

TYNE AND WEAR FIRE AND RESCUE AUTHORITY**MEETING: 28TH FEBRUARY 2011**

SUBJECT: REVENUE BUDGET 2011/2012**JOINT REPORT OF THE CHIEF FIRE OFFICER, CHIEF EMERGENCY PLANNING OFFICER, CLERK TO THE AUTHORITY AND FINANCE OFFICER**

1. INTRODUCTION

1.1 Initial consideration was given to the draft Revenue Budget for 2011/2012 by the Authority at its meeting held on 24th January 2011. The purpose of this report is to present for consideration and approval by Members, the Revenue Budget for 2011/2012, including the precept required to be levied on the District Councils in Tyne and Wear.

2. FINAL REVENUE SUPPORT GRANT SETTLEMENT 2011/2012 AND PROVISIONAL SETTLEMENT 2012/2013.

2.1 On 31st January 2011, the government released the details of the Final local government finance settlement for 2011/2012 and the Provisional Settlement for 2012/2013. This follows on from the consultation on the Provisional Settlement for 2011/2012 and Indicative Settlement for 2012/2013 which ended on 17th January 2011 (the details of which were released on 13th December 2010). As previously reported the government has made changes to the formula grant system that have had a significant detrimental effect on the Authority's grant entitlement for 2011/2012.

2.2 The government claims the settlements ensure a fair distribution between different parts of the country – north and south, rural and urban, and metropolitan and shire areas. It has created four new grant bands or 'floors' with different limits that protect those most dependent on grant against potentially steeper grant reductions and Council Tax must be a strictly zero increase in order to qualify for the Council Tax Freeze Grant in 2011/2012, but this measure was not introduced for the fire service.

2.3 The government has generally ignored most of the comments made by the Authority to its Provisional Grant settlement for 2011/2012 in the final settlement announced and any national changes have been fairly minor in nature in comparative terms across the settlement.

2.4 The grant of £32.191 million, remains unchanged from the figure announced previously, and represents a decrease in formula grant of 9.5% for 2011/2012.

3. REVENUE BUDGET 2011/2012

- 3.1 The Revenue Budget for 2011/2012 has been set taking full account of the significant Formula Grant reductions facing the Authority this year and also takes into account ongoing implications set out in the Spending Review 2010 (SR10) period (2011/2012 – 2014/2015).
- 3.2 Indicative Formula Grant of £31.096m has been released for 2012/2013, which show a further grant reduction of 3.4%. The finance settlement for the two years beyond 2012/2013 remains uncertain as a new distribution mechanism is to be introduced in 2013/2014. However, as the cuts in the first two years represented 6.5% of the national 25% reduction announced in the emergency budget, it is anticipated that the reduction for these years could be at least 9.25% per year.
- 3.3 In recent years, the Authority has set comparatively low increases in its precept, with increases in 2008/2009 of 2.4%, an increase of 1.24% in 2009/2010 and 0.91% in 2010/2011. These increases were the lowest (in 2008/2009, 2009/2010 and 2010/2011) for all Fire Authorities. The 2011/2012 Revenue Budget has been set taking account of the national commitment undertaken by the coalition government to freeze council tax for 2011/2012. This will enable the authority to access a Council Tax Freeze Grant of £597,578, which equates to a 2.5% precept increase. This grant will be payable to the Authority annually for the remainder of the SR10 period, however it is not clear if this funding will remain beyond 2014/2015.
- 3.4 Accordingly, the Chief Fire Officer has undertaken a base budget review of all delegated budgets with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service as informed by the Strategic Community Safety Plan, the Medium Term Financial Strategy (MTFS) and the Integrated Risk Management Plan (IRMP). The review also ensures that opportunities for generating efficiency savings are maximised.
- 3.5 Appendix A shows the summary position for the Authority and the detailed budgets, which, it is proposed, will also appear in the Strategic Community Safety Plan 2011-2015. The proposed revenue budget for 2011/2012 totals £56.730 million. The presentation of the budget information is determined by the requirements of the Best Value Accounting Code of Practice as it defines best professional practice in terms of financial reporting.
- 3.6 The proposed budget makes provision for the following:

Integrated Risk Management Plan 2011-2015

- 3.7 Members will be aware that the Integrated Risk Management Plan for the period April 2011 to March 2015 was approved at the Authority meeting held on 22nd November 2010. It was considered appropriate to bring the IRMP in line with the Medium Term Financial Strategy to cover the whole of the spending review period.
- 3.8 The IRMP 2011-2015 includes a series of reviews which, will generate efficiencies and the potential impact of has been built into the Medium Term Financial Strategy. These efficiencies will need to be substantial however in order to address the

significant funding reductions announced in the Local Government Finance Settlement for 2011/2012 (final) and 2012/2013 (provisional).

