

2010/11 and Later Years Budget Summary

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260201.

1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. These are updated for subsequent events. The results are put forward to the Fire Authority for approval as the basis for consultation, leading to a final decision at the Fire Authority meeting on 10 February 2010.

2 Recommendations

The Fire Authority is recommended to:

- a) Base its revenue budget planning and consultation on the totals set out in Appendix B (2010/11 £21,367,000);
- b) Base its capital programme on that set out in 5e Appendix A, (the Green Book) subject to consideration of the prudential guidelines and minimum revenue provision policy by the Strategy and Resources Committee in January;
- c) Agree the recommendations on Reserves and Provisions set out in report 5f, and confirm the general reserve;
- d) Continue to base its planning and consultation on a 3.9% increase in the precept to £84.63 in 2010/11, an increase of £3.18; and annual increases of 3.9% in later years;
- e) Request the Strategy and Resources Committee to prepare a final budget package on 21 January 2010, for final decision by the Fire Authority on 10 February 2010.

3 Background

The Strategy and Resources Committee agreed a revenue and capital budget for 2010/11 and the subsequent four years for consideration by the Fire Authority. Full details are set out in the reports that were agreed, which are attached at Appendix A – the ‘Green Book’.

The Committee concentrated on expenditure budgets, and continued to use the income assumptions adopted by the Fire Authority in the Medium Term Financial Plan.

The position can be summarised as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Revenue Budget	21,347	22,314	23,059	23,760	24,536
Funded by:					
Grant	8,268	8,372	8,477	8,586	8,696
Council Tax (+3.9%)	13,323	13,893	14,487	15,106	15,752
Collection Fund	50	50	50	50	50
Net (addition)/reduction in reserves	(294)	(1)	45	18	38
	<u>21,347</u>	<u>22,314</u>	<u>23,059</u>	<u>23,760</u>	<u>24,536</u>

4 Latest Developments – Expenditure

The main developments since the Strategy and Resources Committee met are:

- i. Monitoring of expenditure has highlighted a number of underspends in 2009/10 but no evidence that the effect will be ongoing. However, there is a need to meet additional pension costs falling outside the pensions account arrangement - £20,000
- ii. A reminder from the Fire Finance Network of the possible costs of any settlement of the on-going negotiations over retained duty system personnel from July 2000 following the legal cases over the Part-Time Workers (prevention of less favourable treatment) Regulations. Authorities are reminded to bear this in mind when considering their strategy on resources and medium term financial planning. This is dealt with in the papers, but the reminder does not help quantify the problem.

- iii. The results of the actuarial review of the Firefighters' Pension Scheme and the new Firefighters Pension Scheme. Revised rates of 24.4% and 11.8% are identified, (previously 21.3% and 11% respectively) but with no decision on date for implementation. If all the extra costs fall on the employer, then the additional costs would be £205,000 a year. The budget has £50,000 included from 2010/11 onwards. There is a chance that the change will not be implemented until 2011/12, and therefore it is recommended that the budget for 2010/11 remains unchanged, £100,000 is added to 2011/12 and £150,000 a year for later years.
- iv. Government consultation on capital regulations and the impact of the move to International Financial Reporting Standards. It is not believed these will impact on the budget.

It is proposed therefore to add £20,000 in 2010/11, £120,000 in 2011/12 and £170,000 a year thereafter to revenue expenditure, i.e. £21,367,000 in 2010/11. Any implications from the pre-budget report on 9 December 2009 will be reported at the meeting.

5 Latest Developments – Provisions and Reserves

The fundamental purpose of reserves is to ensure that the Fire Authority's finances are robust enough to cope with unexpected or uneven expenditure, without jeopardising the ongoing delivery of our service. The main uncertainties considered by the Strategy and Resources Committee included:

- i. The cost, funding and revenue implications of the St. Michaels Street project. Although the revised cost of the scheme is not yet known, the capital reserve will be increased by the surplus now predicted for 2010/11. In addition, the 2010/11 Capital Grant of £691,000 appears to be confirmed.
- ii. Regional Control Centre/ Firelink is seen as a major uncertainty, and it is currently assumed there will be no net change to the budget plans as a result. Latest developments are dealt with, earlier in the agenda.
- iii. Pension costs related to the retained service prior to April 2006, are still unknown, as referred to in paragraph 4 above. These could result in one-off costs, for which reserves are set aside. On-going costs would need to be met from revenue.

6 Latest Developments – Funding

The Local Government Minister confirmed both the 2010/11 net formula grant at £8.268m, and the Fire and Rescue capital grant at £0.691m on 25 November 2009. The flooring protection remained at 0.5%, grant loss through damping was therefore unchanged at £0.366m.

