

**Minutes of the Meeting of  
Shropshire and Wrekin Fire and Rescue Authority  
Strategy and Resources Committee  
held on Wednesday, 23 September 2009 at 2.00 pm  
at Headquarters, Shrewsbury**

**Present**

**Members**

Councillors Mrs Barrow, Hartin, Minnery (Chair), Picken, Roberts (Vice-Chair),  
Dr Winchester and West

**Officers**

Chief Fire Officer, Corporate Services Manager, Head of Performance and Risk,  
Head of Resources, Management Support Officer, Principal Accountant and  
Programme Manager

**1 Election of Chair**

It was proposed by Councillor West and seconded by Councillor Mrs Barrow

That Councillor Minnery be elected Chair of the Strategy and Resources  
Committee.

There being no other nominations, Councillor Minnery was duly elected Chair  
to hold office until the meeting of the Committee immediately following the  
Annual Meeting of the Fire Authority.

**2 Appointment of Vice-Chair**

It was proposed by Councillor Mrs Barrow and seconded by Councillor Dr  
Winchester

That Councillor Roberts be appointed Vice-Chair of the Strategy and  
Resources Committee.

There being no other nominations, Councillor Roberts was duly appointed  
Vice-Chair to hold office until the meeting of the Committee immediately  
following the Annual Meeting of the Fire Authority.

**3 Apologies for Absence**

There were no apologies for absence from Members. Apologies for absence  
had been received from the Treasurer.

#### **4 Declarations of Interest**

There were no declarations of interest.

#### **5 Non-Exempt Minutes**

Members received the non-exempt minutes of the Strategy and Resources Committee meeting, held on 21 May 2009.

It was proposed by Councillor Minnery, seconded by Councillor West and

**Resolved** that the non-exempt minutes of the Strategy and Resources Committee meeting, held on 21 May 2009, be agreed and signed by the Chair as a correct record

#### **6 Public Questions**

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

#### **7 Financial Planning Strategy**

This report sought the Committee's approval to submit recommendations to the Fire Authority, firstly on the role of the Integrated Risk Management Planning (IRMP) Working Group in formulating financial service strategy, and secondly on the work programme for service and financial planning leading to budget proposals in December.

In presenting the report the Chief Fire Officer brought Members' attention to the projections set out on page 2. He also referred to the section on Grant Losses and advised that he was attempting to set up a meeting of the Budget Working Group in October. He would invite local Members of Parliament to this meeting in order to start the lobbying process about the grant formula on behalf of the Fire Authority.

The Chair asked what progress the IRMP Team had made in examining fire cover in Telford and Shrewsbury, including new shift patterns described in the Audit Commission publication 'Rising to the Challenge' (referred to in the minutes of the Committee's last meeting). The Chief Fire Officer responded that the Team had started this work and it would be included in future strategies. So far, however, nothing had been identified, which would give immediate savings. The Head of Performance and Risk added that officers were continuing to explore opportunities with the Family Group and other Brigades, which would be incorporated into the five-year plan.

It was proposed by Councillor West, seconded by Councillor Roberts and

**Resolved** that the Committee recommend to the Fire Authority that it:

- a) Extend the terms of reference of the IRMP Working Group to cover consideration of all major issues effecting service levels and the financial position of the Authority, in particular potential service developments and reductions, efficiencies and major capital projects;
- b) Amend the reporting process of the IRMP Working Group so that it reports directly to the Strategy and Resources Committee;
- c) Request the Strategy and Resources Committee to examine how short-term expenditure reductions might be made in 2010/11, with least impact on service delivery;
- d) Request the Strategy and Resources Committee to build up service delivery from a zero base and produce a set of what-if service reductions, which would protect core service delivery;
- e) Add capital investment plans in Telford to the 2012/13 programme, and Wellington to the 2013/14 programme;
- f) Request officers to seek to fund any minor new developments from existing budgets; and
- g) Explore ways of lobbying to improve the current grant distribution to this Authority with any new formula to be used from 2011/12 onwards

## **8 Response to Consultation on 'Consolidation of Council Tax Demand Notice Regulations including Efficiency Information'**

This report proposed responses to a Communities and Local Government consultation on the Council Tax (Demand Notices) (England) Regulations due to be issued in 2009.

It was proposed by Councillor West, seconded by Councillor Mrs Barrow and

**Resolved** that the Committee respond as set out in paragraph 4 of the report

## **9 Capital Update on Activity and Finance**

This report provided an overview of all the capital schemes within the Brigade and their current status.

The Programme Manager brought Members' attention to the under-spends and recommendations set out in Section 4. An increase of £15,000 for the boat vehicle was requested so that a larger vehicle could be purchased. This would allow increased storage for kit and provide room for staff to change.

A lengthy discussion took place about the breathing apparatus upgrade scheme and the reason for its delay. Members noted that officers did not wish to sacrifice the enhanced safety feature of the Service's current apparatus in order to gain additional technological functionality.

Hereford and Worcester and the West Midlands Fire and Rescue Services were currently jointly considering an upgrade provided by another supplier and had criticised this Service for not participating. Officers had not done so, however, because the upgrade did not incorporate the enhanced safety feature, which this Service had in its current breathing apparatus sets and around which many of the Service's safety procedures were built.

Members noted that the hold-up in the appliance replacement scheme had resulted from delays from the chassis suppliers and the liquidation of one of the large bodybuilding companies. Of the five appliances, which should already have been delivered, one would be ready in early October, two later in October and the remaining two in November.