Firefighter Pensions

Ill Health Early Retirements

- 3.9 Members will be aware that, under the funding arrangements for the Firefighter Pension Scheme, authorities retain responsibility for meeting the cost of ill health pension awards. Investment in health awareness and intervention measures through the Occupational Health Unit has brought about a reduction in the number of ill health early retirements, with no such retirements occurring in 2008/2009, 2009/2010 and in 2010/2011 to date. Prudent assumptions have been included in the updated MTFS for ill health retirements.

Other Spending Pressures

- 3.10 A number of spending pressures were identified within the MTFS 2011/2012 to 2014/2015, as reported to Authority on 22nd November 2010, including:
- Pay – taking into account the current economic position, prudent provision for salary costs has been made within the MTFS for all employee groups, which will be subject to the outcome of national pay agreements. SR10 assumes a two year pay freeze for 2011/12 and 2012/13;
 - General price increases – provision has been provided for general price inflation at 2% within the MTFS at this stage;
 - Energy prices – whilst some of the significant volatility in the energy and fuel markets over recent years has receded, prudent provision for energy and fuel increases has been included in the MTFS;
 - LGPS deficiency payments – a prudent approach has been adopted within the MTFS for further stepped increases in the deficiency contribution to the Local Government Pension Fund. Recommendations arising from the Triennial Review undertaken at 31st March 2010 are awaited from the Actuary and Pensions Authority. As discussed at Authority meetings previously, consideration will be given to the option of making a lump-sum contribution to the Pension Fund at some point in the future to reduce the annual revenue payments;
 - Fire Control – the Fire Minister has called a halt to the project as the requirements cannot be delivered to an acceptable timeframe. Although the project was fully funded by CLG, there may be additional pressures due to seconded staff returning to their substantive posts in the Authority (please see also paragraph 3.11 to 3.13);
 - Firelink – detailed information is beginning to emerge in relation to this project and it appears, at this stage, that the position will be cost neutral to the Authority (please see also paragraph 3.14 and 3.15).

National and Regional Initiatives

Regional Control Centre (Fire Control)

- 3.11 On 20th December 2010 the Fire Minister called a halt to the Regional Control Centre (RCC) project as the project requirements cannot be delivered to an acceptable timeframe.
- 3.12 CLG have stated they will consult with the fire and rescue community on the future of control room services in England. This will be based on the principles of localism and will feedback on the best use of FiReControl assets.
- 3.13 At this stage the known implications for Tyne and Wear FRA are that permanent staff who were seconded and funded by the RCC project will return to their substantive posts within the Authority. As yet the impact of this has not been quantified but will be reported to Members as soon as this information becomes available and the MTFs will be revised accordingly.

Firelink Project

- 3.14 The Government will continue to meet the capital costs of the new system, however, following installation of the Firelink radio system, it is expected that the ongoing revenue costs will place an additional net overall burden on FRAs, although this has not been quantified at this stage, as the final stage of the project is yet to be completed.
- 3.15 Ongoing discussions are being carried out at a local level to identify the most appropriate method for apportioning shared regional costs, and the position will continue to be monitored to ensure that there is no adverse impact for this Authority.

New Dimensions Assets

- 3.16 The government has announced a two year grant allocation for New Dimensions capabilities. The Authority will receive £985,000 in 2011/2012 and an indicative amount of £987,000 in 2012/2013. The level of grant awarded allows the Authority to continue to support the Assurance function over the two year period.

Regional Collaborative PFI Scheme - NEFRA

- 3.17 Members will be aware that this project is now complete and the new joint Tynemouth Community Fire Station opened in June 2010. The Medium Term Financial Strategy has been adjusted accordingly, taking account of this Authority's share of the costs, as well as efficiencies previously identified and captured in relation to the new facility and the supporting staffing arrangements.

