates as recession came into view.

International

Early in 2008 the US economy was being badly affected by the housing market slump, and by the second quarter of 2008/09, the main worries centred on inflation and increasing oil prices, and the deteriorating economic outlook.

By the third quarter, the financial crisis had erupted and escalated, as the world became aware of the sub prime fiasco and the impact that this was having on institutions that had invested in these issues. In September, several US financial institutions were bailed out by US Federal Government, and Lehman Bros, the investment bank, was allowed to fail.

After the collapse into receivership of the Icelandic banks in early October, other countries had started to feel the strain and a number had to approach the International Monetary Fund (IMF) for support. As countries such as India and China began to be affected, it became clear that the crisis had become a global one and no country was insulated from it.

UK

Growth was already slowing in 2008 before the full impact of the credit crunch was felt. Wage inflation remained relatively subdued as the Government kept a firm lid on public sector pay. Private sector wage growth was kept in check by the slowing economy.

Growth slowed across the economy and unemployment rose throughout the year with forecasts of two million unemployed by the end of the financial year and continuing increases thereafter throughout 2010. In addition, consumer spending began to slow as the year progressed.

Bank lending came to a virtual standstill in the autumn as the credit crunch tightened its grip and various banks internationally had to be rescued, or supported, by their governments.

The Government and Bank of England supplied massive amounts of liquidity to the banking market in an attempt to reignite longer inter-bank lending. The Government took action in September to either supply finance to recapitalise some of the major clearing banks itself; or to require the others to strengthen their capital ratios by their own capital raising efforts. This was done to ensure that banks would be seen to have sufficient reserves to last through the coming recession with its inevitable increase in bad loans etc.

The housing market also came to a virtual standstill as lenders demanded larger deposits and higher fees. House sales and prices both dropped sharply.

Government finances deteriorated as income from taxation dropped as the economy slowed and the cost of the bailout of the banks was added to the deficit.

Borrowing Strategy

It is anticipated that borrowing will continue to be made through the Public Works Loan Board (PWLB).

The 50 year PWLB rate is expected to remain around current levels of around 3.8 – 3.9% until the end of the financial year 2009/10, when it is forecast to rise to 4%. The rate will then rise gradually to reach 5% by the end of 2011/12.

The 25 year PWLB rate is expected to drop to 3.9% at the beginning of 2009/10, with a rise of .25% in the last quarter. It will gradually rise over the next two years, reaching 5.05% at the end of 2011/12.

With lending rates likely to remain low, internal funds may be used rather than incur borrowing rates unless shorter PWLB loan periods become more attractive. However this will be closely monitored given that external borrowing rates are expected to rise through the period.

g) Investment Strategy

The Fire Authority will have regard to the Office of the Deputy Prime Minister's (ODPM) Guidance on Local Government Investments ("the Guidance") issued in March 2004 and the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code"). The Fire Authority's investment priorities are:

- a) The security of capital; and
- b) The liquidity of its investments.

The Fire Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

The Treasurer will only use borrowers whose credit ratings are acceptable to the Treasury Management Services provider. Further restrictions may be imposed until the current banking uncertainties are clearly resolved. This may result in reduced returns in early 2009/10, as more lending is placed with the Government through the Debt Management Office (DMO). Lending will only be within the limits of amounts and periods agreed by the Treasury Management Services provider.

Investments will be sterling denominated. Funds available for investment are cash flow derived, but there is a core balance available through the Fire Authority's reserves. This core balance will be invested on the advice of our Treasury Management Services provider, to maximise investment returns, but with a limit of £1 million invested for more than one year.

h) 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 2012:

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

8 Financial Implications

The financial implications are as set out in the report.

9 Legal Comment

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”.

10 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.

11 Appendix

Capital Programme

12 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	

Appendix to report on
Capital Programme 2009/10 to 2013/14
and Prudential Guidelines
Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee
22 January 2009

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
Document Storage System	Fund	60	12	12	12	12	12
Training Facilities	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					
Building Improvements	Loan	165	4	15	15	15	15
Appliance Replacement	Loan	370	10	48	48	48	48
Light Pumping Unit	Loan	300	8	39	39	39	39
			81	169	169	169	169
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		38	135	135	135
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
				95	249	249	249
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
			81	264	452	586	702

Adequacy of Provisions and Reserves and Robustness of Budget

Report of the Treasurer

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

1 Purpose of Report

The report:-

- i undertakes the full analysis of Reserves and Provisions as agreed by the Fire Authority in December 2008;
- ii examines reserves to see if funds could be transferred to the capital reserve;
- iii provides an assurance on the adequacy of reserves and provisions; and
- iv gives an assurance on the robustness of the budget.

2 Recommendations

The Committee is asked to recommend to the Fire Authority:-

- i The reserves and provisions as set out in the appendix;
- ii The Treasurer's assurances covering the robustness of the 2009/10 budget and adequacy of the reserves and provisions; and
- iii Note the material uncertainties from 2011/12 onwards.