Nothing definitive was said on capping although the Minister said:

“I am pleased that the average Band D Council Tax increase this year was 3.0%’ - the Government expects to see it fall further next year while authorities protect and improve frontline services.

We expect the average Band D Council Tax increase in England to fall to a 16 year low in 2010/11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary.”

Capping has been based in the past on the increase in the precept, sometimes also taking into account the increase in the net budget requirements (which for 2010/11 would be 4.3%), and the relative level of precept compared to other authorities.

The Band D tax base will not be known formally until early January, but preliminary estimates show the base to be 158,543. This would produce Council Tax income on £13.418m i.e. an increase of £95,000 over the previous estimate. The base has increased by 0.8% compared with an estimate of 0.1%. The impact of the recession on housing completions and collection rates does not seem to have shown up in the figures. There may be a lagged effect and for now the previous assumption for about a 0.4% increase in future years is maintained.

The likely balance on the collection fund attributable to the Fire Authority is not currently known, so the assumed surplus of £50,000 is continued.

7 Revised Potential Budget Position 2010/11

The latest developments would change the previous position for 2010/11 as follows:

	2010/11 £000	Note
Expenditure	<u>21,367</u>	Subject to any new information
Funded by:		
Grant	8,268	
Council Tax	13,418	2009/10 precept plus 3.9% is £84.63. The Band D base is not final
Collection Fund	50	Still an estimate
Transfer to Capital reserve	<u>(369)</u>	
	<u>21,367</u>	

8 Implications for 2011/12 and later years

A significant risk to the Fire Authority is the effect of the recession. This will impact on expenditure, notably rising uncertainty over inflation levels, grant income, the Band D base, collection fund and precept capping. One possible alternative, but ‘middle of the road’ set of assumptions was explored.

This is set out in the Green Book, report 5 paragraph 6, and shows potential deficits of about £1.0m by 2014/15. To prepare for this, or possible worse deficits, Officers have produced a set of 'emergency' one-off spending reductions which could be made if needed during 2010/11 after the precept has been set. These reductions could also be used to provide lead in time, or offset one-off costs of making permanent reductions to service levels.

These potential emergency reductions are set out in the separate report 'Financial Contingency (what if) Planning for 2010/11' later on the agenda.

The longer term dangers to funding are being addressed by work currently being undertaken to deliver a new organisational/ corporate strategy for 2011/16. At present, therefore, the projected surplus or deficit for later years can be set out as below; full details are in Appendix B.

Year	(Surplus)/ Deficit £000
2010/11	(369,000)
2011/12	21,000
2012/13	113,000
2013/14	82,000
2014/15	98,000

To put them in context, the sensitivity of the figures (plus or minus) is as follows:

1% Variation in expenditure	£214,000
1% Variation in Council Tax	£134,000
1% Variation in Grant	£83,000

9 Financial Implications

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

10 Legal Comment

There are no direct implications arising from this report

11 Equality Impact Assessment

Officers have considered the Brigade Order and decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An initial Equality Impact Assessment has not therefore been completed.

12 Appendices

Appendix A Shropshire and Wrekin Fire and Rescue Authority, Strategy and Resources Committee, 12 November 2009, approved reports 5-5f

Appendix B Forecast Expenditure and Funding 2010/2015

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	*

2010/11 and Later Years Revenue and Capital Budgets

Report of the Treasurer

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

1 Purpose of Report

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

2 Recommendations

The Committee is asked to approve the revised figures as a basis for budget consideration by the Fire Authority on 16 December 2009.

3 Background

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

	2010/11	2011/12	2012/13	2013/14	2014/15
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	20,779	21,823	22,736	23,459	24,179
Committed Changes	301	203	22	50	-
Pay and Prices	644	569	517	504	504
Service Developments	192	200	200	200	200
Efficiencies	-150	-150	-150	-150	-150
Capital	57	91	134	116	100
Expenditure	21,823	22,736	23,459	24,179	24,833

This was to be funded as follows:

Grant	8,268	8,372	8,477	8,586	8,696
Council Tax (+ 3.9% a year)	13,323	13,893	14,487	15,106	15,752
Collection Fund – surplus	50	50	50	50	50
Net (addition) or reduction in reserves	182	421	445	437	335
	21,823	22,736	23,459	24,179	24,833

This report deals with the changes to expenditure and forecasts other effects on reserves. Funding can only be finalised once final information is available in early January on the Council Tax band D base and the Collection Fund surplus. The grant settlement for 2010/11 is probably established, but there remains some uncertainty as well as concerns over possible tighter capping rules, which would be announced in late November or early December. Contingency plans for this are, therefore, being prepared for next year.

The grant settlement for 2011/12 onward will not be known until after the 2010/11 precept has been set and, therefore, “what-if” planning is necessary to deal with the rest of the five-year period.