It was proposed by Councillor West, seconded by Councillor Picken and

**Resolved** that the Committee:

- a) Note the progress so far on current schemes; and
- b) Agree that the recommendations on those schemes highlighted in Section 4 of the report be made to the Fire Authority

## **10 Financial Performance to July 2009, including the Annual Treasury Report 2008/09**

This report provided information on the financial performance of the Service, and sought approval for action, where necessary.

The Principal Accountant brought Members' attention to the table in Section 4 of her report and in particular the £120,000 shortfall in investment interest and the £200,000 saving in pay, which would be ongoing. It was noted that the figures in the bottom part of the table on page 3 were out of alignment.

Referring to the section on Prudential Indicators, the Principal Accountant advised that the Fire Authority continued to operate well within the indicators it had set.

A discussion then took place about the optimum means of financing the Headquarters refurbishment in the current economic climate. Members were keen to ensure that the Fire Authority made the best use of its finances and, therefore, tasked officers with exploring all opportunities with the Authority's treasury management advisors at Shropshire Council.

It was proposed by Councillor Mrs Barrow, seconded by Councillor Picken and

**Resolved** that the Committee:

- a) Note the position of the revenue budget;
- b) Approve virements to the revenue budget where requested (*as set out in section 4 of the report*);

- c) Note the position on the capital programme;
- d) Note performance against prudential indicators;
- e) Note the annual review of treasury activities for 2008/09;
- f) Note performance in Treasury Management to date in 2009/10; and
- g) Note the information provided on balance sheet items

## **11 Use of Capital 2009**

This report advised of capital investment made over the last 3 years and the benefits, which have been obtained from this investment.

**Resolved** that the Committee note the report

Councillor Hartin left the meeting at this point (2.45 pm).

## **12 Asset Stewardship Report**

This report advised of the current condition of assets owned by the Authority and changes, which had occurred in the financial year 2007/8. This was a summary of information previously provided in the form of budget working papers, capital appraisals and capital budget reports, together with additional information.

A discussion took place about the potential value of the Telford site, if the Fire Authority were to locate the facilities elsewhere. All agreed that the sale of land in the current economic climate would not be prudent.

Councillor Hartin returned to the meeting at this point (2.55 pm).

**Resolved** that the Committee note the current asset position

## **13 Response to Consultation on Fire and Resilience Programme In-Service Management**

This report outlined the proposed response to the above consultation document.

It was proposed by Councillor Mrs Barrow, seconded by Councillor Picken and

**Resolved** that the Committee agree to the consultation response without amendment

## **14 Corporate Risk Management Summary**

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

The progress reported related to that achieved since the last Annual Summary Report, received by the Fire Authority at its meeting in July 2009.

The Head of Performance and Risk pointed out that no new threats or opportunities had been added to the Corporate Risk Register since the last summary report but risk 60 had been closed. The impact of changes at Shropshire Council had not been as great as it could have been and the Executive Group had, therefore, agreed to close this risk.

Members discussed the possibility of strike action in the light of what was happening within other Fire and Rescue Services, the effect, which it could have upon this Service, and the plans in place to mitigate the risks.

The Committee also considered risk 66 relating to the FireLink / FireControl projects and the possibility that the projects might be abandoned or changed dramatically. The Chief Fire Officer informed Members that, in light of the age of the Service's existing mobilisation system, officers were developing a business case for a new system, possibly linking with Hereford and Worcester. Such a system would provide enhanced resilience and would be affordable. As soon as officers had fleshed out the business case they would bring a report to Members for consideration.

**Resolved** that the Committee note the report

## 15 Local Government Act 1972

It was proposed by Councillor Picken, seconded by Councillor Mrs Barrow and

**Resolved** that, under the Local Government Act 1972, the public be excluded for the following item on the grounds that it involved the likely disclosure of exempt information, as defined by the provisions of Part I of Schedule 12A to the Act, by virtue of paragraph 4

## 16 Corporate Risk Management Summary

The Committee had already received an open session report, which summarised its current exposure to corporate risk. This report supplemented that one, as it contained information that is exempt from publication by virtue of the Local Government Act 1972, Schedule 12A.

**Resolved** that the Committee note the report

The meeting closed at 3.10pm.

**Chair**.....

**Date**.....

## Financial Planning Strategy

### Report of the Treasurer

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

#### 1 Purpose of Report

This report seeks the Committee's approval to submit recommendations to the Fire Authority, firstly on the role of the Integrated Risk Management Planning (IRMP) Working Group in formulating financial service strategy, and secondly on the work programme for service and financial planning leading to budget proposals in December.

#### 2 Recommendations

The Committee is asked to recommend to the Fire Authority that it:

- a) Extend the terms of reference of the IRMP Working Group to cover consideration of all major issues effecting service levels and the financial position of the Authority, in particular potential service developments and reductions, efficiencies and major capital projects;
- b) Amend the reporting process of the IRMP Working Group so that it reports directly to the Strategy and Resources Committee;
- c) Request the Strategy and Resources Committee to examine how short-term expenditure reductions might be made in 2010/11, with least impact on service delivery;

- d) Request the Strategy and Resources Committee to build up service delivery from a zero base and produce a set of what-if service reductions, which would protect core service delivery;
- e) Add capital investment plans in Telford to the 2012/13 programme, and Wellington to the 2013/14 programme;
- f) Request officers to seek to fund any minor new developments from existing budgets; and
- g) Explore ways of lobbying to improve the current grant distribution to this Authority with any new formula to be used from 2011/12 onwards.