Human Resources

- 3.18 The MTFs takes full account of the wide range of human resources developments, plans and strategies, succession planning, establishment review and the review of the operation staffing profile.

Interest on Investments

- 3.19 Given the significant, sustained, reductions in the base rate, the Revenue Budget for 2011/2012 has been revised accordingly, and will be kept under review

throughout the financial year.

Capital Programme

Capital Financing – Revenue Contribution to Capital and Fire Capital Grant

- 3.20 A Revenue Contribution to Capital Outlay has been provided for in the Revenue Budget for 2011/2012, which will continue to provide flexibility within the funding arrangements of the Authority's Capital Programme.
- 3.21 The 2011/2012 Capital Programme is presented for Members attention elsewhere on the Agenda. In addition to the Revenue Contribution, a contribution of £200,000 is required from the Fire Capital Grant, with the remainder of that grant being transferred to a Capital Grant Reserve in order to meet the cost of future prioritised capital schemes.

Revenue Implications

- 3.22 The Capital Programme has been reviewed in order to identify any revenue implications arising, although it has been identified that any such increases are minimal, and can be contained within the Revenue Budget as presented.
- 3.23 The Estates Development Strategy outlines a number of proposals for future development of the Authority's estate portfolio and it is possible that there will be revenue implications arising from these developments. Whilst these will become clearer as individual proposals are developed, at this stage the planning assumption is that the revenue implications will, in overall terms, be resource neutral.

General Balances and Earmarked Reserves

General Balances Policy

- 3.24 In considering a prudent minimum level of balances, the Authority considers:
- known commitments against balances in future years;
 - volatile elements of service delivery, which make accurate prediction of expenditure more difficult;
 - financial risks faced by the Authority and the measures in place to mitigate them or meet them financially, as outlined in the Financial Risk Analysis at Appendix C.
- 3.25 Taking account of the level of risk within this Authority, the retention of a minimum level of general fund balances of between £3 million and £3.5 million is considered, at this stage, to be appropriate after taking into consideration the following:
- the impact of future general grant funding reductions on the Fire and Rescue Authority;
 - a significant modernisation programme which brings with it both financial and change management risks;
 - funding required to support the Estates Development Strategy;
 - the uncertainty regarding price and pay inflation, including energy prices and the impact of potential further changes in base rates;

- uncertainty regarding the future funding for national projects;
- the Financial Risk Analysis included at Appendix C.

Minimum Level of General Fund Balances

3.26 The estimated level of General Fund Balances as at 31st March 2011 and 31st March 2012 is set out at Appendix D, taking into account all uncommitted general balances. It can be seen that uncommitted general balances are estimated to be approximately £3.070 million by 31st March 2011, representing just over 5% of the proposed revenue budget for 2011/2012 and within the minimum range specified. Based on the Financial Risk Analysis attached to this report, this level of uncommitted general balances is considered appropriate.

Earmarked Reserves

3.27 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFS and Risk Analysis. A Statement of the Earmarked Reserves and Provisions is provided at Appendix E which have been fully reviewed.

4. MEDIUM TERM OUTLOOK

4.1 An updated MTFS is set out at Appendix F and has been prepared taking account of all supporting Strategies and Plans and the following main areas:

- National Context – announcements regarding future funding, settlements, precept expectations and national projects;
- Local Funding Position:
 - the budget decisions made in finalising the 2011/2012 Revenue Budget;
 - the position and policies in relation to General Fund Balances and Major Reserves;
- Spending Commitments;
- Spending Pressures – including the impact of modernisation strategies and plans;
- the revenue implications associated with the implementation of the IRMP;
- the revenue implications of the capital programme, including the provision of a Revenue Contribution to Capital Outlay.

4.2 The projected budgets in 2012/2013 and future years are based on a series of assumptions. However there is a degree of uncertainty regarding a number of factors including:

- the level of government grant support beyond 2012/2013;
- the impact of the ongoing review of Formula Grant;
- any changes to specific grants, e.g. transfer to general grant funding or cessation;
- the level of pay awards;
- the level of inflation;
- the impact of national projects;
- the impact of the implementation of the Single Status Agreement;
- the level of the Council Tax base in each district over the short to medium-term, which will, potentially, continue to be affected by the current economic

position.

