

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

MEETING: 15TH SEPTEMBER 2008

SUBJECT: MEDIUM TERM FINANCIAL STRATEGY 2009/2010 TO 2013/2014

JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY, FINANCE OFFICER AND THE CHIEF EMERGENCY PLANNING OFFICER

1. INTRODUCTION

1.1 This report outlines the Medium Term Financial Strategy (MTFS) 2009/2010 to 2013/2014 and seeks approval to the Budget Planning Framework for the preparation of the 2009/2010 Revenue Budget.

2. PURPOSE OF THE MEDIUM TERM FINANCIAL STRATEGY 2009/2010 TO 2013/2014

2.1 The two main purposes of the MTFS are:

- to provide an analysis of the financial position likely to face the Authority over the medium term and establish approaches which direct resources to address the Strategic Priorities of the Authority as set out in the Strategic Community Safety Plan 2008 - 2013 and achieve value for money in the use of those resources;
- in light of the medium term financial position which the Authority is likely to face, to establish the Budget Planning Framework for the preparation of the Revenue Budget and Capital Programme for 2009/2010.

2.2 Within those overall purposes there are subsidiary objectives:

- to identify in macro terms the level of financial implications facing the Authority;
- to highlight the future financial impact of pay and price increases, policy commitments, demand changes, and proposed service developments which need to be considered for specific inclusion in future years' revenue and capital budgets;
- to identify the indicative resources available to the Authority taking account of Spending Reviews and the outcome of any changes to government grant regimes;

- to advise on policies concerning use and levels of General Fund Balances and Major Reserves over the medium term;
- to maximise the achievement of efficiency gains over the medium term.

3. BACKGROUND

MTFS Preparation

The Authority continues to face a period of considerable change, and a robust approach is being taken in establishing, and regularly updating, the medium term financial position facing the Authority.

Whilst securing, demonstrating and improving value for money has always been an integral underlying objective of the MTFS, this aspect was dealt with more explicitly within the MTFS for 2008/2009 to 2012/2013, and is so within this Strategy, also, in light of the tighter medium term financial position facing the Authority.

Meetings have been held with Senior Officers within the Authority to ensure that the impact of all supporting Strategies and Plans have been taken into account in updating the MTFS for 2009/2010 to 2013/2014 and that budget managers understand the need to continue to identify and develop options for delivering efficiency savings. Full account has also been taken of Member deliberations and comment regarding the impact of these Strategies and Plans.

Following these discussions, it is possible to outline the medium term financial position facing the Authority, taking account of:

- National Context - announcements regarding future funding, settlements, precept expectations and national projects;
- Local Funding Position:
 - the budget decisions made in finalising the 2008/2009 revenue budget;
 - the revenue outturn for 2007/2008;
 - 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.

This report summarises the position in order to provide the context for the Budget Planning Framework for 2009/2010 and beyond. The Strategy will be reviewed and amended as new information comes to light, and will be formally updated in February and September each year.

Scope of MTFS

The MTFS covers:

- mainstream revenue funding;
- mainstream capital funding;
- external funding streams used to address the Authority's Strategic Priorities, as set out in the Strategic Community Safety Plan 2008 - 2013, and to recognise the impact which may arise from the cessation or variance of external funding streams.

Whilst the MTFS necessarily concentrates on mainstream funding, opportunities to utilise other funding sources available are considered as part of the medium term financial strategy and annual budget setting process.

Strategic Context

The Authority operates a robust strategic planning process, whereby all decisions are firmly policy led and focused on the agreed strategic priorities. The strategic planning process is continually being refined to reflect the Government's modernisation agenda and has been streamlined with other key processes within the Authority, such as budget planning, integrated risk management planning, Best Value performance planning and the Authority's performance management framework generally. Consequently, the Medium Term Financial Strategy 2009/2010 to 2013/2014 has had regard to the following other Plans and Strategies of the Authority as follows:

- Integrated Risk Management Plan;
- Capital Strategy and Asset Management Plan;
- Estates Development Plan 2007 – 2012;
- Community Fire Safety Framework;
- Comprehensive Performance Assessment Improvement Plan;
- Summary Financial Budget (including the approved Revenue Budget and Capital Programme);
- Workforce Development / Human Resource Strategy;
- ICT Strategy;
- Race Equality and Diversity Strategy;
- Best Value Performance Plan;
- Performance Targets;

Creating the Safest Community

- Corporate Procurement Strategy.

Strategic Priorities

The Authority's Revenue Budget and Capital Programme are directed at addressing the four corporate goals that comprise the overall framework for service delivery and are listed below:

- to prevent loss of life and injury from fires and other emergencies;
- to respond appropriately to risk;
- to plan and prepare for exceptional events; and,
- to deliver a modern, effective Service, delivering value for money.

4. NATIONAL CONTEXT

Comprehensive Spending Review 2007

The Comprehensive Spending Review 2007 (CSR07) was the government's first three-year settlement for local government, covering the period 2008/2009 to 2010/2011. This move was to provide local government with a predictable and stable environment for the sensible planning of services.

CSR07 saw a tightening of the national funding position in the three years of the review (2008/2009, 2009/2010 and 2010/2011), with this Authority receiving grant increases of 2.40%, 1.26% and 1.10% respectively.

There is an expectation from government that Fire and Rescue Authorities will continue to identify and realise efficiency savings over this three-year period, with a target for the fire and rescue service nationally to achieve total efficiency savings of £110m (approximately 1.6% per annum). This equates to an efficiency saving of approximately £0.912m per annum for this Authority.