3 Background

The Finance Officer is required, under section 25 of the Local Government Act 2003, to report on the robustness of estimates and adequacy of reserves.

This is also linked to the requirement of the Prudential Code that authorities should have full regard to affordability when making recommendations about future capital programmes.

In our case the issue of the reserves and capital is closely linked because of the intention to maximise the funding of the “Shrewsbury Capital Project” from the Capital Reserve.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has recently issued a Guidance Note on Local Authority reserves and balances – (LAAP Bulletin 55) and this is reflected in this report. The bulletin states that it is contrary to the freedoms of local authorities for an external body to impose general minimum or maximum levels of reserves as there is a broad range within which authorities might reasonably operate. The bulletin does say that reserves should be not only adequate but also necessary. It also reminds authorities of the power of government to set a minimum level of reserves, and that government has undertaken not to impose such a level unless an authority does not act prudently, ignores advice, and is heading for serious financial difficulty.

This report concentrates on the three biggest reserves other than the capital reserve. However a full statement of the provisions and reserves is set out in the appendix to the report.

4 General Reserve

The General Reserve was the first established by the Authority in 1998, with the purposes of firstly providing a working balance to cushion the impact of uneven cash flows thereby avoiding unnecessary temporary borrowing, and secondly cushioning the impact of unexpected events or emergencies.

The balance was expected to be £718,000 at 1 April 2009. The basis for this is set out in the appendix to Report 6g to the Strategy and Resources Committee 13 November 2008 – now encompassed in the “Green Book” to the Authority in December 2008.

From that appendix, after excluding £270,000 already switched to the Pensions / Staff Issues Reserve, the main element is £208,000 for inflation assumptions. Given the realistic provision for pay and prices made for 2009/10, it is recommended that this amount be switched to the Capital Reserve.

The balance of the reserve is made up of a number of relatively small risks. Given that the reserve is still needed in aggregate for cash flow and contingency purposes and at £510,000 would be about 2.5% of budget, it is recommended that the reserve remain at that level, subject to review and to repricing.

5 Extreme Weather Reserve

The Extreme Weather Reserve is expected to total £295,000 at 1 April 2009. If it does, then it will not yet have been used to pay for budget overspends arising from demands on the Service from Extreme Weather. These would arise primarily on the Retained Service.

This is surprising as attempts were made to fix the annual budget at an average yearly cost. It follows therefore that each year since it was set up “weather” has either been at or below average, or else other factors, such as reduced call-outs, have been driving down costs.

Until the situation is clearer, the recommendation must be to maintain the reserve at £295,000, and review the impact of the £100,000 efficiency reduction in call-outs in 2009/10, before taking further action.

6 Pensions and other Staff Issues

This recently renamed reserve is expected to total £731,000 at 1 April 2009. This is made up of:-

- i Sickness Retirements
Lump sum contributions are required to the Pensions account and an annual total of 3 is provided for in the revenue account. Any more would have to be met from this reserve. One extra retirement would cost about £130,000.
- ii Other staff costs such as injury awards which are not covered by the employee’s pension contribution, and therefore not chargeable to the Pensions account.
- iii Retained Firefighter pensions costs for the period between April 2000 and March 2006. As previously reported costs could amount to £350,000, for those staff already known to be interested in pension scheme membership. The level of uncertainty both of higher costs, and on the other hand government assistance is significant.
- iv Any net staffing consequences from the Regional Control Centre – currently thought to be unlikely.
- v Any local implications of developments elsewhere in the fire service such as equality issues
- vi Arrears of pay etc.

Given the high level of uncertainty on a number of these issues it is recommended that this reserve is left unchanged until the outcome of the Retained Service Pensions negotiations is known.

7 Adequacy of Reserves

The reserves have not been reduced from last year when an assurance was given of their adequacy. The major uncertainties of last year do however continue, except that there is a much clearer picture of the implications of the St Michael’s Street capital project. For these reasons a continued assurance can be made.

8 Robustness of Estimates

Given that reserves are adequate, I believe the budget is robust for 2009/10 in respect of the process to minimise errors and omissions, the level set aside for future pay and price increases, and the realism and deliverability of efficiencies. The process for identifying additional spending pressures both through the Integrated Risk Management Planning (IRMP) and the budget process is comprehensive.

The major unknown would be the threat of capping. At an increase of 3.9%, the precept level itself should be within the Government's definition of an excessive increase. The capping rules may change but the test for net revenue expenditure increase, 3.5%, is well within the precept increase, and even the net budget requirement (i.e. revenue expenditure after additions or reductions in reserves) is 4.0%.

9 Future Years

Although the assurances required under statutes are for the coming year only, there is a reasonable degree of comfort that the 2010/11 government grant has been confirmed.