### 3 Background

The Fire Authority in February based its financial strategy on the following assumptions:

- i. Pay and Prices contingency is not hypothecated to any area, but is based on inflation rates ranging from 3.5% to 2.5%, falling to a range of 2.5% to 2% from 2011/12 onwards;
- ii. A capital programme set out in three-year budget plans, and extended to nine years in the Medium Term Financial Plans;
- iii. New developments – for planning purposes of £200,000 a year;
- iv. Efficiencies – for planning purposes of £150,000 a year, with particular reference to the Audit Commission's report 'Rising to the Challenge'
- v. Grant increasing by about 1.25% a year;
- vi. Collection Fund surpluses remaining in surplus of £50,000 a year;
- vii. The Band D equivalent tax base growing slightly, in line with latest actuals; and
- viii. The precept increasing at 3.9% a year, whilst examining the scope to reduce the rate of increase.

These assumptions produced the following projections:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	<b>New</b> 2014/15 £000
<b>Expenditure</b>					
i Previous Years Budget	20,779	21,823	22,736	23,459	24,179
ii Base Variations	301	203	22	50	0
iii Pay and Prices	644	569	517	504	504
iv Capital (New Starts)	57	91	134	116	100
V New Developments	192	200	200	200	200
Vi Efficiencies	-150	-150	-150	-150	-150
	<u>21,823</u>	<u>22,736</u>	<u>23,459</u>	<u>24,179</u>	<u>24,833</u>
<b>Income</b>					
Grant/ NNDR	8,268	8,372	8,477	8,586	8,696
Collection Fund (Surplus)	50	50	50	50	50
Council Tax	13,323	13,893	14,487	15,106	15,752
	<u>21,641</u>	<u>22,315</u>	<u>23,014</u>	<u>23,742</u>	<u>24,498</u>
<b>Deficit Projection</b>	<u>182</u>	<u>421</u>	<u>445</u>	<u>437</u>	<u>335</u>

In response to these potential deficits, the Fire Authority agreed to monitor closely key external uncertainties that could affect service levels, and to review the current schedule of 'what-if' service reductions, if needed, in the next five years.

#### 4 2010/11 Financial Planning and Programme

The current programme, integrating the strategic planning process, is attached to this report at Appendix A. From this, there is an identified need to examine major service/ financial variations in detail, and to ensure effective consultation is carried out. Equally there is a need to ensure the Strategy and Resources Committee is kept fully informed of the work so that it can produce a comprehensive set of budget recommendations to the Fire Authority.

It is, therefore, proposed that the scope of work of the IRMP Working Group is expanded as outlined in Appendix A, and that it reports directly to the Strategy and Resources Committee.

## 5 2010/11 Financial Planning – Key Issues

There seems to be no reason to change the budget process outlined in Appendix A, subject to the amended involvement of the IRMP Working Group.

The Fire Authority has asked that key external uncertainties be closely monitored, and since February, a number of factors have changed:

### Inflation

- i. Pay inflation has fallen, although other prices – notably the interest rates for investments – has partially offset this;
- ii. The outlook for public finances has deteriorated further, with questions being asked over whether there will be any increase in either grant or Band D equivalent tax base, or whether collection funds will remain in surplus;
- iii. There is also the issue of capping, which is currently established at a limit of 5% increase in Council Tax, but might be revisited in the current low inflation environment.

### 2010/11 Budget Strategy

There is a projected deficit for 2010/11, (although this may be affected by changes identified from monitoring the current year). In addition some of the external factors affecting tax base, and collection fund will not be confirmed until January. Finally, ‘what-if’ service reductions, if needed, may have relatively long lead-in times. It would seem prudent, therefore, to examine how short-term expenditure reductions might be made in 2010/11 with least impact on service delivery.

### Five-Year Budget Strategy

For longer term financial planning, it would be prudent to examine the consequences of service reductions over the next five years that would be needed to deal with deficits should external factors go against the Fire Authority.

The Medium Term Financial Plan lists possible reductions of up to £3.7 million, some of which will be impossible to achieve without compromising current service levels. Latest analysis (see appendix B) indicates all the potential factors affecting future deficits, and it is recommended that ‘what-if’ scenarios of the consequences of meeting deficits be examined

The Fire Authority will be particularly conscious of the need to protect core services. Officers propose to use the autumn period to build up the service from a zero base, identifying these core services and their cost, together with ancillary and support services. This should ensure the Fire Authority to be able to continue its key objective of safeguarding core services through the financial difficulties of the next five years.

## **Grant Losses**

The projections set out in appendix B assume a zero growth in grant from 2011/12 onward. There is concern that the total grant for the Fire Service nationally will be restricted, and also that the replacement distribution formula, to be introduced in 2011/12 may switch resources away from relatively sparse areas once again. The Authority already has the third highest precept, and one of the lowest proportions of income from grant in the country. The current formula would be giving the Authority an additional £366,000 in 2010/11, if this was not required to protect other authorities from loss (the so called flooring mechanism). There is therefore a window of opportunity to lobby for the full benefits of the current formula to be at least secured, and for the redistribution of grant to relatively sparse areas to continue.

## **Other Issues**

Planning should also accommodate plans for possible capital investments in later years for Telford and Wellington as requested by the Fire Authority.

For relatively small requests for desirable development items to be found from the £200,000 planning total, officers will be asked to minimise the additional cost by challenging whether they can be financed from existing budgets or from contingencies if they are one-off items.

## **6 Financial Implications**

The financial implications of this report are set out within it.

## **7 Legal Comment**

There are no direct legal implications arising from this report.