4.3 There are a range of options to be explored and, if necessary, implemented, to meet the demands placed on the budget, including:

- reducing the base budget through the generation of further efficiency savings, implementing alternative financing options, incurring capital expenditure on an invest to save basis, or reducing services on a risk assessed basis;
- utilisation of balances to meet cost pressures and through other means to offset costs;
- generating additional income, including maximising resources through external funding streams;
- working with the other Fire and Rescue Authorities to increase collaboration, co-operation and agree actions that will lead to improvements in efficiency and generate cost savings;
- identifying areas of priority for additional investment if resources are available.

4.4 In accordance with Part 2 of the Local Government Act 2003 there is a requirement for the Finance Officer to report upon the robustness of the estimates and the minimum level of reserves. In making the statement, the Finance Officer places reliance on information provided to him by other officers of the Authority as part of the budget setting process. This process involves reasonable checks and other verification, which are undertaken in accordance with the overall system of internal control to validate the information provided.

4.5 A full risk analysis has been undertaken on the level of general balances and reserves held by the Authority. Further information is given in Appendices C, D and E regarding the adequacy of general balances and reserves.

4.6 The Finance Officer states:

'Based upon the information used in determining this Revenue Budget 2011/2012 report, including specifically:

- the Risk Analysis set out at Appendix C;
- the Statement of General Balances set out in Appendix D;
- the Earmarked Reserves and Provisions set out at Appendix E;
- the Medium Term Financial Position set out at Appendix F.

the Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2011/2012 after an assessment of the financial risks faced by the Authority has been taken into account.'

5. TYNE AND WEAR EMERGENCY PLANNING UNIT (TWEPU) - REVENUE BUDGET 2011/2012

- 5.1 Members received a report in January 2010 outlining that a review of all Joint Service arrangements within Tyne and Wear is currently underway. This includes a review of the resilience arrangements within each of the five local authorities covering the Tyne and Wear area and the associated relationships between the individual local authorities and the Tyne and Wear Emergency Planning Unit (TWEPU), which is currently hosted by the Fire and Rescue Authority.
- 5.2 The outcome of the review is that it was agreed that the Emergency Planning function should be delivered across Tyne and Wear using a Local Authority based approach.

Financial Agreement 2011/2012

- 5.3 As the exact date of the implementation of the review is not yet known and to allow service delivery to continue, the Tyne and Wear Leadership Group has agreed with the Head of the TWEPU a budget of £462,490 for 2011/2012, which takes into account an efficiency saving equivalent of 10%.
- 5.4 The breakdown of the budgets to be charged to local authorities in Tyne and Wear for 2011/2012 is set out below:

Local Authority	TWEPU Budget £
Newcastle	121,987
Sunderland	117,985
Gateshead	79,839
North Tyneside	75,974
South Tyneside	66,705
Total	462,490

6. CONSULTATIONS WITH REPRESENTATIVES OF BUSINESS RATEPAYERS

- 6.1 In compliance with the Authority's statutory obligations, Members and Officers met with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 9th February 2011.
- 6.2 The notes of the meeting and any response of the Chamber of Commerce will be tabled at the meeting of the Authority.

7. COUNCIL TAX

- 7.1 With regard to precept levels, the government has retained its 'Capping and Reserve powers' but plans to introduce powers for residents to veto 'excessive' council tax increases through a local referendum which is included in its proposed Localism Bill.
- 7.2 The government has also emphasised that it will use capping powers if necessary and it is to issue its capping principles once budgets have been set.
- 7.3 The settlement also confirms that the government is to provide £650m nationally to fund the implementation of a Council Tax freeze in 2011/2012 (equivalent to a council tax increase of 2.5%). This funding will be provided over the next 4 years to compensate councils for not increasing their council tax in 2011/2012.
- 7.4 Since the Draft Revenue Budget for 2011/2012 was presented to Members in January, final adjustments have been made to budgets and figures have been received in relation to Council Tax Bases and the Collection Fund positions of each of the billing authorities.
- 7.5 With regard to the estimated balances at the year ending 31st March, 2011 on the billing authorities' Council Tax Collection Funds, these are as follows:

	£
Gateshead	1,000
Newcastle	(17,827)
North Tyneside	1,611
South Tyneside	22,658
Sunderland	30,844
TOTAL	38,286

- 7.6 The Authority's net expenditure, after the above deductions, will be recovered by precepting the five District Councils in proportion to their relative Council Tax bases as follows:

Gateshead	59,242
Newcastle	78,257
North Tyneside	64,147
South Tyneside	44,912
Sunderland	80,167
TOTAL	326,725

- 7.7 In setting the proposed revenue budget of £56.730 million, the Authority will precept the five District Councils which would mean a Band D Council Tax of £73.16.