Local Government Funding Changes

4.3 4.4 In July 2007, the government published a consultation paper on proposed changes to the formula grant distribution system covering the period from 2008/2009 to 2010/2011, including a proposal to update the expenditure base used to determine the coefficients applied when calculating each Authority's grant settlement, known as option (FIR1). This would have brought about a movement of resource from Metropolitan FRAs to other Fire Authorities.

4.5 In conjunction with the other six Metropolitan FRAs, this Authority led a successful lobbying campaign against this proposal. Whilst the government did not introduce this proposal, it does intend to review the formula grant distribution

Creating the Safest Community

for the fire and rescue service. A working group has been established including representatives from all types of FRA, the Local Government Association and Communities and Local Government (CLG) officials.

- 4.6 At the end of the review period, in 2010, CLG will consult on options before decisions are taken on the final formula to be used in the three-year settlement commencing 2011/2012.

Council Tax Levels

- 4.7 The government has retained 'Capping and Reserve powers' and expects to see average council tax increases in each of the next three years of substantially below 5% and has stated that local government should be under no illusions that they are prepared to use their capping powers.

5. LOCAL CONTEXT

Revenue Budget 2008/2009

- 5.1 Tyne and Wear Fire and Rescue Authority received formula grant of £34.746m in 2008/2009 and will receive £35.184m in 2009/2010 and £35.570m in 2010/2011. These increases represent 2.40%, 1.26% and 1.10% respectively. The settlements include a contribution to bring other Authorities up to the floor of £0.831m in 2008/2009, £0.530m in 2009/2010 and £0.340m in 2010/2011.
- 5.2 In order to maintain the requisite service levels in 2008/2009, the Authority had a budgetary requirement of £58.07m. The impact of that net expenditure level was to require a Band D Council Tax to be set of £71.61.
- 5.3 In recent years, the Authority has set comparatively low increases in its precept, with the increases in both 2007/2008 and 2008/2009 of 2.4% representing the second lowest and lowest increases nationally, respectively. In order to minimise the burden on the council tax payer, a number of efficiency savings have been realised. Principal amongst these are the implementation of the Public Private Partnership Scheme, and the inherent identification of efficiency savings within the Integrated Risk Management Plan to both fund additional community fire safety initiatives and fund the financial implications of the national pay agreement.

- 5.4 The Authority has a comparatively high level of expenditure per head of population compared to other Authorities. However, this needs to be considered in the context of levels of deprivation, socio economic position of the area as a whole and specific areas within the sub – region, with the Audit Commission commenting previously that service costs were “consistent with incident levels and demographic factors”. Whilst the Authority can justify these levels, the underlying objective will be to restrict or minimise increases in expenditure and precept levels, where possible.

Revenue Outturn 2007/2008

- 5.5 The outturn position has been reviewed to identify the impact of variations experienced in 2007/2008. Whilst these are not yet fully reflected in the MTFs, further work will be undertaken over the next two to three months, as part of normal budget preparation work, to determine the impact of these variations on the medium term position of the Authority.

General Fund Balances, Earmarked Reserves and Provisions

General Fund Balances

- 5.6 A risk-based approach is adopted to maintaining the Authority’s general fund balances. These general fund balances must be considered in the context of the fact that the Authority prudently maintains earmarked reserves and provisions where necessary, which are regularly reviewed to take account of any emerging or changing liabilities. The latest balances position is set out at Appendix A.

Earmarked Reserves

- 5.7 Earmarked reserves are funds that are set aside for specific purposes to meet anticipated costs in future financial years. Such reserves ensure that the Authority can adopt and operate a more flexible approach to financial management and provide resource to meet cost pressures of committed and known future service costs.

Provisions

- 5.8 Provisions are maintained for all material items where a liability in future years is known and certain to be incurred, but where the amount and timing is uncertain.

- 5.9 The Authority has a range of reserves and provisions and these are fully set out in the Authority's Statement of Accounts. In addition, all reserves are reported and considered at the time the Revenue Budget is set. A full breakdown of all current major reserves and provisions is set out at Appendix B. The analysis shows that all reserves are earmarked for a specific purpose and provisions have been set up in accordance with proper accounting practice. In considering the MTFS, regard is also given to the level of provisions, reserves and balances which the Authority needs to maintain, the purpose for which they are maintained, and their planned use.

6. SPENDING COMMITMENTS

The following spending commitments have been taken into account in the MTFS for 2009/2010 to 2013/2014 and considered in framing the budget planning framework for 2009/2010.

Pay

- 6.1 The pay award for firefighters has been settled for 2008/2009 at 2.45%, effective from 1st July 2008. The full year impact has been included in the MTFS for 2009/2010 and future years. Prudent provision has been made for 2009/2010, and future years, for pay increases for all employee groups, which will be subject to the outcome of national pay negotiations.

Pensions

Local Government Pension Scheme

- 6.2 The results of the actuarial review of the Local Government Pension Fund for the Tyne and Wear area as at 31st March, 2007 provided for stepped increases in the deficiency contribution as follows:
- 2009/2010 - £23,000;
 - 2010/2011 - £23,000.
- 6.3 Actuarial reviews are carried out every three years. A prudent approach has been adopted within the MTFS, with provision made for further stepped increases in the deficiency contribution beyond 2010/2011.

Financial Arrangements for Firefighter Pensions

- 6.4 New financial arrangements for firefighter pensions were introduced from April 2006, with employee and employer’s contributions being paid into a pension account from which pensions outgoings (pensions awards and lump sum payments) are met. The government provides additional funding to top up the account at the end of the year, or recover any surplus, as appropriate.
- 6.5 Under these arrangements, authorities retain responsibility for meeting the cost of ill health pension awards, and prudent provision has been made within the MTFS for these awards. The provision takes account of the Authority’s investment in its health awareness and intervention measures through the Occupational Health Unit, which has brought about a reduction in the number of ill health early retirements from 2006/2007 to 2007/2008, and is expected to reduce the number of ill health early retirements over the coming years.