There must however be concern over the next three years grant settlement from 2011/12 onward; prospects for inflation up or down; Council Tax base; as well as the greater uncertainties of budgets generally over that time.

It will therefore be important to use the current lead-in period to monitor such budget issues carefully and to reflect planning in the Medium Term Financial Plan (MTFP) to ensure service and financial stability.

10 Financial Implications

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

11 Legal Comment

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

12 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.

13 Appendix

Schedule of Reserves, Provisions and General Fund

14 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	
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Capacity		Member Involvement	
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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	*

Schedule of Reserves, Provisions and General Fund

		Budget for the year 2009/10 £ 000
1 Equipment Replacement Provision		
a) Reason / Purpose	1 April	95
To smooth out revenue expenditure each year on the replacement of items of operational equipment.	Additions	30
	Withdrawals	-40
	31 March	85
b) How and When Used		
The provision purchases items of equipment and receives equal annual instalments from the revenue account over the life of that equipment. Interest is also added on balances to ensure inflation proofing.		
c) Procedures for Management and Control		
The expected expenditure and contributions is approved by the Authority as part of the annual budget process and controlled as any other revenue budget.		
d) Process and timescale for Review		
The provision is reviewed each year as part of the budget setting process, again during the closing of the accounts, and in addition if budget variations are required during the year.		
2 General Reserve		
a) Reason / Purpose	1 April	510
To provide a cash reserve to avoid unnecessary short-term borrowing. Also to meet known risks which are difficult to quantify or to predict when they will occur.	Additions	10
	Withdrawals	-
	31 March	520
b) How and When Used		
The General Reserve would be used to finance a one-off expenditure occurring during a year on one of the scheduled risks anticipated. The General Reserve is funded from the revenues of the Authority both to meet risks and to cover inflation.		
c) Procedures for Management and Control		
Risk are listed and amended with changes to the Risk Register. Each is quantified and probabilities ascribed to their occurring. The resulting total is then available to meet an individual risk identified (or unknown) occurring, subject to formal approval by the Authority.		
d) Process and Timescale for Review		
Review takes place as part of the annual budget setting process and on closing the accounts. The Risk Management Group also considers changes in risk throughout the year and proposes changes to the Authority as necessary.		

**Budget for the
year 2009/10
£ 000**

3 Efficiency Reserve

a) Reason / Purpose

The purpose is to invest in one-off initiatives intended to deliver efficiency savings or practices in subsequent years.

1 April	60
Additions	-
Withdrawals	-
31 March	60

b) How and When Used

The Authority approves in advance contributions from the reserve for specific efficiency proposals. Income from revenues of the Authority is earmarked as part of the review process.

c) Procedures for Management and Control

Proposals require specific Authority approval as part of the budget process.

d) Process and Timescale for Review

Review takes place as part of the annual budget setting process and on closing the accounts.

4 Retained Service Reserve

a) Reason / Purpose

The purpose is to smooth out the programmed investment of about £100,000 a year in the Retained Service.

1 April	102
Additions	-
Withdrawals	-102
31 March	-

b) How and When Used

The reserve was created from budgeted income that became available from earlier years slippage within the programme. These funds are being released in order to fund the programme as it re-establishes its planned timescale i.e. completion by March 2010.

c) Procedure for Management and Control

The Authority has agreed the total release of the monies by March 2010

d) Process and Timescale for Review

It is envisaged that the fund will be finished in 2009/10. However this will be verified as part of the 2010/11 budget setting process.

5 Extreme Weather Reserve

a) Reason / Purpose

The purpose is to average out the revenue implications of hot summers, flooding or other weather events that impact on the retained service costs in particular.

1 April	295
Additions	-
Withdrawals	-
31 March	295

b) How and When Used

The revenue budget provides for an annual average cost. Underspends in any year are added to the reserve, overspends funded by the reserve.

c) Procedures for Management and Control

The Authority will approve additional revenue costs in

the normal way on the basis of an assurance that they could be funded by the reserve and after any other funding – e.g. Bellwin claims had been identified.

d) Process and Timescale for Review

The reserve and associated budgets are reviewed as part of the annual budget setting process, and on closing the accounts.

6 Pensions and Other Staff Matters Reserve

a) Reason / Purpose

The reserve is to meet one-off staff related costs such as pension or equal pay retrospective liabilities, sickness pension costs above the average annual revenue budget provision, injury benefits and payments of arrears.

1 April	731
Additions	-
Withdrawals	-
31 March	731

b) How and When Used

The Authority would approve any additional budget costs on the assurance they could be met from the reserve. The reserve would receive annual inflation proofing contributions.

c) Procedures for Management and Control

The specific risks covered are regularly monitored and reports taken to the Authority of any variations in the reserve that might be required.

d) Process and Timescale for Review

Review is part of the annual budget setting process, and again on closing the accounts. Risk Management Group also regularly reviews these risks because of their high significance in service and financial terms.