## **8 Equality Impact Assessment**

This report has been assessed against the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and this has shown 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**

### **Appendix A**

Financial Planning Strategy 2010/11 to 2014/15

### **Appendix B**

Potential Deficits

## 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	*

## Potential Deficits

The schedule below lists the assumptions about variables that affect the level of the potential deficit.

- i. The Fire Authority can set any precept up to 4.9% without being capped;
- ii. Overall inflation is assumed to run at 2.75% or 2.5% each year from 2010/11;
- iii. Grant is frozen in cash terms at 2010/11 levels, which are set out in CSR 2007;
- iv. There is no increase in Band D equivalent tax base;
- v. Collection fund balances are zero;
- vi. Cost of investment in Telford and Wellington stations added, but no change to current assumptions for other capital projects, and developments net of efficiencies.

It is currently impossible to predict with any certainty the scale or timing of most of these factors. To put some scale, at least on 2010/11, the totalling deficits would result from the schedule of assumptions:

					Deficit £
2010/11	Precept	+3.9%	inflation	2.75%	175
	Precept	+3.9%	inflation	2.5%	133
	Precept	+4.9%	inflation	2.75%	46
	Precept	+4.9%	inflation	2.5%	5

As a ready reckoner these deficits change as follows:

Inflation	a variation of	0.25%	=	£40,000 pa
Precept	a variation of	1%	=	£125,000 pa
Grant	a variation of	1%	=	£80,000 pa

## Capital Update on Activity and Finance

### Report of the Chief Fire Officer

For further information about this report please contact Paul Raymond, Chief Fire Officer, on 01743 260201 or Ged Edwards on 01743 260208.

#### 1 Purpose of Report

The purpose of this report is to provide an overview of all the capital schemes within the Brigade and their current status.

#### 2 Recommendations

The Committee is asked to:

- a) Note the progress so far on current schemes; and
- b) Consider and make recommendations to the Fire Authority on those schemes highlighted in Section 4 of the report.

#### 3 Background

Quarterly reporting on Finance and Activity within Capital Schemes proved to be a successful method of monitoring the capital programme during 2008/09. Reporting therefore will continue as last year with updates to Members on a quarterly basis at Strategy and Resources Committee.

This first report provides an update on current schemes and makes recommendations for two schemes to be amended.

## 4 Progress

A number of schemes have either been completed or are likely to slip or overspend; these are detailed below.

The Small Fires Unit, the Performance Management System and Fire Alarm Installation schemes, all carried over from the previous year, have now been completed with under spends of £4.5k, £4k and £10k respectively.

The current budgetary allocation for the Boat and Vehicle scheme is unlikely to cover the cost of the preferred vehicle and therefore an increase of £15K is required to be approved.

The Appliance replacement scheme is currently delayed and FireBuy are pursuing the manufacturers on our behalf.

The light pumping unit scheme has been suspended because of the unfavourable exchange rates with the Euro, however the borrowing approval of £300k has been retained for when the rate improves.

Following a review by Officers, Members are asked to agree the recommendation to delete the scheme 'Retaining Approval for WL scheme' in both 2009/10 and 2010/11 (amounting to £150k in total) in light of the collapse of the plan to build a new Telford College of Arts and Technology (TCAT) building which would incorporate Wellington Fire Station. It should also be noted that at the April 2009 Fire Authority Meeting, Members agreed in principle for the purposes of capital budget planning to allocate £1,000,000 in 2013/14 for works at Wellington.

Members are also asked to approve that the BA Set Upgrade scheme in 2010/11 be moved back to later years (to be reviewed in 2011/12) as the upgrade available does not currently meet user needs.

All other schemes are progressing and details are included within the appendix.

As yet a large number of schemes are unable to report any projected under or over spend, as schemes have not yet started. As reporting on the Capital Schemes progresses throughout the year, further information is expected.

## 5 Financial Implications

The financial implications are as outlined within the report.

## 6 Legal Comment

Within the Strategy & Resources Committee's Terms of Reference, the Committee have the authority to monitor budgeting and financial performance, consider any actions proposed by officers and make recommendations to the Authority, where appropriate, including reporting any virements to the Authority for approval.

## 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 Appendix

Update on Capital Schemes

## 9 Background Papers

There are no background papers to 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	*

**Schemes carried over into 2009/10**

Name of Scheme	Amount outstanding at end 2008/09	Total spend to end March 2009	Spend in 2009/10	Payments due in 09/10	Payments due in subsequent Years	Projected Under or over spend	What is the Scheme End Date?	SRO and PM Or Point of Contact	Update
Asset Tracking System	£14.5k	£39k	£1.5k	£16k	Nil	£3k over spend	March 2010	Andrew Kelcey David Groucott	Project is progressing with regular updates to Policy Group. The end date of this project has been extended as the quality of the end product is a higher priority than a definitive end date.
Boat and Vehicle	£20k	£1k	£0k	£35k	Nil	£15k over spend	March 2010	Martin Timmis Andrew Kelcey	Users and specialist are currently drawing up the final specification of the towing vehicle on behalf of Resources Director. The current budgetary allocation is unlikely to cover the cost of the preferred vehicle and the scheme is expected to be over spent by £15k. A contribution from revenue has been requested.
Training Improvements	£85.5k	£36.5k	£0k	£85.5k	Nil	Nil	March 2010	Andrew Kelcey Louise McKenzie	Delay in finalising Bishops Castle Drill Tower has delayed start on CA, WM, and BN
Fire Alarm Installation	£25k	£5k	£0k	£15k	Nil	£10k under spend	March 2010	Andrew Kelcey	A payment of £15k is due on this scheme after which it will be complete leaving a £10k under spend.