General Price Rises

- 6.6 The government’s target for the Customer Price Index is 2% with a 1% tolerance. The actual rate of inflation (as at July 2008) was 4.4%. The previously used measure of inflation, the Retail Price Index, stood at 5.0% in July. Comparative figures with the position last year are shown below:

	July 2007	July 2008
Consumer Price Index	1.9%	4.4%
Retail Price Index	3.8%	5.0%

- 6.7 Provision has been provided for general price inflation at 2% within the MTFS at this stage.

Energy Prices

- 6.8 There continues to be significant volatility in the energy and fuel markets, and prudent provision for energy and fuel increases has been included in the MTFS.
- 6.9 The Authority is aware of its responsibility in relation to Environmental Sustainability, and is considering a number of schemes in connection with progressing this agenda. A particular example of this approach is the use of a Building Management System (BMS), currently being piloted at one Community Fire Station. Early results from this pilot have shown that a BMS installation programme will assist with better energy management, thereby assisting the Authority to improve its ‘carbon footprint’.

Other Prices

- 6.10 Prudent provision has been made within the MTFS for known, specific price rises e.g. PFI contractor costs.

Capital Financing - Debt Charges and Revenue Contribution to Capital Outlay

- 6.11 The Revenue Budget for 2008/2009 includes a Revenue Contribution to Capital Outlay (RCCO) within the budget, which has introduced additional flexibility into the funding arrangements of the Authority's Capital Programme. Financing all, or part, of the Capital Programme through a RCCO results in a reduced requirement for external borrowing, and the MTFS takes account of this funding approach.
- 6.12 In setting and revising the Capital Programme, capital financing decisions are taken in light of available capital financing resources. In this regard, the Authority will consider all options for capital financing, in addition to supported borrowing and RCCO. The position will be kept under review as the MTFS is reviewed and the budget for 2009/2010 is developed.

7. SPENDING PRESSURES AND EFFICIENCY SAVINGS

The following areas have been considered in compiling the Medium Term Financial Strategy:

CPA Improvement Plan

- 7.1 Members will be aware that a review has been undertaken of the Authority's CPA requirements, and that the CPA Improvement Plan includes 10 Improvement Outcomes, each Outcome having associated targets within Annual Plans. Monitoring of these Outcomes is frequent and rigorous.
- 7.2 Members will be aware that they have received previous reports on the Authority's Establishment Scheme and approved proposals which are currently being implemented on a phased basis. The financial impact has been built into the MTFS.
- 7.3 All of the remaining CPA Improvement Plan actions can be addressed from existing resources, though the position in relation to the other actions will be kept under review and provision included where appropriate.

Integrated Risk Management Action Plan 2009 - 2012

- 7.4 Members will be aware that this Authority produced and maintained a fully costed Integrated Risk Management Plan (IRMP), and that 2008/2009 is the final year of the Authority's current Plan, which has covered the period from April 2004 to March 2009.
- 7.5 A report is provided elsewhere on this agenda providing information on the Draft IRMP covering the period from April 2009 to March 2012. The financial implications of the Draft Action Plan are currently being finalised and therefore only provisional figures have been built into the MTFS at this stage.

Strategic Review of Fire Cover

- 7.6 The Public Private Partnership Scheme is fully operational and the significant savings envisaged at the inception of the Scheme are being realised. The planned reduction of Fire Fighters by natural wastage has enabled an annualised saving of £888,000 to be realised in 2008/2009.

7.7 The annualised saving for 2009/2010 will be adjusted further to reflect inflationary adjustments including the need to provide for future unforeseen price increases.

Review of Operational Staffing Profile

- 7.8 As referred to in the Revenue Budget First Review 2008/2009, the Chief Fire Officer is undertaking a full review of the Authority's operational staffing profile and associated salary structure. This review has identified that the Authority is currently operating at above its optimum operational staffing levels, and identified a number of efficiency savings arising from this, as well as areas requiring further investment in order to achieve continuing progress in relation to current and future priorities.
- 7.9 The MTFS has been set taking into account a prudent view of the potential for further efficiency savings arising through this review.

Efficiency Targets for Delegated Budgets

- 7.10 The Authority has embraced and responded very positively to the requirements presented through the government's national efficiency review (Gershon). The Authority achieved cumulative cashable efficiency savings of £5.1m (9.94%) for the three years to March 2008, exceeding the government's national target for the fire and rescue service of 5.67%.

- 7.11 The Authority has also set a target for efficiency savings of £1.03m for 2008/2009 (1.8%), which exceeds the government's target of 1.6% per annum for each of the three years covering the CSR07 period (2008/2009 to 2010/2011).
- 7.12 The Authority is committed to delivering further efficiency savings through:
- further development of the IRMP;
 - following best practice in relation to procurement of goods and services;
 - working in collaboration with partners both locally and regionally;
 - generating efficiency savings arising from policy and service reviews.
- 7.13 As part of the Budget Planning Framework for 2009/2010, budget managers have been requested to identify efficiency savings (please see paragraph 13 below).