- 7.8 Based on the revenue estimates, as attached, the precepts set out below would be levied on the District Councils in proportion to their tax base as follows:

	£
Gateshead	4,334,145
Newcastle	5,725,282
North Tyneside	4,692,995
South Tyneside	3,285,762
Sunderland	5,865,018
TOTAL	23,903,202

8. RECOMMENDATIONS

- 8.1 The Authority is requested to: -

- (a) note the revised estimate for 2010/2011, as summarised at Appendix A;
- (b) approve the Revenue Budget for 2011/2012, as summarised at Appendix A;
- (c) note the Projected Pensions Account 2011/2012 detailed at Appendix B;
- (d) note the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E;
- (e) note the Medium Term Financial Strategy detailed at Appendix F;
- (f) note the Council Tax base of 326,725 for the year 2011/2012, as notified by the billing authorities within Tyne and Wear;
- (g) agree that the following amounts now be calculated by the Authority for the year 2011/2012 which represents a Council Tax freeze for 2011/2012,

in accordance with Sections 43 and 44 of the Local Government Finance Act 1992:

- (i) £63,591,361 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(2)(a) to (d) of the Act;
- (ii) £7,459,373 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(3)(a) to (b) of the Act;
- (iii) £56,131,988 - being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 43(4) of the Act, as its budget requirement for the year;
- (iv) £32,228,786 - being the aggregate of the sums which the Authority estimates will be payable for the year into its Authority Fund in respect of redistributed Non-Domestic Rates, Revenue Support Grant and additional grant, and as increased by the net surplus on the Billing Authorities' Collection Funds.
- (v) £73.1600 - being the amount at (iii) above, less the amount at (iv) above all divided by the amount in paragraph 7.4 above, calculated by the Authority in accordance with Section 44(1) of the Act, as the basic amount of its Council Tax for the year.

(vi) **Valuation Bands**

- A 48.7733 being the amount given by multiplying the
- B 56.9022 amount at (v) above by the number which, in the
- C 65.0311 proportion set out in Section 5(1) of the Act, is
- D 73.1600 applicable to dwellings listed in a particular
- E 89.4178 valuation and divided by the number which that
- F 105.6756 proportion is applicable to dwellings listed in
- G 121.9333 valuation band D, calculated by the Authority in
- H 146.3200 accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

REVENUE ESTIMATES 2010/11

SUMMARY OF ESTIMATES

Actual 2009-10 £'000	Original Estimate 2010-11 £'000	Revised Estimate 2010-11 £'000	Original Estimate 2011-12 £'000
8,974	10,131	10,274	9,931
41,686	49,437	48,696	48,744
0	0	0	0
0	0	0	0
314	335	335	337
482	11	11	10
(112)	(120)	(120)	(220)
0	661	485	183
(911)	(933)	(933)	(957)
1,733	1,518	1,866	1,781
(1,980)	(1,800)	(2,351)	(2,575)
31,030	1,130	1,130	680
(21,643)	(550)	(550)	(927)
59,573	59,820	58,843	56,987
(659)	(455)		(257)
0	0		(598)
58,914	59,365	59,365	56,132
6,598	4,510	4,510	7,601
28,586	31,060	31,060	24,590
92	46	46	38
35,276	35,616	35,616	32,229
23,638	23,749	23,749	23,903
323,282	324,619	324,619	326,725

COMMUNITY SAFETY

Actual 2009-10 £'000	Original Estimate 2010-11 £'000	Revised Estimate 2010-11 £'000		Original Estimate 2011-12 £'000
5,219	6,296	6,388	Employee Expenses	5,967
312	394	385	Premises Related Expenditure	370
82	121	178	Transport Related Expenditure	201
1,155	1,585	1,381	Supplies and Services	1,280
730	226	273	RCCO	217
2,353	2,390	2,574	Support Services	2,577
9,851	11,012	11,179	Total Expenditure	10,612
877	881	905	Less Income	681
8,974	10,131	10,274	Total Budget	9,931