7 Capital Reserve

a) Reason / Purpose

The Capital Reserve meets the cost of small and recurring items of capital and receives contributions from the revenue account to provide for replacement of recurring items. The reserve is also intended to maximise self-funding of the Shrewsbury HQ replacement / refurbishment scheme in order to minimise prudential borrowing.

1 April	1,582
Additions	392
Withdrawals	-783
31 March	1,191

b) How and When Used

As part of the annual Capital budget, the Authority decides which schemes are likely to need replacement, and are small enough or of relatively short life to warrant self-funding. If the fund can meet these costs it is then replenished over the life of the asset where replacement is expected. Contributions ensure that replacement provision is inflation proofed. The Shrewsbury HQ Project will be considered specifically during 2009/10.

c) Procedures for Management and Control

The Capital Programme, its funding (including from

**Budget for the
year 2009/10
£ 000**

this reserve) and revenue implications are considered and approved as part of the budget setting process in the context of the Prudential Code and Guidelines.

d) Process and Timescale for Review

The reserve is reviewed during the annual budget process, on closing the accounts and in the light of continuous budget monitoring of the capital programme.

8 General Fund

a) Reason / Purpose

The General Fund is the balance of income over expenditure required to fund expenditure that has slipped into the following year or is approved to be added to the next year's budget by the Authority.

1 April	68
Additions	-
Withdrawals	-68
31 March	-

b) How and When Used

The budgets financed by the General Fund are enhanced in the new year, and the balance at 1 April is therefore wholly used during the year.

c) Procedure for Management and Control

The General Fund can only be used on the specific approval of the Authority.

d) Process and Timescale for Review

Budgets financed from the General Fund are automatically enhanced at the beginning of the year by the Finance Section, and then monitored as part of normal budget monitoring.

Note

- 1 All Provisions and Reserves are specifically monitored by the Policy Group monthly. Outcomes are then reported to the Strategy and Resources Committee and approvals where necessary are sought at the next Fire Authority meeting.
- 2 More detail on Provisions and Reserves is contained in the Authority's annual Statement of Accounts particularly in the "Statement of Accounting Policies"

Analysis of the Increase in Precept in 2009/10

	Expenditure			2009/10 Precept Equivalent £	Percentage increase in Precept %
	2008/09 £000	2009/10 £000	Difference £000		
Expenditure					
i 2008/09 Budget	20,058	20,058	-	78.39	-
Changes in Expenditure					
ii Pay and Prices		699	699	4.44	5.7
iii Service Developments		153	153	0.97	1.3
iv Efficiencies		-150	-150	-0.95	-1.2
v Committed Changes		-90	-90	-0.57	-0.7
vi Capital Programme		81	81	0.52	0.7
vii	20,058	20,751	693 (+3.5%)	4.41	5.6
Income					
viii Grant	-7,670	-7,975	-305 (+4.0%)	-1.94	-2.5
ix Collection Fund	-38	-64	-26	-0.17	-0.2
Contribution from (-) or to net reserves	-24	95	119	0.76	1.0
x Council Tax	-12,326	-12,807	-481 (+3.9%)	-3.06	-3.9
	-20,058	-20,751	-693	-4.41	-5.6
	-	-	-	-	-

The table shows that

Line

- vii Expenditure increases are dominated by pay and price movements, and that service growth and efficiencies broadly balance
- viii Grant increased by £305,000 or 4.0%
- x Council Tax income increased by 3.9%. This is the same as the precept increase as there was no significant change to the Band D base between the years.

SHROPSHIRE AND WREKIN FIRE AUTHORITY

Consultation on the Budget Strategy 2008/09 to 2011/12



Opinion Research Services

Spin-out Company of the
University of Wales Swansea

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Acknowledgements and Preamble

ORS is pleased have worked with Shropshire and Wrekin Fire Authority (SWFA) in conducting the research reported here – not only because respondents shared their views readily on the IRMP and budgetary proposals being put forward by the Authority, but also because the study was undertaken in order to inform the future development of Shropshire Fire and Rescue Service (SFRS).

We thank SWFA for commissioning the project as part of an ongoing programme of consultation. We particularly thank those involved in preparing, presenting and clarifying information during the sessions. Their input was essential to achieving an informed debate.

We are grateful to all those who took part in the interesting meetings and shared their views with us. They were patient in listening to background information before entering positively into the spirit of open discussions.

At all stages of the project, ORS' status as an independent organisation consulting the public and stakeholders as objectively as possible was recognised and respected. We are grateful for the trust, and we hope this report will contribute usefully to thinking about the Authority's development.

We hope that ORS has been instrumental in forging a link between the Scrutiny Panel members and their Fire and Rescue Service, and that the information in this report accurately reflects participants' views and priorities.