Small Fires Unit	£20k	£0k	£15.5k	£0k	£0k	£4.5k under spend	May 2009	Cllr Jean Jones Dave Bishton	Work to alter the L4P at Market Drayton has now been completed and the vehicle is now on the run. There is a current under spend of £4.5k however further internal costs may be allocated to this scheme.
Retained Duty Service availability system	£25k	£0k	£0k	£25k	Nil	Nil	March 2010	Paul Raymond Jon Wagstaff	Currently exploring alternative providers linked to savings with mobilising system.
Appliance Replacement	£93k	£647k	£4k	£89k	Nil	Nil	Fleet replacement programme	Andrew Kelcey	The scheme is currently delayed and FireBuy are pursuing the late delivery of vehicles on behalf of the Service.
Performance Management System	£4.5k	£60.5k	£0.5k	£0k	Nil	£4k under spend		Alison Pritchard Steve Worrall	Track and Resourcelink have now been rolled out and no further spend is anticipated within this scheme, leaving an under spend of £4k.

## Schemes in 2009/10

### Capital Schemes to be managed using Prince2

Name of Scheme	Amount	Spend to date	Payments due in 09/10	Payments due in subsequent Years	Projected Under or over spend	What is the Scheme End Date?	SRO and PM Or Point of Contact	Update
Retained Duty Service Availability System	£25k	£0k	£25k	£0k	£0k	March 2010	Paul Raymond Jon Wagstaff	Currently exploring alternative providers linked to savings with mobilising system.
Document Management (Intranet)	£40k	£0k	£40k	£0k	£0k	March 2010	Steve Worrall John Rix	This scheme is linked to the Airwave refresh and will be used to purchase Sharepoint which will form part of the overall solution.
Scanning for all files (Document Storage)	£60k	£0k	£60k	£0k	£0k	March 2010	Steve Worrall Helen Jones	This project will be carried out as one of the workstreams within the Shrewsbury Building Programme. The PID for the Project has already been approved by the SRO.
Shrewsbury Building Programme (IRMP)	£900k	£0k	£900k	£0k	£0k	April 2011	SY Building Programme Team	Shrewsbury Building Programme has been established with 6 major workstreams identified. Work on this is continuing with regular updates to the Sponsoring Group and Policy Group.

## Other Capital Schemes 2009/10

Name of Scheme	Amount	Spend to date	Payments due in 09/10	Payments due in subsequent Years	Projected Under or over spend	What is the Scheme End Date?	SRO and PM Or Point of Contact	Update
Training Facilities	£50k	£0k	Unknown	Unknown	Unknown	Ongoing building programme	Andrew Kelcey Louise McKenzie	To be considered following the review of the training facilities asset management plan as part of the Shrewsbury Building Programme.
Building Improvements	£165k	£0k	Unknown	Unknown	Unknown	Building programme	Andrew Kelcey	This scheme is allocated for the refurbishment of Cleobury Mortimer which is currently in the planning process and due to start Jan 10. Payments for this scheme will slip into 2010/11, however as yet amounts are unknown.
Fire Kit Replacement	£250k	£0k	£250k	Nil	Nil	March 2011	Andrew Kelcey Dave Groucott	Specification being developed. Purchase not likely before December 2009.
Light Pumping Unit	£300k					unknown	Andrew Kelcey Martin Timmis	This scheme has been suspended due to unfavourable exchange rates with the Euro however the borrowing approval has been retained.
Appliance Replacement	£370k	£0k	£370k	Nil	Nil	Fleet replacement programme	Andrew Kelcey Martin Barclay	The scheme is currently delayed and FireBuy are pursuing the late delivery of vehicles on behalf of the Service
Retaining approval for WL scheme	£100k	£0k				See Comment	Andrew Kelcey	Members are asked to approve the cancellation of the scheme and agree that the funding be transferred to the Capital Reserve (see scheme in 2010/11 also)

## Schemes in 2010/11

### Capital Schemes to be managed using Prince2

	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	Comment
	Shrewsbury Project (IRMP)	£3090k (rebuild of HQ)	Programme Team	Programme Team appointed	End date June 2011

### Other Capital Schemes

	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	Comment
	Training Facilities	£50k	Training	Andrew Kelcey, Louise McKenzie	This scheme will be used to deliver the Training Facility Asset Management Plan
	Appliance Replacement	£185k	Fleet	Andrew Kelcey, Martin Barclay, Martin Timmis	A replacement vehicle is currently being investigated for Oswestry Fire Station. Any material changes would need to be included within the IRMP consultation process for 2010/11.
	Building Improvements	£65k	Tech Services	Andrew Kelcey	This scheme will be used to complete the work at Cleobury Mortimer
	Fire Kit Replacement	£250k	Tech Services	Andrew Kelcey	This scheme is continued from the previous year
	BA Set upgrade	£250k	Tech Services	Andrew Kelcey	Members are asked to approve that this scheme be moved back to later years (to be reviewed in 2011/12) as the upgrade available does not currently meet user needs.
	Retaining approval for WL scheme	£50k	Tech Services	Andrew Kelcey	See previous comment

## Schemes in 2011/12

	Name of Scheme	Amount	Department	SRO and PM Or Point of Contact	Comment
	Building Improvements	£65k	Tech Services	Andrew Kelcey	Building programme
	Training Facilities	£50k	Training	Andrew Kelcey, Louise McKenzie	As previous year
	Appliance Replacement	£555k	Fleet	Andrew Kelcey, Martin Barclay	Fleet replacement programme
	Water Carriers	£120k	Service Delivery	Martin Timmis, Andrew Kelcey	This scheme will be dependent upon the outcome of the appliance replacement scheme in 2010/11

## **Financial Performance to July 2009, including the Annual Treasury Report 2008/09**

### **Report of the Chief Fire Officer**

For further information about this report please contact Keith Dixon on 01743 260202, or Joanne Coadey on 01743 260215.