4 Revised Budget Summary

The changes to revenue expenditure covered in the following papers can be summarised as follows:

	2010/11	2011/12	2012/13	2013/14	2014/15
	£ 000	£ 000	£ 000	£ 000	£ 000
Previous Year's Budget	20,779	21,347	22,314	23,059	23,760
Committed change	3	236	-26	-44	-10
Pay and Prices	487	586	549	561	573
Efficiencies	- 427	- 342	-190	-190	-150
2010/11 and later Capital Programme	51	103	189	174	163
Service Developments	454	384	223	200	200
	21,347	22,314	23,059	23,760	24,536

This shows that expenditure has reduced by the following, thereby reducing the forecast deficits as shown below:

	Reduction in Expenditure Now Estimated	Deficit Forecast in February	Deficit/ (Surplus) Now Forecast
	£000	£000	£000
2010/11	476	182	(294)
2011/12	422	421	(1)
2012/13	400	445	45
2013/14	419	437	18
2014/15	297	335	38

The reasons for the changes in 2010/11 are:

- i Committed growth has reduced by £298,000. The main reasons are the reduced pay awards in 2009 offset by reduced interest receipts plus other variations already reported to the Fire Authority, (£165,000); reduced forecast of increased pension costs (£88,000); rephasing Capital Starts £36,000, and other net reductions (£9,000).
- ii Revenue costs of Capital Programmes in 2010/11 have reduced by £6,000 as projects, such as the Fire-kit replacement and Breathing Apparatus Set Upgrades have been rephased.
- iii Inflation estimates have reduced by £157,000 as a result of the lower-than-expected pay award for firefighters in 2009 and reduced estimates for later years.
- iv Service Developments, offset by efficiencies is expected to result in a net cost of £27,000, whereas the planning projection was for a net cost of £42,000, i.e. improving the projection by £15,000.

The changes reduce in 2010/11 and 2011/12 as capital programmes slippage catches up, and the effect of introducing new schemes at Wellington and Telford adds new financing costs.

5 Summary to date

At this stage, further work is needed on all forecasts and in particular to:

- i Capital Programme and its financing;
- ii Service Developments; and
- iii Efficiencies.

However, changes already identified show that the originally estimated deficits and, therefore, potential reductions in reserves in 2010/11 onwards have been offset by the expenditure reductions now identified.

6 Funding Assumptions

The main uncertainties now remaining are:

- i The 2010/11 and later years capping criteria;
- ii Grant increases (or decreases) from 2011/12 onward;
- iii The Band D base; and
- iv The collection fund surplus or deficit.

The other uncertainty is future pay and price changes. The 2010/11 capping criteria should be known by the time the Fire Authority meets, but nothing else will be finalised.

It is difficult to select any particular set of assumptions to quantify the possible range of deficit or surplus planning that may be necessary. However, one possible scenario can be demonstrated as follows:

Assume:

- a. Precepts are capped at 2%;
- b. Grant does not increase above 2010/11 levels;
- c. There is no increase in line Band D base;
- d. There is no collection fund surplus; and
- e. Inflation is at 1 ½ %.

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Deficits / (Surplus) currently shown	(294)	(1)	45	18	38
Precept capped at 2%	244	504	782	1,082	1,390
Grant frozen	-	104	209	318	430
Pay and Prices	- 209	- 420	- 633	- 846	- 1,063
Band D Base frozen	15	65	110	162	223
Collection Fund	50	50	50	50	50
Potential Deficit / (Surplus)	(194)	302	563	784	1,068

7 Outlook and Future Planning

Clearly the example in paragraph 6 above produces potential deficits in the next ten years. There are also other scenarios, which would produce both more optimistic and pessimistic outcomes.

For this reason your officers are making progress on Financial Contingency Planning and are producing a set of achievable one-off reductions, which could be delivered, if necessary, to limit spending in the short-term.

Work is also well underway on the Organisational Corporate Strategy for 2011-16, which would be used to prioritise service delivery. If reductions should be required over that period, these would be informed by this work. The one-off Financial Contingency Planning would in these circumstances provide breathing space to enable reductions to be achieved in an orderly manner.

8 Financial Implications

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

9 Legal Comment

There are no direct legal implications arising from this report.

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 Appendices

There are no appendices attached to this report.

12 Background Papers

Reports 5a to 5f on the agenda for this meeting of the Committee.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Base Budget plus Committed Change

Report of the Treasurer

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

1 Purpose of Report

This report shows the latest position on the base budget plus committed change, following budget reviews by heads of department.

2 Recommendations

The Committee is asked to recommend that the contents of this report are included in the Fire Authority's future budget plans.

3 Background

As the first step in the budget setting process, finance staff and heads of department have reviewed all current budgets. This review has taken into account both changes that have been made to date to the 2009/10 revenue budget, and anticipated changes for 2010/11 and future years.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process, and reported to Members.