1. Executive Summary

1.1 INTRODUCTION

- 1.1.1 This is not a particularly long report but the detail is important in expressing the tone of the meetings – so readers are invited to examine the main body of the report for an in-depth discussion of the issues.
- 1.1.2 However, it is probably also helpful to include a summary of the main outcomes – though such a concise account inevitably over-simplifies and risks accentuating the negative at the expense of the positive.

1.2 METHODOLOGY

- 1.2.1 The following report details the outcomes from two full-day Scrutiny Panels with members of the public in Shrewsbury and Ludlow. The groups discussed SWFA's Integrated Risk Management Planning (IRMP) during the morning session and the Authority's Budget Strategy 2008/09 to 2011/12 in the afternoon.
- 1.2.2 The two meetings were qualitative forms of consultation. While the findings cannot be certified as statistically representative of all people in Shropshire, the meetings included a wide range of people and allowed them to think as well as talk. While summarising the main themes and highlighting the key points, this report seeks to be faithful to what was said.
- 1.2.3 The opinions expressed were not always unanimous, but we have endeavoured to reflect both the majority view and, where useful, the diversity of views.

1.3 MAIN FINDINGS

BUDGET 2008/09

Increases in Council Tax

- 1.3.1 All the groups at both Shrewsbury and Ludlow agreed that the 3.9% rise in Council Tax to fund the SWFA is justified; participants were impressed by what they saw as the Authority's fiscal prudence, as well as its strive for efficiency and improvement. They were also satisfied that the proposed precept represents *good value for money and allows for extra investment in case of future 'hard times'*.

Comparatively high precept

- 1.3.2 Participants expressed some concern that FRS funding has led to SWFA's comparatively high precept. However, the reasons for the precept cost were accepted and understood by the vast majority of participants. Indeed comments were predicated on the basis that Shropshire has never fared well in such settlements, despite the efficiency of the Fire Authority. As such, and given the constraints within which it has to work, the vast majority thought it reasonable that SWFA charges what it does in order to provide a necessary service.
- 1.3.3 It was recognised (particularly by participants at Shrewsbury) that the Government is beginning to redress the balance of funding between authorities.

Government grant increase

- 1.3.4 The majority at Shrewsbury thought that the percentage grant increase received by SWFA from Government is fair in the current financial climate. The Ludlow groups, however, were far more critical of the 4% grant increase than their Shrewsbury counterparts. They argued for a larger settlement and were angry that SWFA is penalised financially for its efficiency.

Value for money

- 1.3.5 It is encouraging to report that all groups described the Fire Authority as representing value for money. Participants were certainly of the view that they receive an excellent and improving service for the amount they pay through their Council Tax.
- 1.3.6 SWFA was also highly praised for its exercise of financial control within existing budgetary constraints.

1.4 CAPITAL EXPENDITURE

Expenditure on Shrewsbury's St. Michael's Street site

- 1.4.1 All participants endorsed the refurbishment of Shrewsbury's St. Michael's Street site; the building was described as unfit for purpose and badly in need of improvement for the sake of staff morale and performance.
- 1.4.2 As well as recognising the need for improvement on the site, participants also accepted the financial outlay involved in doing so – including the annual repayment costs of approximately £135,000.

Reduction in borrowing costs

- 1.4.3 The groups were generally pleased with the way in which the Fire Authority has so far managed to reduce its borrowing costs.

Annual repayment costs

- 1.4.4 The need to borrow money (and the charges associated with it) was generally seen as a somewhat unfortunate fact of life. There was certainly a sense that the end result of the borrowing would be worth its cost in terms of interest repayments.
- 1.4.5 As regards concerns at this stage, most centred on participants' general worries about the current state of the economy. Other sources of unease were *borrowing costs and inflation* and the *need to balance the budget in future* whilst maintaining *a good fire service for the community*.

1.5 FUTURE BUDGETS

- 1.5.1 All groups were satisfied with the scale of future budget increases, especially in the light of the current uncertain economic situation.

Using the surplus

- 1.5.2 Participants were generally satisfied with the use of the proposed surplus in 2009/10 to reduce the need to borrow for the Shrewsbury refurbishment. However, whilst participants' endorsement at Ludlow was unanimous, this was not the case at Shrewsbury. Some felt that

the surplus should be retained for other uses (such as RDS pensions, reducing Council Tax and reducing leasing charges for pumps) and not spent on this particular project.

Further efficiencies

- 1.5.3 Participants agreed that Shropshire Fire and Rescue Service's officers should be required to identify further efficiencies, providing they are relevant and that public and firefighter safety is not compromised in any way.

Service developments for 2009/10

- 1.5.4 The overwhelming majority of participants agreed with the proposed Service Developments for 2009/10 – particularly the £107,000 kick start of the Retained Development Project.

Investment levels

- 1.5.5 Participants at both forums agreed that the proposed investment levels are satisfactory to maintain an effective service – especially given the current economic climate and the potential for future grant reductions.