#### **1 Purpose of Report**

This report provides information on the financial performance of the service, and seeks approval for action, where necessary.

#### **2 Recommendations**

The Committee is asked to recommend that the Fire Authority:

- a) Note the position of the revenue budget
- b) Approve virements to the revenue budget where requested
- c) Note the position on the capital programme
- d) Note performance against prudential indicators
- e) Note the annual review of treasury activities for 2008/09
- f) Note performance in Treasury Management to date in 2009/10, and
- g) Note the information provided on balance sheet items

### 3 Background

This report comprises a review of financial performance to date for 2009/10, and encompasses the monitoring of revenue budgets and capital schemes, the review of treasury management activities, including prudential indicators, and the monitoring of other balances held within the Authority's accounts.

### 4 Revenue Budget

At its meeting in February 2009, the Fire Authority approved a revenue budget of £20.846m for 2009/10, and this was allocated to the five directorates within the service:

Executive  
Service Delivery  
Human Resources and Development  
Strategy and Performance  
Resources

Budgets for each directorate are made up of pay and non pay items, and monitoring reports for each element are provided to officers. Exceptional variances within each area of the budget will be forwarded to Strategy & Resources Committee, where any movements between budgets will be recommended to the Fire Authority for approval.

Monitoring has begun on the revenue budgets and capital programme for 2009/10, and the position after the first four months of the year can now be reported.

	(Over) / Under spend £'000
<b>Executive</b>	
<b>Interest on Investments</b> – due to the current economic climate, investment income is considerably less than originally anticipated.	(120)
<b>Leasing</b> – reclassification of current operating leases has resulted in a saving of £70,000, which will also reduce future budgets	70
<b>Recruitment</b> – costs resulting from recent executive recruitment will be funded from reserves	(12)
<b>Professional Subscriptions</b> – Anticipated contributions to the Centre of Excellence will not be made	25

	<b>(Over) / Under spend £'000</b>
<b>Revenue Contribution to Capital</b> – a capital scheme to purchase a boat-towing vehicle requires additional funds from revenue	(15)
<b>Service Delivery</b>	
<b>Operations</b> – salary savings have been identified due to a vacant support officer post	13
<b>District – Retained Duty System</b> - variances have been identified in the following budgets:	
Retaining Fee	30
Turnouts	28
Additional Hours	10
Retained Pension contributions	(10)
Some of these savings have accrued due to lower than anticipated establishment; in addition, budgeted levels of incidents are currently being reviewed.	
<b>District – watches</b> - Funds were brought forward from 2008/09 to aid recruitment during 2009/10; this has not yet been spent, however recruitment is likely to take place during the second half of the year.	20
<b>Prevention</b> - Further salary savings have been identified in the Prevention pay budgets, due to a number of vacant posts. Recruitment into these posts is currently being undertaken.	24
<b>Computer Maintenance</b> – expenditure on CFS systems has exceeded budgeted levels, and this will be addressed during the budget setting process for future years.	(8)
<b>Income</b> – an LPSA payment has been received from Borough of Telford & Wrekin, following achievement of targets, and it is proposed that this is added to the Capital Fund - Headquarters	58
<b>Strategy &amp; Performance</b>	
<b>Management of Risk</b> – an additional officer has been in post in the Geographical Intelligence Unit, resulting in an overspend to date.	(14)
<b>Pay &amp; Prices</b> – following confirmation of the firefighters' pay award, ongoing savings can be reported in the pay contingency	200
<b>Total</b>	<b>299</b>

It is proposed that variances will be transferred to individual contingencies, or into specific reserves where mentioned above. The current position on directorate spending is shown at Appendix 1.

### Vacancy Management

A total of £150,000 has been taken out of the budget over the last two years, which reflects the savings that can be made from vacant posts throughout the year. The table below shows how the total has been allocated to business areas, and how much has been identified to date. These savings do not form part of the variances above as the budget has already been reduced by the total amount.

	Identified to date £'000	Target savings £'000
Executive	6	6
Service Delivery	40	122
Strategy & Performance	8	8
Human Resources & Development	4	10
Resources	4	4
<b>Total</b>	<b>62</b>	<b>150</b>

## 5 Capital Programme

Appendix 2 to the report provides an overview of the capital schemes currently in progress, and the expenditure on each scheme to the end of July.

Progress on each of the schemes has been reported in the previous report, which also includes a recommendation to change a number of schemes within the capital programme. There will be no effect on the revenue budget as a result of these changes; there are no revenue consequences arising from the Wellington scheme, and the BA replacement scheme is not scheduled to commence until 2010/11.