National and Regional Initiatives

Regional Management Board

- 7.14 Members are aware of the arrangements underpinning the work of the North East Fire and Rescue Regional Management Board (RMB), and provision has been included within the MTFS for approved initiatives. The following specific initiatives are drawn to Members attention:

Regional Collaborative PFI Scheme - NEFRA

- 7.15 At the Authority meeting on 16th June 2008, Members approved the appointment of Collaborative Services Support (CSS) as the Selected Bidder for the NEFRA PFI scheme. The covering report noted that the CSS bid would give rise to a marginal increase in the affordability gap and, therefore, a revised provision for the annual affordability gap has been included within the MTFS.

Fire Control - Regional Control Centre

- 7.16 A report is presented elsewhere on today's agenda that provides an update on the introduction of the Regional Control Centre (RCC). The government has issued a Fire and Rescue Service Circular (41/2008), which sets out its preferred option for apportioning the shared costs for running the Regional Control Centre (RCC) network to the regions. The preferred option, to apportion costs on council tax base, would have a significant detrimental impact for this Authority, with a potential funding gap in the North East of up to £1.2m.
- 7.17 This figure includes both the additional £0.6m required above the current aggregated North East control room costs, as identified by CLG in the Business Plan Regional Annex, and a further £0.6m for RCC staff above the total staff numbers produced by CLGs indicative staffing model, which the Local Authority Controlled Company has identified as necessary to ensure that an effective operational service is provided.
- 7.18 Currently, the government has only committed to fund £0.6m of the above sum, and only guaranteed this for three years from the RCC 'go-live' date. However, the overarching principle which the North East FRAs continue to pursue is that there should be no net additional cost to be incurred by any of the Fire and Rescue Services within the region and lobbying to this affect has been, and will continue to be, undertaken.
- 7.19 There is, clearly, some ongoing uncertainty regarding the ongoing funding arrangements for the Fire Control project, and the potential impact of this will continue to be reviewed by Officers and reported to Members. The MTFs will be revisited when a clearer position is available.

Firelink Project

- 7.20 The government will 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. CLG has committed to providing additional funds to FRAs to meet this additional cost, initially through specific grant and then, ultimately, to be distributed through Revenue Support Grant.
- 7.21 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.

Firebuy

- 7.22 The National Procurement Strategy for the Fire and Rescue Service 2008 - 2011 is subject to consultation currently, and this includes a review of Firebuy Ltd and its potential funding arrangements. CLG has provided start up and ongoing funding for Firebuy Ltd since 2005.
- 7.23 The consultation paper seeks views on a range of options for a national procurement function, including whether this should be a stand-alone body, or should be subsumed by CLG or some other national body. Officers of the Authority will continue to review this position, and the MTFS will be revised as necessary.

Human Resources

- 7.24 The MTFS takes full account of the wide range of Human Resources developments, plans and strategies including Rank to Role pay protection, Succession Planning, Establishment Review and the Review of Operation Staffing Profile, referred to previously.

Revenue Implications Arising from the Capital Programme

- 7.25 An Estates Development Plan 2007 - 2012 was reported to Members in July 2007 that presented a number of proposals for future development of the Authority's estate portfolio. It is proposed to fund this building programme from the Development Reserve on a phased basis. It is likely 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.
- 7.26 The Capital Programme 2008/2009 includes a scheme to develop an Incident Management Training Facility at the Brigade Training Centre, incorporating USAR training facilities. Whilst there will be some additional revenue consequences arising from this, including staffing costs, it is anticipated that there will be a net saving on the revenue budget arising from this scheme, as there will be a reduced requirement for external training and opportunities for income generation as other FRAs will look to take advantage of the enhanced training facilities.

Spending Priorities

7.27 Factors which the Authority takes into account in determining priorities are:

- The relative importance of each Strategic Priority in any one year given changing circumstances;
- The results of corporate and service based consultation with the public and other stakeholders;
- Local priorities identified by elected members and officers of the Authority;
- National performance requirements including the need to improve performance in respect of Best Value Performance Indicators;
- Inspection implications including service based assessments.

7.28 Given the tight settlement confirmed in the CSR07, the scope to address Spending Priorities is severely limited in 2009/2010, indeed there may be no scope.

8. SPECIFIC GRANTS

New Dimensions

8.1 In its Circular 36/2008, CLG recognised that FRAs need continued funding to support the New Dimensions capabilities and to support the Assurance function. The following grants are planned to continue for the CSR07 period at the levels shown below.

	2008/09	2009/10	2010/11
	£	£	£
USAR Crewing grant	779,000	795,000	811,000
USAR Local Training Facility	20,000	20,000	20,000
USAR PPE Maintenance	18,800	18,800	18,800
USAR Timber replenishment	10,000	10,000	10,000
USAR Canines	6,600	6,600	6,600
Mass Decontamination – training funding	35,700	36,414	37,142
Command and Control	555	555	555

8.2 CLG intends that FRAs take full and direct responsibility for the management of the New Dimensions assets that they host, and further information will be provided over the next few months detailing the arrangements for this, including the impact on existing funding arrangements. The MTFS will be adjusted accordingly when further information is available.

Creating the Safest Community

Regional Control Room Grant

- 8.3 Grant is received by individual FRAs and then pooled as a regional project resource. The following grant allocations have been confirmed for 2008/2009 and 2009/2010 to continue funding the project team and its work in respect of FireControl.

	2008/09 £	2009/10 £
Regional Control Room Grant	240,983	84,828

9. GENERAL BALANCES AND MAJOR RESERVES

General Balances Policy

- 9.1 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.

- 9.2 The Authority's position is regularly risk assessed, taking account of all reserves and provisions, in order to inform the minimum level of general fund balances which the Authority should keep to meet other, unforeseen eventualities.