2. Consultation Process

2.1 THE COMMISSION

- 2.1.1 On the basis of its experience, ORS was commissioned by SWFA to facilitate and report two public scrutiny panels during January 2009.
- 2.1.2 It was agreed that ORS would work in collaboration with SFRS to facilitate the meetings and prepare a report of the discussions, covering the arguments and points made as well as the conclusions. SFRS encouraged ORS to facilitate the meetings and prepare this report independently.

2.2 SCHEDULE AND CONDUCT OF MEETINGS

- 2.2.1 Two forums were held with members of the public in Shrewsbury and Ludlow – the make-up of which can be seen in the table below. Encouragingly participants represented a wide spectrum of ages and socio-economic status:

Panel	Attendees	Profile
Shrewsbury	12	6 females, 6 males
Ludlow	9	4 females, 5 males

- 2.2.2 Participants attended a full-day forum, during which SWFA's Integrated Risk Management Planning (IRMP) was discussed in the morning, and the Budget Strategy 2008/09 - 2011/12 in the afternoon. Of the 21 attendees across the two panels, five have been attending similar forums for the past five years, whereas four were new recruits in 2006, seven in 2007 and five in 2008/2009.
- 2.2.3 It should be noted that the attendance at the meetings was not as high as in previous years. Whilst the full-day format worked well overall, the lower attendance can perhaps be explained by the fact that people were unable or reluctant to commit to such a long session (especially so soon after the Christmas break). Further, some last minute apologies were received from those intending to participate.
- 2.2.4 Participants were invited by ORS and paid for their trouble and expenses in attending and taking part in lengthy and detailed meetings.
- 2.2.5 The meetings offered an effective opportunity for the participants to understand, question and debate the issues fully. In order to make the meetings as informed as possible for the participants, SFRS prepared and delivered a detailed PowerPoint presentation on the various aspects of the Budget Strategy, covering:
- Budget 2009/10
 - Capital Expenditure
 - Future Budgets

The groups were then given the opportunity to ask questions and seek points of clarification, before dividing into small groups and considering the Strategy in some detail. Finally, there was a plenary session where the groups' findings were fed-back to attendees.

2.2.6 The meetings began with a detailed and very informative presentation by SFRS to provide respondents with a substantial context of information within which they could understand and consider the Fire Authority's proposals. This approach was used for two main reasons:

- Members of the public are typically poorly informed about how the Fire and Rescue Service operates and is managed. Although established panel members have, over the years, gained such background knowledge, this session was especially relevant for the new participants at each public panel
- The challenge was not to ask people's general impressions of the Fire and Rescue Service but to debate very particular issues – so the meetings needed to focus on them and the reasons for them

Hence, a considerable amount of information was needed before participants could debate the main specific areas of discussion in turn.

2.2.7 For these reasons, the consultation process should be considered as 'testing' the acceptability of SWFA's Budget Strategy 2008/09 to 2011/12 – by presenting its various components clearly for discussion. The key question the researchers were asking was:

If people are made fully aware of the background to and arguments for the proposals, how convincing do they find them?

2.3 INCLUSIVENESS AND REPRESENTATIVENESS

2.3.1 Given that no public body can guarantee a particular level of response to its consultation initiatives, the foremost tests of success are fairness and inclusiveness – were participants given sufficient information and could they comment readily? In this case, the answer to that question is yes.

2.3.2 Although the outcomes of such meetings cannot be certified as statistically representative of staff and public opinion, the public meetings reported here certainly gave a very diverse range of people, drawn from differing areas of Shropshire. The participants were diverse in terms of gender, age, socio-economic and professional status, housing tenure and other criteria. Therefore we are satisfied that the outcomes of the meetings (as reported below) are broadly indicative of how Shropshire public opinion would incline on the basis of similar discussions.

2.3.3 In summary, then, the meetings are reliable and authoritative as examples of the reflections and opinions of diverse informed people reacting to SFRS' financial proposals.

2.4 THE REPORT

2.4.1 Essentially, this report reviews the sentiments and judgements of participants about SWFA's Budget Strategy 2008/09 to 2011/12.

2.4.2 Some verbatim quotations (*italicised* below) are used – not because we agree or disagree with them – but for their vividness in capturing recurrent points of views. ORS does not endorse the opinions in question, but seeks only to portray them accurately and clearly. While

quotations are used, the report is obviously not a verbatim transcript of the sessions, but an interpretative summary of the issues raised by participants in free-ranging discussions.

- 2.4.3 The next section of this report has been structured so as to address each of the areas of discussion in some detail. The views of both meetings have been amalgamated – although significant differences in their views have been drawn out.