## 6 Reserves and Provisions

The Fire Authority's position on reserves and provisions is as follows:

	£'000
<p><b>General Reserve</b></p> <p>A risk assessment of the pressures likely to face the Fire Authority has been undertaken, and the current balance of the General Reserve represents these identified risks, in proportion to the probability of their occurrence. This reserve will be funded by budgeted contributions plus net revenue savings as appropriate. A proportion of the Reserve which relates to the Retained Firefighters &amp; Part Time Workers Regulations tribunal has been transferred to the Pensions and Other Staff Issues Reserve.</p>	510

	<b>£'000</b>
<p><b>Efficiency Reserve</b> This reserve was set up specifically to invest in efficiencies; a proportion of this reserve has been used in 2008/09 to begin consultancy work on the project to refurbish the headquarters, workshop and fire station at Shrewsbury.</p>	60
<p><b>Retained Firefighters Service Review Reserve</b> The timing of expenditure on the Retained Implementation Plan was reviewed in 2006/07, and funds available at the end of 2006/07 were transferred to this reserve. Half of the reserve was released in 2008/09, with the remainder being released in 2009/10.</p>	99
<p><b>Pensions and Other Staff Issues Reserve (previously the Pensions Liabilities Reserve)</b> Set up as a result of the introduction of the new firefighters pension scheme on 1<sup>st</sup> April 2006, the original reserve was required to pay for unexpected sickness retirements and other payments, which remain the responsibility of the Fire Authority's revenue account. In 2008/09, this reserve has been expanded to cover other staff matters. The proportion of the General Reserve set aside for the Retained Firefighters &amp; Part Time Regulations tribunal has now been transferred to this reserve.</p>	761
<p><b>Equipment Replacement Provision</b> This provision is designed to smooth expenditure on operational equipment currently charged to the revenue account. A detailed equipment replacement programme will establish contributions into the provision, and will eventually lead to successful replacement planning in the medium term.</p>	71
<p><b>Extreme Weather Reserve</b> Costs for incidents attended by retained firefighters have now been budgeted for at average levels in the revenue account; this reserve will cover the costs of increased activity incurred as a result of adverse weather conditions.</p>	295
<p><b>Capital Reserve – Capital Projects (previously the Capital Reserve)</b> A capital reserve was established using remaining unspent balances from the revenue account in 2005/06. This reserve will be used to fund small capital projects, reducing the need to borrow, and a contribution will be made to the reserve from the revenue account in lieu of capital financing costs.</p>	404

<p><b>Capital Reserve – Headquarters (previously the Capital Reserve)</b>  For ease of reporting, the element of the Capital Reserve which is to part fund the Authority’s new headquarters project has now been separated from the other capital projects element.</p>	1,065
<p><b>General Fund</b>  Unspent balances on the revenue account are held in the Fire Authority’s General Fund balance at the end of the year. The balance is made up as follows:</p> <ul style="list-style-type: none"> <li>• expenditure that has slipped from 2008/09 into 2009/10, 341</li> <li>• funds for schemes already approved by the Fire Authority, commencing in 2009/10 302</li> <li>• funds for schemes to be forwarded for approval to the Fire Authority in October, 53</li> <li>• the remaining balance which will be transferred to the Capital Reserve – Headquarters. <u>432</u></li> </ul> <p style="text-align: right;">1,128</p>	1,128

## 7 Prudential Indicators

In line with CIPFA’s Prudential Code for Capital Finance, the Treasurer is required to establish procedures to monitor performance against all forward looking prudential indicators and, in particular, that net external borrowing does not (except in the short term) exceed the requirement to borrow for capital purposes.

The Fire Authority has established that it will receive quarterly monitoring reports during the year; the position to the end of July is shown below.

- **Authorised Limit for External Debt (£9,627,000)**

The Authorised Limit represents the amount required to fund the Authority’s capital financing, plus a provision for temporary borrowing, should the receipt of revenue money be delayed, although this should happen very rarely.

The Limit currently stands at £5.117m, ie well within the indicator. No temporary borrowing has been necessary.

- **Operational Boundary for Borrowing (£6,529,000)**

The Boundary represents the capital investment entered into by the Authority, including any loans to be taken during the year. Unlike the Authorised Limit, this may be exceeded, although this would trigger an investigation.

At £5.810m, the Boundary is well within the set indicator; the Fire Authority has yet to borrow £200,000 of its requirement for 2008/09, as well as the requirement for 2009/10.

- **Capital Financing Requirement (£6,627,000)**

This is the amount required by the Authority to fund its capital investment, and the actual balance for the year will increase as schemes are completed.

As the Authority still has a number of schemes to pay for within its capital programme, the Capital Financing Requirement, at £5,117m, is well within its indicator.

- **Net Borrowing**

Currently, outstanding borrowing of £5.810m exceeds the Fire Authority's investments of £5.150m.

## **8 Balance Sheet Items**

### **Cash and Investments**

Cash flows into and out of the Authority's bank accounts are recorded by Finance officers, and are monitored by Finance, and by Treasury Services to assist the investments process.

Cash flow projections established at the start of the year estimated a cash balance available for investment at the end of July of £5.03m; the actual balance was £5.15m. Monitoring carried out during the first four months of the year has identified the following variances:

- Grants totalling £775k were received which had not been anticipated in original projections
- The Fire Authority has received £328k more income than anticipated
- Payments for employees and other costs have exceeded projection by £824k
- A VAT reimbursement of £165k was not received until August.

### **Debtors**

In terms of amounts owed to the Authority, a balance of only £3,300 remains outstanding; this includes a problematic account of £1,400 which is being pursued through Legal Services at Telford & Wrekin.

## 9 Annual Treasury Review 2008/09

### Compliance with the Treasury Policy Statement

This review is presented in accordance with the Fire Authority's Treasury Policy Statement, which complies with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities.