4 Revised Position following Review

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000
a) 2009/10 Budget	20,779	20,779	20,779	20,779	20,779
b) Committed Changes					
Firefighters' Pensions	40	160	200	200	200
Leasing	(80)	(80)	(88)	(151)	(159)
Debt Charges:					
2009/10 Capital Programme	52	52	52	52	52
Phase 2 HQ project	38	135	135	135	135
Minimum Revenue Provision	(12)	(26)	(34)	(42)	(50)
Capital Fund contributions	0	(7)	(57)	(80)	(114)
Interest on Investments	140	140	140	140	140
Pay award	(200)	(200)	(200)	(200)	(200)
LGPS* Valuation	0	40	40	40	80
Firefighters' Pension Revaluation	50	50	50	100	100
Professional Subscriptions	(25)	(25)	(25)	(25)	(25)
Bounty payments	(10)	(20)	(20)	(20)	(20)
CPD**	10	20	20	20	20
Total	20,782	21,018	20,992	20,948	20,938
Total movement in base budget	3	236	-26	-44	-10

* LGPS – Local Government Pension Scheme

** CPD – Continuing Professional Development

5 Financial Implications

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

6 Legal Comment

There are no direct legal implications arising from this report.

7 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

8 Appendices

There are no appendices attached to this report.

9 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Pay and Prices Assumptions

Report of the Treasurer

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

1 Purpose of Report

This report sets out the possible provision to be made for pay and price inflation in 20010/11 and later years.

2

Recommendations

The Committee is asked to recommend that the Fire Authority base its future budget plans at present on an across-the-board inflation assumption of 2½ % per year for each of the next five years, and include a provision for the potential increase in National Insurance rates from April 2011.

3 Background

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

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

- i) Analyse its base budget (2009/10) into the spending areas where pay or price changes can be significant;
- ii) Make pay assumptions for firefighters, based on any consensus that exists among fire authorities for the likely outcome of the nationally negotiated settlement;

- iii) Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- iv) Take account of known problem areas, such as increments; rank to role; expected progression through scales; and tax changes; and
- v) Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, such as debt charges, and apply appropriate percentages to each.

4 Current Developments

The Authority's policy has always, therefore, been to make realistic provision for unknown pay and price changes. After a number of years, during which pay and prices have been relatively stable, assumptions of 3½% for firefighters' pay, 3% for other pay and 2½% for prices have proved effective. Assumptions for pay cover not just the pay award itself but the variations year on year on the net cost of increments and Continued Professional Development (CPD) payments

In 2009/10 price inflation has exceeded estimates but this has been matched by pay settlements being lower than anticipated. Looking forward, there is great uncertainty. The key determinants are pay settlements – in July for firefighters and April for support staff. For example, the table below shows how our forecast for 2009/10 was originally made up:

	Base Budget 2009/10 £ 000	Pay and Price Contingency £000
Firefighter pay etc	13,394	473
Support staff pay etc	1,986	60
Prices / Income Changes	4,400	111
Zero Items	1,066	-
	20,846	644

i.e. 1% error in the assumptions on the firefighters' pay settlement costs / saves £134,000 in a full year.

Next year and the following four years of our budget planning are particularly difficult to predict. In addition there is the complication of the direct link with future grant increases, especially if there is a national public sector pay norm, which is either imposed or has a major impact on national pay bargaining. If we assume a low increase for pay, this should be accompanied by a low, or even negative, assumption for grant increases. There are also issues over the movement of inflation through the five-year period. Will 2010/11 be different, to be followed by post-election settlements? Will there be multi-year deals or will negotiations get increasingly difficult?

Prices are equally difficult to forecast, with low increases generally expected, but with possible areas of high inflation, e.g. in fuel and power, or in relation to imported goods.

5 Conclusions

There is no consensus over how pay and prices will move over the next year, or indeed the five years of the service plan. In addition, other unknown factors may increase or reduce the cash costs of simply maintaining current service levels. It is, therefore, recommended at this stage to use an across-the-board increase of 2.5% for all five years. This will overstate some areas and understate others and will need to be reviewed as the budget process progresses, particularly for the later years. The detailed calculations are shown in the appendix, and the totals given below.

2010/11	£487,000
2011/12	£536,000
2012/13	£549,000

To this should be added the projected increase in employers' National Insurance rates from April 2011 of 0.5%, currently estimated at £50,000.

Projecting forward would add about £12,000 each year as the total budget increased.