The risks analysed over the medium term include reference to:

- inflation;
- debt charges;
- investment interest on balances;
- contingencies;
- risk management arrangements;
- financial planning;
- revenue budget – budgetary control;
- capital programme – budgetary control;
- any reductions made to the revenue budget;
- availability of other funds;
- the medium term financial position;
- known spending pressures;
- industrial relations uncertainties;

- funding for nationally led projects such as Regional Control Centres and the FireLink project;
- any future changes to pension funding arrangements.

9.3 The Authority will maintain a level of balances that is adequate to meet medium term shortfalls between projected resources available to the Authority and planned levels of expenditure.

9.4 The appropriate level of reserves is determined by the Authority's MTFS, which will be updated throughout the year.

Minimum Level of General Fund Balances

9.5 Taking account of the level of risk within this Authority, the retention of a minimum level of general fund balances of approximately £3m is appropriate after taking into consideration the following:

- a significant modernisation programme which brings with it both financial and change management risks;
- the continued uncertainty regarding industrial relations;
- uncertainty regarding the future funding for national projects;
- the risk analysis included in the MTFS.

9.6 The Authority currently has uncommitted general fund balances of £2.9m, which is appropriate given the issues referred to above. The position will be kept under review and a formal risk assessment regarding levels of balances and reserves will be undertaken and reported as part of the preparation of next year's Revenue Budget.

10. PARTNERSHIPS

10.1 The Authority works in partnership with a number of organisations to deliver its strategic priorities. There are currently sixteen partnerships in place and within those arrangements six major partnerships have been identified. The details of the major partnerships are included at Appendix C, including reference to:

- name and purpose;
- members;
- objectives and outcomes;
- governance arrangements;
- financial performance.

- 10.2 In addition to reporting on financial performance of significant partnerships as part of regular budget monitoring, a report is prepared on all partnerships annually.

11. TYNE AND WEAR EMERGENCY PLANNING UNIT

- 11.1 Members will be aware that, in 2005, the Tyne and Wear Local Authorities agreed that each authority would allocate 60% of its government allocation for civil protection work to TWEPU, providing TWEPU with a full year budget for both 2005/2006 and 2006/2007 of £535,289. At a meeting with representatives of the five Councils in October 2006, it was agreed that the current allocation remained appropriate and a standstill annual budget of £535,289 was agreed until 2009/2010. The breakdown of funding for local authorities in Tyne and Wear for 2008/2009 and 2009/2010 is illustrated at Appendix D.
- 11.2 Given the financial constraints, challenges and opportunities facing the Tyne and Wear Local Authorities, the funding arrangements assume a 2.5% limit in the increase in levy, which is to be offset by efficiency gains and savings amounting to 2.5%.

12. MEDIUM TERM FINANCIAL STRATEGY

- 12.1 A financial summary of the Medium Term Financial Strategy is set out at Appendix E. This takes into account the impact of those issues identified above at paragraphs 5, 6, 7 and 8 above.
- 12.2 In accordance with best practice, an analysis of the major financial risks has been undertaken in order to inform the MTFS and the level of balances deemed necessary. This is detailed at Appendix F.
- 12.3 Over the next three months the MTFS will be shared amongst stakeholders including the Trade Unions and business ratepayers for consideration and comment.

13. BUDGET PLANNING FRAMEWORK 2009/2010

13.1 In recognition of the known budget pressures, strategic priorities and level of grant funding, it is proposed that the Chief Fire Officer, Chief Emergency Planning Officer and the Finance Officer take forward the preparation of the Revenue Budget for 2009/2010 on the following basis:

- that all Spending Commitments be kept under review and amended figures used to update the MTFs over the coming months;
- that the Spending Pressures be reviewed to identify those priorities which can make the greatest contribution to the Strategic Community Safety Plan 2008 - 2013;
- that the scope for maximising efficiency savings be reviewed as follows:
 - through the implementation of modernisation strategies as part of the IRMP;
 - through service reviews;
 - through a base budget review to be commissioned by the Chief Fire Officer with the objective of generating efficiency savings on delegated budgets equivalent to 1.5%.

13.2 Clearly, consideration of the budget is at an early stage and there are a number of major uncertainties, including the final financial implications which arise from the Regional Control Centre, Firelink and Firebuy projects, which may have a major impact on the budget for 2009/2010 and future years. The proposed Budget Planning Framework for the preparation of the 2009/2010 Revenue Budget is designed to give some flexibility for the Authority in addressing the final financial position which emerges.

14. RECOMMENDATIONS

14.1 The Authority is requested to:

- a) Approve the Budget Planning Framework for the preparation of the 2009/2010 Revenue Budget;
- b) Note the Medium Term Financial Strategy for 2009/2010 to 2013/2014 and that it will be updated to reflect the reviews outlined in this report.

Statement of General Fund Balances

	£'000
Balances as at 1st April 2008	2,930
Review of Service Establishment	107
Transfer to Development Reserve	(107)
Estimated Balance as at 1st April 2009	2,930

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.08)	Estimated Movement in 2008/2009	Estimated Balance (31.3.09)
	£'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 against MMI.</p>	671	0	671
<p>Development Reserve</p> <p>Reserve created to fund medium term and long term capital and revenue developments.</p>	14,371	0	14,371
<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>	50	(3)	47
<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>	4,791	293	5,084

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.08)	Estimated Movement in 2008/2009	Estimated Balance (31.3.09)
	£'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>Established to fund the slippage of specific items of revenue expenditure.</p>	1,892	(1,892)	0
<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>	355	(355)	0
<p>Community Safety Reserve</p> <p>Reserve to deliver community safety initiatives in future years.</p>	250	(250)	0
<p>Innovation Fund Reserve</p> <p>Reserve to provide funding to develop a range of fire prevention initiatives in future years.</p>	30	(30)	0
<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