FIRE FIGHTING & RESCUE OPERATIONS

Actual	Original	Revised		Original
2009-10	Estimate	Estimate		Estimate
£'000	2010-11	2010-11		2011-12
	£'000	£'000		£'000
23,630	32,427	31,560	Employee Expenses	30,990
1,923	1,845	1,811	Premises Related Expenditure	1,800
962	1,530	1,034	Transport Related Expenditure	1,136
5,304	6,875	6,867	Supplies and Services	6,600
3,953	1,222	1,477	RCCO	1,178
10,258	10,135	10,870	Support Services	10,979
46,030	54,034	53,619	Total Expenditure	52,683
4,344	4,597	4,923	Less Income	3,939
41,686	49,437	48,696	Total Budget	48,744

FIRE SERVICE EMERGENCY PLANNING

Actual 2009-10 £'000	Original Estimate 2010-11 £'000	Revised Estimate 2010-11 £'000		Original Estimate 2011-12 £'000
454	479	479	Employee Expenses	397
53	44	44	Premises Related Expenditure	47
7	6	6	Transport Related Expenditure	8
51	41	41	Supplies and Services	63
565	570	570	Total Expenditure	515
567	570	570	Less Income	485
(2)	0	0	Total Budget	30
2	0	0	Appropriation: Contribution to/from FRS17 Pensions Reserve	(30)
0	0	0	Total Budget	0

MANAGEMENT & SUPPORT SERVICES

Actual 2009-10 £'000	Original Estimate 2010-11 £'000	Revised Estimate 2010-11 £'000		Original Estimate 2011-12 £'000
9,963	10,079	10,368	Employee Expenses	10,133
148	208	207	Premises Related Expenditure	175
712	631	655	Transport Related Expenditure	635
2,096	1,660	1,927	Supplies and Services	1,628
1,980	1,800	2,351	Capital Charges	2,575
14,899	14,378	15,508	Total Expenditure	15,146
14,899	14,378	15,508	Less Income	15,146
0	0	0	Total Budget	0

CORPORATE & DEMOCRATIC CORE

Actual 2009-10 £'000	Original Estimate 2010-11 £'000	Revised Estimate 2010-11 £'000		Original Estimate 2011-12 £'000
143	151	151	Supplies and Services	150
125	134	134	Cost of Member Services	133
46	50	50	Support Services	54
314	335	335	Total Expenditure	337
0	0	0	Less Income	0
314	335	335	Total Budget	337

Projected Pensions Account 2011/2012

EXPENDITURE	£	INCOME	£
Ongoing Pensions	17,180,779	Employers Contributions	5,300,864
Current and projected 2009/2010 retired firefighter pension costs		New Employers contributions, dependent upon which scheme, based on percentage of firefighter pay	
Lump Sum Payments	4,382,838	Employees Contributions	2,832,666
Lump sum amount paid to firefighters on retirements projected to occur in 2011/2012		Current firefighter contributions, dependent upon which scheme	
Ill Health Lump Sums	256,195	Ill Health Contributions	
Lump sum amount paid to firefighters retiring on ill health grounds		From 2006/2007 onwards, the Authority is required to contribute 4 x pensionable pay for higher-tier ill health retirements and 2 x pensionable pay for lower-tier retirements	
		Ill Health Contributions (2009/2010) -	
		Higher Tier	-
		Lower Tier	-
		Ill Health Contributions (2010/2011) -	
		Higher Tier	49,989
		Lower Tier	33,326
		Ill Health Contributions (2011/2012) -	
		Higher Tier	51,239
		Lower Tier	34,159
Transfers Out	-	Transfers In	247,298
Where firefighters transfer out of the firefighters pension scheme to another pension scheme, a cash transfer value is paid across to reflect the value of pension rights accrued		New recruits can transfer into the firefighters pension scheme and a sum to reflect the value of their existing pension rights earned is paid to the Authority upon transfer	
		Top Up Grant	13,270,271
		Grant to be received from the DCLG to balance the Pension Account	
	21,819,812		21,819,812

Medium Term Financial Strategy – Financial Risk Analysis

Inflation

Risk is that pay and price increases may exceed the levels provided for within the budget.