2013/14	£561,000
2014/15	£573,000

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendix

Pay and Prices Assumptions 20010/11 to 2012/13

10 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

	Base 2010 £	Assumption	2010/11 £	2011/12 £	2012/13 £
Pay					
Firefighter Pay					
2009 July	12,024,959	1.25%	37,578	37,578	37,578
2010 July	12,062,537	2.5%	226,173	301,563	301,563
2011 July	12,364,101	2.5%		231,827	309,103
2012 July	12,673,203	2.5%			237,623
			263,751	570,968	885,866
Chief Officers' Pay					
2010 January	465,704	2.5%	11,643	11,643	11,643
2011 January	477,347	2.5%	2,983	11,934	11,934
2012 January	489,281	2.5%		3,058	12,232
2013 January	501,513	2.5%			3,134
			14,626	26,634	38,943
Control					
2009 July	696,608	1.25%	2,177	2,177	2,177
2010 July	698,785	2.5%	13,102	17,470	17,470
2011 July	716,254	2.5%		13,430	17,906
2012 July	729,684	2.5%			13,682
			15,279	33,076	51,234
Support Staff Pay					
2010/11	2,296,110	2.5%	57,403	57,403	57,403
2011/12	2,353,513	2.5%		58,838	58,838
2012/13	2,412,351	2.5%			60,309
			57,403	116,241	176,549
Prices					
Indirect Employess Expenses					
2010/11	579,110	2.5%	14,478	14,478	14,478
2011/12	593,588	2.5%		14,840	14,840
2012/13	608,427	2.5%			15,211
			14,478	29,317	44,528
Premises					
2010/11	903,660	2.5%	22,592	22,592	22,592
2011/12	926,252	2.5%		23,156	23,156
2012/13	949,408	2.5%			23,735
			22,592	45,748	69,483
Transport					
2010/11	525,665	2.5%	13,142	13,142	13,142
2011/12	538,807	2.5%		13,470	13,470
2012/13	552,277	2.5%			13,807
			13,142	26,612	40,419

Service Development Proposals

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 desirable service developments for 2010/11.

2

Recommendations

The Committee is asked to recommend that the Fire Authority include £454,000 for planning developments in the 2010/11 budget, and continue with the £200,000 forecast a year for later years.

3 Proposals

The development proposals are listed in the attached appendix and total as follows:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Service Proposals					
-Ongoing	25	25	25	25	25
-One off	19	-	-	-	-
IRMP Proposals	410	613	636	636	636
	<hr/> 454	<hr/> 638	<hr/> 661	<hr/> 661	<hr/> 661
Unidentifiable Issues		200	400	600	800

The Integrated Risk management Planning proposals are subject to consultation and discussion by the Committee, but are included here in order to provide a comprehensive budget outlook.

4 Summary

The additions each year would be:

	Known £000	Possible £000	Total £000
2010/11	454	-	454
2011/12	184	200	384
2012/13	23	200	223
2013/14	-	200	200
2014/15	-	200	200

5 Financial Implications

The financial implications are as outlined in the report.

6 Legal Comment

There are no direct legal implications arising from this report.

7 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

8 Appendix

Summary of Service Development Proposals 2010/11

9 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Summary of Service Development Proposals 2010/11

Service Development	Details	Additional Notes	One Off Costs	Ongoing Costs
1. Maintenance of New Dimension Assets	As a result of CLG intention to hand over the responsibility for New Dimensions assets to the Service Provision will need to be made to cover repair or replacement of any components damaged or lost by Service users during training or our own use of the equipment.			£10K
2. Signpost	Service's contribution towards a multi-agency referral initiative co-ordinated through Shropshire Council	As this is a collaborative venture with other agencies, an approach was made to the Regional Improvement and Efficiency Partnership (RIEP) to try to secure funding. This has been unsuccessful, and unless this can be funded from current budgets additional monies will be required.		£10k -£10K (If found from current budget)
3. VMware	To allow full back up and archiving of all Service electronic data systems at a secondary location, i.e. Telford Central	All current back up and archive facility is currently held at Shrewsbury. In the event of a catastrophic incident resulting in the loss of the server room at Shrewsbury all archived data would be severely compromised or completely lost.	£19K	£2K

Service Development	Details	Additional Notes	One Off Costs	Ongoing Costs
4. Maternity leave	Support new Maternity Policy arrangements agreed by the Fire Authority in April 2009	Current agreement was established for 2009/10 only. This will allocate provision on an ongoing basis.		£8K
5. Assessment Development Centre (ADC) co-ordinator	The current post is funded through the Regional Management Board (RMB), with an additional contribution of £2,000 from four of the five Services within the West Midlands Region. It is a fixed term contract, which is due to expire at the end of 2009/10. The four Services are now proposing to proportion out the cost between them to establish the post on a permanent basis.	As this is a collaborative venture with other agencies, an approach to Regional Improvement and Efficiency Partnership (RIEP) was made for grant but was unsuccessful. If funds cannot be found from existing budgets, additional monies will be required.		£7K -£7k (If found from current budgets)
6. Annual ADC provision	Increase the current annual budget from £7k to £12k	This increase is based on the average cost of running the ADC process over the last 3 years and bringing the running of the Strategic Management ADC in house.		£5K
			£19K	£25K