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.08)	Estimated Movement in 2008/2009	Estimated Balance (31.3.09)
	£'000	£'000	£'000
<p>Insurance Provision</p> <p>The provision covers certain insurance risks up to agreed limits.</p>	540	0	540
<p>PFI Utilities Provision</p> <p>Provision to provide for the cost arising from a review of utility charges (due to the PFI contractor) at PFI sites.</p>	391	(391)	0

Partnership Arrangements

NAME OF PARTNERSHIP Sainsbury's
PARTNERS Sainsbury's Ltd (Patrick Heaney) Fire Policy Manager 33 Holborn London, EC1N 2HT
PURPOSE To form links with a nationally recognised company to further partnership opportunities in the field of community safety.
AIMS / OBJECTIVES <ul style="list-style-type: none">• To gain access to retail forums to promote fire safety issues;• To gain a better understanding of how safety systems work in a large retail company to inform how compliance and enforcement activities can best be undertaken;• To understand and influence the risk assessment methodology in the retail world to improve fire safety issues;• To develop our personnel by exposing them to a largely unfamiliar area, thus enhancing the professionalism of our organisation;• To examine and benchmark ourselves against a large and highly performing company to seek continuous improvement of our organisation.• To develop support for service prevention and education programmes. <p>All of these benefits fit well with our strategic goals and objectives.</p> <p>Key linkages with the Strategic Community Safety Plan 2008 – 2013 are:</p> <p>1.1, 1.2 of the Level 1 plan and organisational Goal 4.</p>
LEAD OFFICER Group Manager Paul Anderson, SHQ

GOVERNANCE ARRANGEMENTS

Attendance by nominated officers as a partnership team at quarterly joint meetings either in-house or at Sainsbury's premises in another area of the country.

EXPECTED OUTPUTS AND OUTCOMES

No rejection of Sainsbury's Building Regulation submissions due to a fire safety issue.

Improved advice and guidance to other businesses in the sub-region.

METHODS OF MONITORING / EVALUATION

Information is exchanged on a regular basis between partnership representatives. The Partnership is evaluated on a 12 monthly basis in line with TWFRS Partnership Policy.

FINANCIAL PERFORMANCE

The main expense involved is officer time which can be accommodated within the Protection and Technical department resources.

MAJOR RISKS

Risk Assessments and Evaluation of this Partnership are available on the Service Intranet.

The risk of giving incorrect advice to Sainsbury's which is either misinterpreted or leads to conflict with other Fire and Rescue Services who do not agree with the advice, thus showing this Authority in a poor light or being linked with poor practice.

There is a remote risk of litigation if a loss occurred in terms of profit or property which could directly be attributed to be a consequence of advice provided by this Authority. This is very unlikely however because our advice is based on available guidance at the time of the enquiry.

NAME OF PARTNERSHIP
The Princes Trust
PARTNERS
The Princes Trust North East – Regional Office 5 th Floor, Aidans House Sunderland Rd, Gateshead, NE8 3HU
PURPOSE
<p>The principal strategic aim of the Fire and Rescue Authority is to make prevention the primary focus. The Authority places a significant emphasis on the prevention of fires and incidents (including arson and hoax calls) by means of community involvement and improved fire safety education. This enables the Service to tackle related issues such as increasing the employability of disadvantaged young people, reducing vandalism and youth disorder.</p> <p>Preventing deaths and injuries from fires and other emergencies.</p> <p>Key Linkages with the Strategic Community Safety Plan 2008 - 2013 are: 2.1.1 and 2.1.2 of the level 2 plan.</p>
AIMS / OBJECTIVES
<ul style="list-style-type: none">• Reaching out to young people, encouraging them to become educators and advocates for the Fire Service;• Spreading values of citizenship and safety ethic;• Raising awareness of road safety and reducing risk;• Accessing hard to reach target groups;• Helping young people to gain new skills and qualifications and enhancing recruitment opportunities.
LEAD OFFICER
Group Manager Ian Robertson, SHQ
GOVERNANCE ARRANGEMENTS
The Partnership is in regular contact throughout the period of the partnership via meetings, e-mail and telephone conversation.

EXPECTED OUTPUTS AND OUTCOMES

Three to six courses per year with 16-24 students on each course

METHODS OF MONITORING / EVALUATION

The Prince's Trust and the regional teams hold regular Delivery Managers meetings. The meetings are structured to allow the dissemination of two way information. The students' progress is monitored through personal achievement records on a weekly basis.

Tyne and Wear Fire and Rescue Service are also members of the Fire Service Support Association for the Prince's Trust.

FINANCIAL PERFORMANCE

The cost is neutral to the Authority, with the cost of accommodation and Officer time being met from a direct contribution from each student.

MAJOR RISKS

Risk Assessment which is in place has identified:

- Litigation from accidents or inappropriate behaviour within the team/community;
- The reputation of the Organisation (team member actions whilst in TWFRS control);
- Failure to meet the contractual agreement of the partnership;
- Trained staff members unavailable to deliver the programme;
- Injuries to young people by Fire and Rescue Service related activities;
- Injuries to staff from team member (unable to assess the individual fully on the team selection).