This is very unlikely to occur due to the realistic provisions made:

- prudent provision has been made for all salary costs;
- the government has proposed a two year pay freeze in 2010/2011 and 2011/2012 for key public service workforces;
- currently, RPI is 4.7%, RPIX is 4.7% and the Consumer Price Index (CPI) is 3.3% and the inflation outlook (CPI) for the year ahead is within the 1.7% to 3.5% banding;
- expenditure in respect of most of the budget heads can be either influenced or controlled;
- separate provision has been made for fuel and utility costs, which have been subject to significant price variations over the last year.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

- the current level of variable rate debt is low in comparison to the fixed-rate level of debt;
- the impact of any interest rate changes is negligible in context of the overall financial position of the Authority;
- no new borrowing is currently programmed to be required.

Investment Interest

Risk is that income generated will not match budget provision

This is unlikely to arise in relation to investment income as the base budget has been adjusted and a prudent rate of return has been included in the budget, which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

Other sources of income are small in the context of the overall budget.

Contingencies

Risk is that the contingency provision will be insufficient to meet the needs identified.

This is unlikely to occur due to:

- prudent estimates included in respect of each category of contingency provision;
- specific contingencies have been created for all known spending pressures in 2011/2012;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- past experience suggests an underspending against the contingency provision.

Risk Management

Risk is that all risks have not been identified and that major financial consequences may result.

This is very unlikely to occur due to:

- existence of the Bellwin Scheme;
- a corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- Authority risk management action plans are maintained;
- comprehensive self and external insurance arrangements are in place;
- there is an adequate self insurance fund;
- risk management practices are assessed as part of the CAA process and have been found to be robust.

Financial Planning

Risk is that a major liability or commitment currently exists but has not been taken into account in the financial planning of the Authority.

This is unlikely to arise due to:

- the existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- benchmarking and networking with other senior finance staff in other Authorities who are likely to identify similar liabilities.

Revenue Budget - Budgetary Control

Risk is that the budget will be overspent in the year.

This is very unlikely to occur due to:

- monthly budget monitoring in place;
- quarterly Revenue Budget Budgetary Control reviews are undertaken, reported to the Authority and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virement and carry forward of under / over spending to be used / met in the following financial year;
- clear budget management responsibilities are in place;
- demonstrable track record.

Capital Programme Implications

Risk is that funding will not be available as planned or that over spending may occur.

This is unlikely to happen due to:

- prudent level of capital receipts retained;
- quarterly Capital Programme Budgetary Control reviews are undertaken through the Asset Management Group, reported to the Authority and corrective action agreed or set in train;
- budgeted revenue contributions to fund capital expenditure and the prudential regime gives added flexibility in terms of financing the Capital Programme.

Reductions to the Revenue Budget

Risk is that planned reductions to the Revenue Budget will not occur or are unachievable.

This is unlikely to occur due to:

- the reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation;
- the budgetary control processes that are in place will identify any shortfall and remedial action will be taken;
- contingencies exist to safeguard against the non-realisation of some of the efficiency reductions.

Impact of the Economic Downturn

Risk is that the impact of the economic downturn is so severe and so deep as to have a significantly greater impact on the authority's financial position than currently envisaged.

The length of, and continuing impact of, the economic downturn is unknown at this stage, but the issue and its effects on the Authority's financial position will be kept under constant review so that remedial action can be taken at the earliest opportunity.

Availability of Other Funds

Risk is that the Authority could not call on any other funds to meet unforeseen liabilities.

This is very unlikely as the Authority has a range of other funds, which, whilst earmarked, are not wholly committed including the Development Reserve, which could be used in an emergency.