Integrated Risk Management Planning Proposals

Service Development	Details	Additional Notes	Costs over three years
7. Retained Development Officers	Proposal to introduce Development Officers to support the retained element of the Service	These proposals are currently being consulted on as part of the current IRMP process. The 3 year growth figures identified will be offset through efficiencies as a result of implementing the current proposals (Refer to efficiencies paper).	2010/11 £410K 2011/12 £613K 2012/13 £635K

Efficiencies 2010/11 and Forward Budgets

Report of the Treasurer

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

1 Purpose of Report

This report looks at progress in identifying efficiencies for the period 2010/11 to 2014/15.

2 Recommendations

The Committee is asked to recommend to the Fire Authority that it include £427,000 for planning the 2010/11 budget, and that it continue with a forecast £150,000 per year for later years.

3 Background

The Authority has a policy of maximising efficiency gains, i.e. achieving more for the same cost, or the same for less cost. In recent years, it has reported the following efficiencies:

	Budget	Actual
	£000	£000
2008/09	100	327
2007/08	100	252
2006/07	336	318
2005/06	85	203
2004/05	108	167
		<u>1,267</u>

All Government targets have been met to date. However, it is difficult to identify ongoing efficiencies before the start of the year, and deliverable items have often been identified as the year progresses.

It is recommended that this approach is continued. Unless there is a clear idea of how money can be saved through efficiencies, it would not be prudent to budget on targets justified only by past performance, where we could not be certain to deliver.

The Government's current national annual ongoing efficiency target, which it disaggregates to this Authority is £307,000.

4 Work to date

To date potential efficiency savings have been identified as follows:

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
Integrated Risk Management Planning (IRMP)					
i Training Efficiencies	6	10	10	10	10
ii Retained Support Officers	273	273	273	273	273
iii Changes to ridership factors	148	296	296	296	296
Ongoing Work					
iv Review of Consultations - Communications Strategy	?	?	?	?	?
v Saving in ill-health retirement costs (reduce assumption lines to 2 retirements a year)	-	40	80	120	120
	427	619	659	699	699
Target for later years		150	300	450	600

The IRMP proposals are subject to consultation and discussion, but included here in order to provide a comprehensive budget outlook.

5 Summary

The reductions each year would be:

	Known £000	Target £000	Totals £000
2010/11	427	-	427
2011/12	192	150	342
2012/13	40	150	190
2013/14	40	150	190
2014/15	-	150	150

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendices

There are no appendices attached to this report.

10 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	*
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*

Capital Programme 2010/11 to 2014/15

Report of the Treasurer

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

1 Purpose of Report

This report sets out the current schemes put forward for inclusion in the next five years' budgets. It then sets out the potential revenue consequences, subject to project appraisals and a review of financing possibilities.

2 Recommendations

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

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

3 Background

The Authority has already agreed capital programmes for 2009/10 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years. These figures are included in earlier reports as commitments.

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

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

4 The Starts Programme

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

Year of Start	Total Project Cost of Starts £ 000	Revenue Consequences				
		2010/11 £ 000	2011/12 £ 000	2012/13 £ 000	2013/14 £ 000	2014/15 £ 000
2010/11	845	51	112	112	112	112
2011/12	1,170		42	187	187	187
2012/13	1,220			44	166	166
2013/14	1,535				52	161
2014/15	1,190					54
		51	154	343	517	680
Annual Addition		51	103	189	174	163

It should be noted that revenue consequences are limited to financing costs – any other costs need to be flagged up as part of the project appraisals. Also, the Authority is presently only committing itself to 2010/11 scheme starts. The majority of schemes are currently shown as being spent in the year of the start. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspendings.

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

Officers are currently producing project appraisals for each scheme to confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any knock-on revenue consequences, such as running costs of property or systems.

5 Summary

The main overall question concerns sustainability. Notwithstanding the proposed capital grant, Government supported borrowing totals a little over £400,000 each year, therefore including borrowing to meet committed schemes. The Authority would be undertaking prudential borrowing and is required to take into account prudence and sustainability as well as the merits of the schemes involved. The Authority will, therefore, need to evaluate the final programme presented in January in the light of Prudential Guidelines.

6 Financial Implications

The financial implications are as outlined in the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendices

Capital Programme 2010/11 to 2014/15

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	*

Provisions, Reserves and Funds

Report of the Treasurer

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

1 Purpose of Report

This report sets out the issues, which the Fire Authority will need to consider as part of its annual review of provisions, reserves and funds.