3. Research Findings

3.1 INTRODUCTION

- 3.1.1 Each Scrutiny Panel group was asked to address a series of questions, which were intended to focus their thinking but not necessarily constrain their thoughts. The 'worksheets' outlined some of the most relevant information to aid the panel in their thinking. Approximately 30 minutes was spent on each topic so the sessions were very focused. The outputs from these discussions are reported below.

3.2 BUDGET 2009/10

Increases in Council Tax

- 3.2.1 All the groups at both Shrewsbury and Ludlow agreed that the 3.9% rise in Council Tax to fund the SWFA is justified; participants were impressed by what they saw as the Authority's fiscal prudence, as well as its strive for efficiency and improvement:

It's about right for the reasons given

The Authority has been very prudent...3.9% is just right

It's sufficient to fund an efficient service whilst at the same time requiring relatively small efficiency savings

It is reassuring to see that the back-up planning is being done for the future

They are keeping the standards and continually improving

They were also satisfied that the proposed precept represents *good value for money and allows for extra investment in case of future 'hard times'*.

- 3.2.2 One of the Shrewsbury sub-groups even went so far as to suggest a slightly larger rise to safeguard future standards:

It's just about right but a tiny increase would ensure and maintain standards in the future

Indeed, some members of the Ludlow panel agreed that *no-one can argue with a few pennies in the case of any type of emergency service. These services may be required at any time but no-one would argue if it had to be increased either. You can't put a price on saving lives or possessions...*

- 3.2.3 Some Ludlow participants were keen to discuss the impact of the current economic crisis on people's finances. Whilst agreeing that the Council Tax rise is justified, they were of the view that it is only marginally so and were concerned about its impact on certain sectors of the community – those on a fixed income in particular:

It's only just justified...we need to consider people suffering as a result of the credit crunch

Comparatively high precept

- 3.2.4 As in previous years, participants expressed some concern that Fire and Rescue Service funding has led to SWFA's comparatively high precept. However, the reasons for the precept cost were accepted and understood by the vast majority of participants. Indeed comments were predicated on the basis that Shropshire has never fared well in such settlements, despite the efficiency of the Fire Authority:

It's correct but how do you correct the 'wrong' historical basis

We can see where the money is being spent and it is unfair that we are third

We feel that this is the result of SWFA being treated shabbily compared to other Authorities by the Government...

We are not happy to be third in the league tables but we need a better share from Government. Are we being penalised because we are efficient?

As such, and given the constraints within which it has to work, the vast majority thought it reasonable that SWFA charges what it does in order to provide a necessary service.

- 3.2.5 Further, it was recognised and appreciated (particularly by participants at Shrewsbury) that the Government is beginning to redress the balance of funding between authorities:

We are where we are but things getting fairer

We accept that the high precept [is because of] geographical and historical reasons when central Government funding has been low. This has now been recognised and is being addressed by Government

Government grant increase

- 3.2.6 The majority at Shrewsbury thought that the percentage grant increase received by SWFA from Government is fair in the current financial climate – although it was stated that the Authority and the people of Shropshire would always desire and be grateful for more:

We think it would have been nice for a larger settlement but realistically was the best that could be expected in the current financial circumstances

It is fair but perhaps not sufficient. To be more it has to be at the expense of others or by an increase in Council Tax

Others at Shrewsbury saw the rise as *a step in the right direction but not enough*. They certainly saw it as *unfair that we might have to subsidise others who are less efficient*.

- 3.2.7 The Ludlow groups were far more critical of the 4% grant increase than their Shrewsbury counterparts. They argued for a larger settlement and were angry that, in their view, SWFA is penalised financially for its efficiency and its economical use of the Retained Duty System:

Considering the sparsity factor we think we should have a bigger allocation but we understand that the reason we don't is because we have retained firefighters who provide a very good service very economically. We don't think it's fair that we should be punished for efficiency

It's extremely unfair...where do they think the money is going to come from? We will probably have to pay ourselves to save our homes and lives as where else will it come from?

Value for money

- 3.2.8 It is encouraging to report that all groups described the Fire Authority as representing value for money. Participants were certainly of the view that they receive an excellent and improving service for the amount they pay through their Council Tax:

Given the service performance standards achieved and other statistics presented today we feel we have satisfactory value for money

- 3.2.9 SWFA was also, as in previous years, highly praised for the way it is exercising financial control within existing budgetary constraints:

They are improving all the time and do well with the budget...good work!

Excellent because they perform well with what they get

It is surprising how well they are managing with what they have; thumbs up to them. Continue the good work!

We think that the balance adopted by the Fire Authority re the budget is correct and represents value for money

3.3 CAPITAL EXPENDITURE

Expenditure on Shrewsbury's St. Michael's Street site

- 3.3.1 All groups at both Shrewsbury and Ludlow endorsed the refurbishment of Shrewsbury's St. Michael's Street site; the building was described as unfit for purpose and badly in need of improvement for the sake of staff morale and performance:

Good to refurbish now...it's needed

It really needs it! It is in a bad state for people working there!