<p>NAME OF PARTNERSHIP Arson Task Force</p>
<p>PARTNERS</p> <p>Northumbria Police, Police HQ, Ponteland Government Office North East 5 x Local Authorities via Crime and Disorder Reduction Partnerships</p>
<p>PURPOSE</p> <p>The principal strategic aim of the Fire and Rescue Authority is to make community fire safety the primary focus. The Authority places an increasingly greater emphasis on the prevention of fires and incidents (including arson and hoax calls) by means of a strong partnership approach.</p> <p>More importantly the Arson Task Force work contributes directly to a number of set Best Value Performance Indicators and over the last 8 years have shown a sustained reduction in the number of deliberate fires throughout Local Authority areas where an ATF team operates.</p> <p>Preventing deaths and injuries from fires and other emergencies. An increasing emphasis will be placed on ATF's to deliver local authority area strategies aimed at targeting volume fire crime particularly Anti Social behavior fires.</p> <p>Key linkages with the Strategic Community Safety Plan 2008-2013 are: 1.1 and 1.2 of the level 1 plan and 2.1.1 and 2.1.2 of the level 2 plan.</p>
<p>AIMS / OBJECTIVES</p> <p>The Arson Task Force will ensure that the efforts of the Fire Service & Police in this region are co-ordinated and will ensure a joined up approach to tackling the issue of arson and deliberate fires.</p>
<p>LEAD OFFICER Group Manager Ian Robertson, SHQ</p>
<p>GOVERNANCE ARRANGEMENTS</p> <p>The Partnership is in regular contact throughout the period of the partnership via meetings, e-mail and telephone conversation.</p> <p>Tyne and Wear Fire and Rescue Service are also members of the Regional Arson Reduction Forum.</p>

EXPECTED OUTPUTS AND OUTCOMES

The holistic approach of the ATF will assist in Tyne and Wear Fire and Rescue Service reaching the set Government targets for the reduction in arson fires, which are (using 2001-2 as a baseline year):

- Reduce by 10% the number of deliberate fires by 31st March 2010;

(these Government targets apply to deliberate fires in property and vehicles)

TWFRS are working with partners to include fire targets within Local Area Agreements.

METHODS OF MONITORING / EVALUATION

Analysis of TWFRS statistics and intelligence led risk analysis.

FINANCIAL PERFORMANCE

No direct additional financial implications other than the allocation of staff time and premises.

MAJOR RISKS

Risk Assessments and Evaluation of this Partnership are available on the Service Intranet.

A perceived risk by the public that the Fire and Rescue Service are engaged in Police activities, which could be confusing for the public and hamper the development of relationships with the community.

Other external bodies engaged with the ATF teams on Fire and Rescue Service premises that are unfamiliar with our premises/procedures.

Without the ongoing work of the ATF, it is likely that the incidence of arson and arson related crime would continue to rise to levels witnessed prior to 1996 resulting in the following:

- The expertise, impetus and information that has been built up over the life of the ATF will be lost;
- Levels of arson and deliberate fire setting are likely to rise again;
- Even a moderate rise in the number of property fires would increase the financial burden on Local Authorities. Just 20 additional fires equate to approximately £500,000 based on an estimate of £25,000 per property fire;
- There is likely to be an increase in damage to the environment as well as property;

Any increase in arson is likely to be accompanied by a comparable increase in anti-social behaviour and other criminal activities.

NAME OF PARTNERSHIP
The Phoenix Project – Newcastle
PARTNERS
Newcastle Youth Offending Team/ Tyne and Wear Fire and Rescue Service.
PURPOSE
<p>In supporting the strategic aims of TWFRS, this partnership assists in delivering the prevention of deaths and injuries from fire and other emergencies.</p> <p>The partnership also supports the delivery of a range of responsive measures aimed at reducing the incidence of deliberate and unwanted fire calls by supporting Crime and Disorder Reduction Partnership objectives.</p> <p>By working in partnership the provision of advice and guidance to individuals and organisations will enable the delivery of an environment safe from fire and other emergencies.</p> <p>Work is being undertaken with partners to explore the potential of introducing Phoenix across the 5 constituent local authorities in Tyne and Wear.</p>
AIMS / OBJECTIVES
<p>The Phoenix Project is a partnership between TWFRS and Newcastle Youth Offending Service that provides an intensive work experience opportunity for young people between 12 - 18 years of age who are known to be offending or are at risk of offending.</p> <p>The programme is committed to improving the life chances of every young person who attends by using the positive role of the fire service within society.</p> <p>In an effort to establish the TWFRS Vision of ‘Creating the Safest Community’ one of the main aims is to try and influence the attitudes of young people by providing life skills and enabling them to become more responsible in their approach to citizenship and their own role in the community .</p> <p>Key linkages to the Strategic community Safety Plan 2008 – 2013 are: 1.1 and 1.2 of the Level 1 plan and 2.1.1 and 2.1.2 of the Level 2 plan.</p>
LEAD OFFICER
Watch Manager(A) Dave Smith

GOVERNANCE ARRANGEMENTS

Information is exchanged on a regular basis between partnership representatives. Regular contact in relation to programme nominations for individual attendees, ongoing individual performance and final presentations is made at appropriate levels between all partnership representatives.

EXPECTED OUTPUTS AND OUTCOMES

Over a 12 month period the service has held 20 five day Phoenix courses with 175 young people attending. One of these courses was adapted to accommodate very vulnerable young people with both learning and physical disabilities. Out of the 175 who started 154 completed the full course.

There have also been 8 life skills courses during this period, two of which were adapted for adults with an emphasis on fire safety and team building. 79 students attended, with one of the courses running over a 5 day period.

Although there is sufficient information to suggest the course has a good success rate with further indications showing that students' behaviour has improved along with offending rates, a more appropriate method of providing the statistics regarding success of the course is currently being examined.