2 Recommendations

The Committee is recommended to propose to the Fire Authority that it:

- a) Confirm the existing policy and continue the Equipment Replacement Provision;
- b) Review the level of the General Reserve as the current budget position becomes clearer;
- c) Re-price the General, Earmarked Capital, and Pension Liabilities and Other Staff Issues Reserves; and
- d) Confirm the other earmarked reserves at their current levels.

3 Background

The Authority's provisions, reserves and funds at 1 April 2009 were as follows:

Provisions	£000
Equipment Replacement	71
	<hr/> 71
Reserves	
General Reserve	510
Efficiency Reserve	100
Retained Service	99
Extreme Weather	295
Pension Liabilities and Other Staff Issues	761
Capital – earmarked	404
– un-earmarked	1,497
	<hr/> 3,666
General Fund	53
Total	<hr/> 3,790

The Authority's policy is to:

- Make provision for known and quantifiable future expenditure;
- Establish reserves for specific known and potentially significant future expenditure, which cannot be precisely quantified or scheduled;
- Establish a general reserve for known risks, which cannot be easily quantified or scheduled but could be pooled;
- Review the provisions and reserves during the budget process (the purpose of this report) and on closing the accounts;
- Ensure that all provisions and reserves are inflation-protected, i.e. earn interest, if appropriate; and
- Consider the opportunity cost of holding reserves and balances against the opportunity cost of either lower tax demands or alternative service delivery, and consequently also hold no monies in the General Fund unless agreed to enhance future budgets.

4 Provisions

Equipment Replacement

The equipment replacement fund smoothes out expenditure on items of operational equipment, receives annual contributions for their replacement over their expected life, and replaces them, when necessary.

The balance was budgeted to be £ 95,000 in April 2009 and £85,000 in April 2010, i.e. it has been slightly more reduced than expected. The provision has proved useful in dealing with the ongoing replacement of equipment, particularly relating to leases, and it is recommended that the provision is maintained.

5 General Reserve

The General Reserve meets known risks, which are difficult to quantify or schedule. The Authority does not wish to take tax revenue, which may never be needed, and, therefore, tries to attribute a weighting representing the likelihood of an individual risk happening. This has led to a provision of £510,000, details of which are set out in the appendix to this report.

The level of value of the risks should be re-priced to match inflation (although at current rates this is likely to be small) and the probabilities reviewed. The total reserve of £510,000 represents just below 2.5% of gross expenditure.

The major current uncertainty is the transition to Firelink/Regional Fire Control. At present some risk of maintaining current systems is covered (net £32,000) but there may be staff related issues, which will be kept under review to see if there is a case for setting aside reserves for this major one-off risk. In addition the current budget will contain proposals to deal with potential information technology costs.

6 Earmarked Reserves

a) Efficiency

There is budgeted expenditure of up to £100,000 for investment in efficiencies as part of developing the St Michael's Street project. This would potentially exhaust the reserve and there might be merit in topping it up from any net future savings, especially if finding future efficiency targets requires up-front funding.

b) Retained Service

Funding was set aside to ensure that the planned investment in the Retained Service was completed on time and within the originally scheduled increase in net budgets. The balance represents the final year's funding and is budgeted to be released this year, thereby exhausting the reserve.

c) Extreme Weather

The balance represents the monies saved in previous years against the budget provision for an average year. Recent experience indicates that the revenue provision for call-outs and additional hours may be too high, i.e. the average annual cost has dropped. This may be due to Community Fire Safety driven efficiencies, or better weather etc. It was decided, therefore, that this reserve is frozen and the revenue budget was revised downward. There seems no reason to change the policy of holding the reserve at its current level.

d) Pension Liabilities and Other Staff Issues

The purpose of this reserve is to meet one-off contributions required by the Government to the Pensions Account for sickness retirements above the past average of three each year, provided for in the revenue budget. The reserve also meets other costs, which are not met by the Pensions Account, such as injury benefits.

At present the notional provision by the Government Actuary for sickness pensions nationally would be £375,000 each year. Our present revenue budget is £223,000, i.e. reflecting our anticipated better-than-average performance at managing ill-health retirements. This does, however, argue for caution but the number of ill-health retirements has not yet exceeded three in any year since 2006/07.

Last year it was decided to broaden the scope of the reserve to include any potential liabilities arising from the outstanding issue of retained firefighter pension costs between 2000 and 2006 and the previous provision held in the General Reserve was transferred to this reserve (£270,000). No further progress has been made nationally to resolve the position and it is recommended that the reserve be maintained with an addition for inflation.

e) Capital - Earmarked

The objective of this reserve is to fund small and recurring items of capital, and receive contributions over their life, thereby ensuring their eventual replacement from the reserve. There seems no reason to change this approach, although a review may be required, if savings are needed in future years.