[One participant] has personal experience of working at the fire station and she thinks the conditions are disgusting

Better working conditions and better service and morale

We think that the money spent will improve morale and performance and with better training they will exceed in all aspects of fire safety

- 3.3.2 As well as recognising the need for improvements to the site, participants also accepted the financial outlay involved in doing so – including the annual repayment costs of approximately £135,000:

There is no alternative at the moment...things have moved on from last year. We cannot just wait for the economy to change...we have to go ahead with current resources

At the end of the day, they have tried every possible means to get around the situation

3.3.3 Some Shrewsbury participants expressed relief that *the Government have promised £1.3 million which compensates for not selling the land.*

Reduction in borrowing costs

3.3.4 Participants were generally pleased with the way in which the Fire Authority has so far managed to reduce its borrowing costs:

They are doing well here, dealing with the pressures and nothing drastic has had to be done so far

It's a good decision to build up a capital fund and good news that central Government has added to the pot

Annual repayment costs

3.3.5 The need to borrow money (and the charges associated with it) was generally seen as a somewhat unfortunate fact of life given that *there are not indefinite efficiencies to be found:*

If they need to borrow £100,000 and have to pay an extra £9,000 then that is the way it has to be as there seems to be no other way to get the money they require

It's not going to get any cheaper

There was certainly a sense that the end result of the borrowing would be worth its cost in terms of interest repayments:

It will bring benefits overall

As long as improvements are reflected in costs then it is acceptable

Benefits will be better training facilities

3.3.6 At Ludlow, participants were pleased that there is *substantial back-up if problems do occur with costs.*

3.3.7 One group at Shrewsbury suggested that the SWFA *might consider using its resources instead of paying the interest.*

3.3.8 As regards concerns at this stage, most centred on participants' general worries about the current state of the economy:

The economy and worries about the future

Economy in general

Other sources of unease were *borrowing costs and inflation* and the *need to balance the budget in future* whilst maintaining *a good fire service for the community.*

3.4 FUTURE BUDGETS

3.4.1 All groups were satisfied with the scale of future budget increases, especially in the light of current economic uncertainty:

We are very satisfied. Considerable thought has been given to ensure that the service can be maintained...

Based on the information we have been given we think the future increase will be acceptable

It's hard to see into the future. We need to wait and see from this good intermediate position and tread water cautiously

Using the surplus

- 3.4.2 Participants at both Ludlow and Shrewsbury were generally satisfied with the use of the proposed surplus in 2009/10 to reduce the need to borrow for the Shrewsbury refurbishment:

We are satisfied that the Fire Authority has considered the refurbishment carefully and that the surplus is being used wisely

Very satisfied within the current economic climate

You will be putting this into the reserves for the future or lowering the borrowing requirement...

The capital reserve is the best use as long as it is not saved indefinitely. It should be spent on the headquarters and fire station next year

There is no need to inflate reserves too much if borrowing or leasing charges can be reduced

- 3.4.3 However, whilst participants' endorsement at Ludlow was unanimous, this was not the case at Shrewsbury. Some felt that the surplus should be retained for other uses and not spent on this particular project:

I'd keep hold of it...

We still have to pay for RDS pensions...

It could be used to reduce Council Tax (but this limits future options)

It could be used to reduce leasing charges for pumps; it will save revenue expenditure

Further efficiencies

- 3.4.4 Participants agreed that Shropshire Fire and Rescue Service's officers should be required to identify further efficiencies, providing they are relevant and that public and firefighter safety is not compromised in any way:

They should always look at efficiency savings providing the service is not compromised...efficiency savings will benefit the service

Better to work under some pressure rather than be complacent about funding

We think that the officers should be as efficient as possible without reducing the service

It's good to increase efficiency at all stages...

The £150,000 is a reasonable target

We should not look at efficiency savings as a necessary evil...providing services can be maintained

Only one sub-group at Shrewsbury disagreed with the above. Participants in this group desired as few further efficiencies as possible, believing that *you cannot pare [the service] away to nothing...*

Service developments for 2009/10

- 3.4.5 The overwhelming majority of participants agreed with the proposed Service Developments for 2009/10 – particularly the £107,000 kick start of the Retained Development Project:

Good idea

Improvements to the Retained service are clearly cost effective

It's in people's interests

We all agree that this is acceptable as a good long-term investment

- 3.4.6 One sub-group at Ludlow was of the view that SWFA should *monitor this carefully on the basis of this pilot scheme.*

Investment levels

- 3.4.7 Participants at both forums agreed that the proposed investment levels are satisfactory to maintain an effective service - particularly given the current economic climate and the potential for future grant reductions:

Plans seem about right for the time being given the economic climate

We have been convinced that spending less money would mean a poorer service and in the current climate spending more would seem irresponsible

The grant might be reduced in future so the 3.9% is a good holding position

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