METHODS OF MONITORING / EVALUATION

The partnership is evaluated on a 12 monthly basis in line with the service's partnership policy. Station plans, strategic plans and local fire incidence are also monitored in order to inform the content and structure of the course.

FINANCIAL PERFORMANCE

Support funding is provided via the Youth Offending Service, this being match funded by TWFRS in respect of personnel, facilities and resources. Equipment, which becomes damaged or worn, is replaced and funded from within the existing base budget.

The SLA is to be reviewed in Autumn 2008.

MAJOR RISKS

Risk Assessments and Evaluation of this Partnership are available on the Service Intranet.

Corporate:

Potential of dysfunctional youths to misbehave whilst on Fire and Rescue Service property, on external visits or when travelling between venues in service vehicles which could lead to the reputation of the service being damaged. Child protection issues could arise however all staff have been CRB checked and have received child protection training.

Human:

Due to the nature of both the programme and the attendees, there is an inherent risk to fire service personnel from both physical injury and stress-related illnesses. Due to the nature of the course i.e. a female course or if particularly difficult youths are attending then more staff may be required to address the gender issues or provide more control.

Finance:

Cessation of funding from relevant youth offending service/LA.

NAME OF PARTNERSHIP Sure Start
PARTNERS Sure Start Shiremoor and Killingworth TWFRS appointed a Community Advocate in October 2007 with a specific pre-school reference. The advocate has engaged Sure Start programs in high risk areas service wide.
PURPOSE To reduce the number fire related incidents in the home. Key linkages to the Strategic community Safety Plan 2008 – 2013 are: 1.1 and 1.2 of the Level 1 plan and 2.1.1 and 2.12 of the Level 2 plan
AIMS / OBJECTIVES 1. To increase the efficiency of service delivery. 2. To provide information, advice and guidance to members of the community via a risk based assessment.
LEAD OFFICER Group Manager Ian Robertson, SHQ
GOVERNANCE ARRANGEMENTS Quarterly evaluations. Data sharing of our 'Red Areas' with partner 'Hotspots', to co-ordinate a delivery strategy. Future data sharing via the G.I.S.
EXPECTED OUTPUTS AND OUTCOMES 1. Access to dwellings that are 'hard to reach'. 2. Accompanied access to dwellings by partner agency if required. 3. No need for 'cold calling', maximising fire service personnel's time. 4. Information and statistical data sharing. 5. Identification of properties considered being in need of prioritisation of an HRA.
METHODS OF MONITORING / EVALUATION Annual review to access whether milestones have been achieved

FINANCIAL PERFORMANCE

The project is operated using staff time only, and this can be accommodated within existing resources.

MAJOR RISKS

A missed opportunity for making our service delivery more efficient.

Appendix D**Emergency Planning Unit – Revenue Budget 2008/2009 and 2009/2010**

	£
Total Expenditure	535,289
Funded by:-	
- Newcastle City Council	141,190
- Sunderland City Council	136,555
- Gateshead Council	92,406
- North Tyneside Council	87,933
- South Tyneside MBC	77,205
	535,289

Medium Term Financial Strategy – Financial Risk Analysis

Inflation

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

This is unlikely to occur as:

- the Chancellor has set a target for pay and price inflation in the public sector of 2% per annum until 2011 which should help to constrain pay increases;
- separate provision has been made for fuel and utility costs, which are particularly volatile currently;
- adequate reserves and balances exist.

Government Funding

Risk is that the Authority will not receive sufficient funding to meet its financial and strategic objectives.

This can be planned for due to:

- Authority has a very prudent approach to its budget planning process and plans;
- Members are fully apprised of the MTFS and the basis of the projections;
- the MTFS is reviewed and updated once government grant has been allocated to inform the budget planning framework;
- Government grant is reported separately to the Authority and the implications to the budget is set out in a report, with budgets then reviewed accordingly.

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 level of debt;
- a prudent approach has been taken having regard to the economic outlook and the Treasury Management Strategy can be adjusted to minimise the impact of any significant increases;
- the Authority's current Capital Programme is funded entirely through a Revenue Contribution to Capital Outlay.

Investment Interest

Risk is that income generated will not match budget provision.

This is unlikely to arise due to:

- an assumed rate of return of below economic forecasts and the estimates of returns advised by investment managers over the medium term.

Contingencies

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

This is very 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 the medium term;
- past experience suggests an underspending against 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 Bellwin Scheme;
- Authority risk management action plans have been developed;
- comprehensive self and external insurance arrangements in place;
- adequacy of self insurance fund;

Financial Planning

Risk is that a major liability or commitment is currently known 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;

Creating the Safest Community

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 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 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;
- project sponsors identified for each capital programme project and recorded within the Capital Programme;
- quarterly Capital Programme Budgetary Control reviews undertaken, reported to the Authority and corrective action agreed or set in train;
- Revenue Contribution to Capital and Prudential regime gives added flexibility in terms of financing the Capital Programme.
- the financial implications of the capital programme are considered alongside the resources available both internally and from external funding.

Reductions to the Revenue Budget

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

This is very unlikely to occur due to:

- the fact that reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation.

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.

Risk of Non - or Incomplete Implementation of the Integrated Risk Management Plan

Risk is that the IRMP will not be implemented or that flexibility of implementation is not retained and that efficiency savings and modernisation savings are therefore not sufficient to meet the cost of the pay agreement.

This is unlikely to happen due to:

- the IRMP and the impact on balances has been scrutinised closely to ensure sufficient funding is available to meet these forecast costs;
- quarterly financial review meetings are in place to monitor progress and financial variations;
- demonstrable budget monitoring track record.