Statement of General Balances

	£'000
Balance as at 1st April 2010	3,070
First Review 2010/2011:	
- Underspend on Leasing Budget	256
Second Review 2010/2011:	
- Underspend on Employee Budget	861
- Underspend on Premises Budget	60
- Underspend on Supplies and Services Budget	39
- Underspend on Leasing Budget	124
- Overspend on RCCO Budget	(5)
- Under recovery of Income Budget	(108)
- Estimated Provision for purchase of vehicles	(1,227)
Third Review 2010/2011:	
- Underspend on Debt Charges	200
- Underspend on Supplies and Services Budget	15
- Underspend on Leasing Budget	64
- Underspend on RCCO Budget	110
- Transfer to Earmarked Reserves	(125)
- Estimated Provision for purchase of vehicles	(264)
Estimated Balance as at 31st March 2011	3,070

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£000	£000	£000
<p>Insurance Reserve</p> <p>Reserve held to protect the Authority from unexpected volatility from changes in legislation that could be retrospective, unknown exposures that may arise in the future, and to cover a possible shortfall in the eventual settlement in respect of MMI.</p>	707	0	707
<p>Development Reserve</p> <p>Reserve created to fund medium term and long term capital and revenue developments.</p>	14,703	(48)	14,655
<p>Early Retirements Reserve</p> <p>Reserve to cover future compensatory added years payments associated with an early retirement during 2002/2003. This ensures no ongoing revenue implications.</p>	44	(3)	41
<p>PFI Smoothing Reserve</p> <p>Reserve established to smooth the impact of the PFI scheme on the Authority's revenue budget over the 25 year life-span of the scheme.</p>	4,794	327	5,121

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£000	£000	£000
<p>Contingency Planning Reserve</p> <p>Reserve to enable appropriate contingency arrangements to be put in place to ensure continued service delivery.</p>	2,250	0	2,250
<p>Budget Carry Forward Reserve</p> <p>Reserve established to fund the slippage of specific items of revenue expenditure.</p>	795	(470)	325
<p>New Dimensions Reserve</p> <p>Reserve to be used in future years to provide for any adverse effect of potential changes in grant arrangements and to provide resources to support delivery of the Urban search and Rescue response.</p>	363	(103)	260
<p>Community Safety Reserve</p> <p>Reserve to deliver community safety initiatives in future years.</p>	250	0	250
<p>Civil Emergency Reserve</p> <p>Reserve to enable the Authority to respond to a catastrophic event, locally or nationally.</p>	200	0	200
<p>Regional Control Centre (RCC) Reserve</p> <p>Reserve to provide a means of offsetting any costs associated with the RCC Project on the basis that the CLG position does not provide an absolute assurance to the Authority that all additional costs will be funded by CLG.</p>	350	0	350
<p>Carbon Management Plan Reserve</p> <p>Reserve to develop a Carbon Reduction Plan in order to make future savings in carbon emissions and energy bills.</p>	600	(141)	459

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£000	£000	£000
<p>Equality and Diversity Reserve</p> <p>Reserve to support the Authority's commitment to achieve higher equality and diversity recruitment targets.</p>	200	(98)	102
<p>Insurance Provision</p> <p>The provision covers the value of known insurance risks.</p>	438	0	438

MEDIUM TERM FINANCIAL STRATEGY 2011/2012 TO 2014/2015

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Approved Budget	59.36	59.36	59.36	59.36	59.36
Inflation:					
- Firefighters Pay Growth		(0.48)	0.09	0.71	1.34
- APT&C Pay Growth		(0.01)	0.10	0.21	0.32
- Prices Growth (incl. Energy)		0.46	0.94	1.43	1.94
Turnover					
- Firefighters		(0.72)	(0.72)	(0.90)	(0.90)
- APT&C		(0.02)	(0.04)	(0.06)	(0.08)
Ill Health Early Retirements Protection Adjustment		(0.20) (0.08)	(0.20) (0.08)	(0.20) (0.08)	(0.20) (0.08)
LGPS Deficiency Payments		0.02	0.04	0.06	0.08
New Fire Pension Scheme		(0.08)	(0.08)	(0.08)	(0.08)
NEFRA Collaborative PFI Scheme		0.13	0.16	0.16	0.16
Contingencies		1.72	0.32	0.00	0.00
Efficiency Savings					
- IRMP efficiencies		(2.73)	(3.22)	(4.54)	(8.38)
- Delegated Budgets		(0.26)	(0.26)	(0.26)	(0.26)
- Recruits Course / Additional Development		(0.38)	(0.38)	(0.33)	0.00
Efficiencies Reserve		0.00	0.00	(2.13)	(2.53)
Indicative Budget	59.36	56.73	56.03	53.35	50.69
Percentage Decrease over Previous Year's Budget		-4.43%	-1.23%	-4.78%	-4.99%