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

	2009/10	Estimates	
	£000	2010/11	2011/12
		£000	£ 000
Balance 1 April	404	297	62
Expenditure	-244	-430	-350
Income			
- Contributions	131	192	234
- One-off receipts			52
- Re-pricing	6	3	2
Balance 31 March	<u>297</u>	<u>62</u>	<u>-</u>

It should be noted that expenditure and contributions will need to be changed to reflect decisions on the currently approved capital budgets for 2010/11 onwards. However there is a risk that a temporary contribution of £52,000 may be required in 2011/12 to maintain the solvency of the reserve. This will be revisited once the capital programme has been updated.

f) Capital - Un-Earmarked

The objective of this reserve is to build up funding from revenue savings that can then be used to maximise revenue funding of the St Michael's St. Capital scheme. The objective is to minimise borrowing and, therefore, committed debt charges in future years.

Currently the position is expected to be as follows:

	Reserve
	£000
Balance 1 April 2009	1,497
2009/10	
Agreed contribution	58
Budget surplus	193
Capital payments	-298
2010/11	
Budget deficit	-182
Capital payments	-899
Closing balance	369

The table above assumes the following cost and funding of the St. Michael's St. Scheme:

	Reserve	Grant	Loan	Total
	£000	£000	£000	Payments
				£000
2009/10	298	602	-	900
2010/11	899	691	1,500	3,090
Total	1,197	1,293	1,500	3,990

It also assumes that the surplus and deficits expected in 2009/11 will occur and will be reflected in this reserve.

7 General Fund

The General Fund is simply the net balance of over and underspendings during the year. The Authority's policy is not to accumulate funds year on year (and obviously to deal with any potential overspend). The small balance in the General Fund was left subject to a report to the Fire Authority in October.

8 Financial Implications

The financial implications are as outlined in the report.

9 Legal Comment

There are no direct legal implications arising from this report.

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

Build-Up of General Reserve 2008/09

12 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk); the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	

Build-up of General Reserve 2009/10

	Risks as categorised by CIPFA	Absolute Level £ 000	Probability %	Current Provision £ 000	Comment
1	Cash Flow	50	10	5	No reason to change. Main problem has been timing of pension payments and top up grant
2	Inflation Assumptions	416	-	-	Realistic and adequate provision has been made historically in the revenue budget
3	Capital Receipts	-	-	-	Currently not an issue
4	Severe weather and other demands pressure	-	-	-	Severe weather dealt with No significant other pressures
5	Other demands	50	10	5	Deals with issues such as Regional Fire Control. Should be quantifiable in good time to provide a formal budget.
6	Firelink / Regional Control	320	10	32	Delay could mean IT upgrades
7	Specific Risks	116	50	58	Based on specific known experience – e.g. I.C.H.S
8	Ongoing Risks i Vehicle Accident ii Ill health and injury iii Industrial Action iv Technical Problems v Uninsurable Risks	200 - 104 102 206	20 - 50 50 50	40 - 52 51 103	Would deal with one major appliance at £180,000 Dealt with by pensions earmarked reserve provision Based on known experience Principally IT or telecoms problems Would cover such issues as anti-discriminatory legislation and data protection
9	Loss of Grants	116	50	58	Loss of New Dimension, RMB, New Burdens
10	New Legislation	-	-	-	None currently identified.
11	Centralised Purchasing	108	50	54	Could mean current contracts unviable
12	Financial Control	240	10	24	Reflects likely risk of overspends, if systems of control are evaded
13	Uninsurable health and safety Risks	125	10	12	Identified from the risk register on closing the accounts Really an additional aspect of 8v above
14	Fines resulting from Corporate Manslaughter Legislation	160	10	16	Based on the £150,000 fine imposed on an Authority recently. Not a high risk but amount based on the belief that fines would be limited by the effect they would have penalising local taxpayers.
	General Reserve	2,313		510	

Forecast Expenditure and Funding 2010/2015

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000
1 Expenditure funded by:	21,367	22,434	23,229	23,930	24,706
2 Grant	8,268	8,372	8,477	8,586	8,696
3 Council Tax	13,418	13,991	14,589	15,212	15,862
4 Collection Fund	50	50	50	50	50
5 (Addition) or reduction in reserves	(369)	21	113	82	98
	<u>21,367</u>	<u>22,434</u>	<u>23,229</u>	<u>23,930</u>	<u>24,706</u>

Assumptions

1. Expenditure: The main assumption is a 2½ % annual rate of inflation;
2. Grant: It is assumed that Grant will increase by some 1.25% a year;
3. Council Tax: It is assumed that precept will increase by 3.9% a year, and the Band D base by 0.36% a year;
4. Collection Fund: It is assumed this will remain in surplus, and our share will be £50,000;
5. Addition to reserves: It is assumed that the current policy of adding surpluses to the un-earmarked capital reserve will continue.