This Fire Authority adopted the 2001 Revised Code of Practice on Treasury Management on 6 February 2002 and fully complies with its requirements, of which the primary ones are:

- Creation and maintenance of a Treasury Management Policy Statement, which sets out the policies and objectives of the Fire Authority treasury management activities;
- Creation and maintenance of Treasury Management Practices, which set out the manner, in which the Fire Authority will seek to achieve those policies and objectives;
- Receipt by the Fire Authority of an annual strategy report for the year ahead and an annual review report of the previous year; and
- Delegation of responsibilities by the Fire Authority for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

This is the annual review report for 2008/09.

### Treasury Management

Treasury Management in this context is defined as "The management of the local authority's cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."

Shropshire Council (SC) carries out treasury management on behalf of the Fire Authority. This entails their monitoring bank balances, investing surplus cash in the short term and arranging and advising on borrowing, both long-term and short-term. In practice, investment and borrowing for the Fire Authority is carried out alongside, and in the same manner as, that for SC.

## Current Portfolio

The Fire Authority's treasury position at 31 March 2009 is set out below with the previous year in brackets.

	Balance at 31 March 2009 £000	Interest Rate <sup>1</sup> 2008/09 %
a) <b>Outstanding debt for capital purposes</b> Fixed Rate	5,810 (5,610)	4.49 (4.50)
b) <b>Investments</b> SCC Treasury Team	4,805 (5,350)	3.99 (5.80)

**Note<sup>1</sup>:** The interest rates shown represent:

- the average cost of the debt portfolio, including the borrowing for 2008/09; and
- the average return on cash investments during the year.

## Borrowing

The borrowing strategy for the year continued to be funding the Authority's long-term borrowing requirement at advantageous rates. During 2008/09, long-term loans were secured from the Public Works Loan Board (PWLB) in accordance with this strategy.

The funds were drawn down as follows:

Date	Lender	Amount £'000	Period Years	Rate %
9 October 2008	PWLB	200	49.5	4.36

This loan was secured at an advantageous point during the year. Short-term money market borrowing was not used during the year.

The actual weighted average rate for the year for borrowing is 4.49%. The average borrowing rate for the total portfolio has reduced from 4.50% to 4.49% in 2008/09, due to borrowing at a less than average borrowing rate during the year.

The Authority's Treasury Strategy allows up to 30% of the total outstanding debt to mature in periods up to 10 years. It is prudent to have the Authority's debt maturing over many years so as to minimise the risk of having to re-finance when interest rates may be high. Current debt maturity levels are within this guideline.

In order to ensure compliance with the Prudential Code, options appraisals were completed for all schemes within the Fire Authority's capital programme. These appraisals determined the most beneficial way in which to finance each capital scheme, thereby securing best value for the Fire Authority.

### **Long-term Interest Rates**

The PWLB 45-50 year rate started the year at 4.43%, and stayed within a band of 4.3 – 4.6% until mid October. Following an increase to 4.84%, the rate plunged to 3.86% in early December. Further increases took place in January and February, before the rate ended the financial year at 4.58%.

### **Investment Outturn – Short Term Interest Rates**

Bank Rate started 2008/09 at 5.25%, and throughout the summer the Bank of England maintained the belief that inflation was the main concern of the monetary authorities.

In September, US investment bank Lehman Brothers was allowed to file for bankruptcy; this sent shockwaves through the world financial markets, and led to an increase in investment rates, as the markets considered the implications.

On 7<sup>th</sup> October the Icelandic government took control of their banks and this was followed a few days later by the UK government pumping a massive £37bn into three UK clearing banks, as liquidity in the markets dried up. In addition, the Monetary Policy Committee lowered interest rates by 0.5%.

Market focus now shifted from inflation concerns to concerns about recession, depression and deflation. The MPC cut interest rates again in November, by an unprecedented 1.5%, and by a further 1% in December.

During January and February 2009, further cuts in interest rates led to an end of year rate of 0.5%. Quantitative easing also took place, which focused on buying £75bn of gilts and £10bn of corporate bonds. This led to a substantial rally in the gilts market and PWLB rates fell accordingly.

The financial year ended with markets still badly disrupted, the real economy suffering from a lack of credit, short to medium term interest rates at record lows and a great deal of uncertainty as to how or when recovery would take place. Investment income returns have been badly hit but lower borrowing rates in short to medium periods will have allowed some indebted local authorities to benefit.

The 7 day rate, with which to compare the investment return achieved for the Fire Authority by Treasury Services, was 3.68% for 2008/09.

## 10 Treasury Management Review 2009/10

At its meeting in May 2009, the Committee noted an update of the Fire Authority's current investment strategy by the Treasurer. The Committee will be provided with a quarterly update on the current position of the Authority's investments and any strategy updates which have occurred; this is the first of those reviews for 2009/10.

At the end of August 2009, the Fire Authority had invested funds totalling £7.28m. This was higher than usual due to the receipt of pension top up grant and capital grant, which totalled £2.2m.

The funds were invested as follows:

Debt Management Office	£3.68m
Abbey	£2.00m
Lloyds	£1.60m

On 27 August 2009, Shropshire Council updated the Fire Authority's list of authorised borrowers, which confirms:

- the institutions with which we can deposit funds,
- the values that may be placed with each institution, and
- the associated time limits for those investments.

The Authority can lend up to £2m to an individual counterparty at any time, with the exception of the Debt Management Office, where investments are unlimited.

## 11 Legal Comment

There are no direct legal implications arising from this report.

## 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 Appendices

**Appendix 1** Revenue Account Summary

**Appendix 2** Capital Monitoring Schedule

## 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	
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	*

