

MEETING: 22ND NOVEMBER 2010

SUBJECT: MEDIUM TERM FINANCIAL STRATEGY 2011/2012 TO 2014/2015

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) 2011/2012 to 2014/2015 and also updates the Budget Planning Framework for the preparation of the 2011/2012 Revenue Budget which was presented to the Authority in September and seeks approval of this updated framework.
- 1.2 The MTFS has been informed by the Coalition Government's announcement on the Spending Review 2010 (SR10) made on 20 October 2010, as far as has been possible at this stage, although it must be recognised that the full impact of the SR10 on the Authority's resources will not be known until the Local Government Finance Settlement data is released in early December.

2. PURPOSE OF THE MEDIUM TERM FINANCIAL STRATEGY 2011/2012 TO 2014/2015

- 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 current Integrated Risk Management Plan 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 update the Budget Planning Framework for the preparation of the Revenue Budget and Capital Programme for 2011/2012.

2.2 Within those overall purposes there are subsidiary objectives:

- to identify the indicative resources available to the Authority taking account of the SR10 and the outcome of any changes to government grant regimes;
- to highlight in macro terms 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 advise on policies concerning use and levels of General Fund Balances and Major Reserves over the medium term;
- to maximise the achievement of cashable efficiency gains over the medium term in the context of the SR10 announcement.

3. BACKGROUND

MTFS Preparation

- 3.1 The Authority faces a period of considerable and sustained grant reductions as a result of the SR10 and the Coalition Governments' more aggressive approach in tackling the country's budget deficit. The full scale of reductions and how they will impact on this Authority is unlikely to be disclosed until the Local Government Finance Settlement is announced in December 2010. The MTFS has been updated using the best information available at this point in time but will continue to be regularly updated as further announcements which will affect the authority's finances are made. Also, a robust approach is taken in updating the medium term financial position, in year, which reflects any changes to the macro economic environment. This ensures that the Authority is fully aware of the fiscal environment in which it operates and its implications on its finances. Securing, demonstrating and improving value for money is an integral underlying objective of the MTFS, which is of increasing importance in light of the much tighter medium term financial position facing the Authority.
- 3.2 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 2011/2012 to 2014/2015 and that budget managers understand the need to continue to identify and develop options for delivering cashable efficiency savings. Full account has also been taken of Member deliberations and comment regarding the impact of these Strategies and Plans.

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

- National Context – the Spending Review announcements regarding future funding settlements, precept expectations and national projects;
- Local Funding Position:
 - the budget decisions made in finalising the 2010/2011 revenue budget;
 - the revenue outturn for 2009/2010;
 - 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.

3.4 This report summarises the position in order to provide the context for the Budget Planning Framework for 2011/2012 and beyond. The Strategy will be reviewed and amended as new information comes to light, and will be formally updated in February and September of each year.

Scope of MTFS

3.5 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 current Strategic Community Safety Plan, and to recognise the impact which may arise from changes or the cessation of external funding streams.

3.6 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 the annual budget setting process.

Strategic Context

3.7 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, and the Authority's performance management framework generally. Consequently, the Medium Term

Financial Strategy 2011/2012 to 2014/2015 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;
- Improvement Plan;
- Workforce Development / Human Resource Strategy;
- ICT Strategy;
- Equality and Diversity Strategy;
- Performance Targets;
- Corporate Procurement Strategy.

Strategic Priorities

3.8 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 and promote wellbeing;
- to respond appropriately to risk;
- to plan and prepare for exceptional events; and,
- to deliver a modern, effective Service, delivering value for money with staff who reflect the communities that we serve.

4. NATIONAL CONTEXT

Spending Review 2010 (SR2010)

4.1 The Spending Review 2010 set out how the Coalition Government will tackle the budget deficit currently facing the country with the main emphasis on imposing significant reductions to public sector spending by 19% on average across all government departments, which together with announced tax rises, is aimed at reducing the borrowing deficit by £81 billion by the end of 2014/2015.

4.2 The SR10 will see Fire and Rescue Authorities receiving 25% less formula grant funding over the SR period. However, this reduction will be 'back loaded' with the greatest reductions falling in 2013/2014 and 2014/2015. The reason for this is to give Fire and Rescue Authorities time to make the necessary changes whilst limiting the impact on the quality and breadth of service offered to communities. Detailed provisional formula grant figures for 2011/2012 and indicative settlements for future years will not be made available however until the Local Government Finance Settlement is announced in December.

- 4.3 In 2010/2011 Formula Grant represented approximately 60% of the Authority's net budget requirement with 40% being received from Council Tax. This "gearing" implies that in real terms the total income reduction facing this authority is approximately 15% over the four year spending review period. This is 2% above the average reduction for the fire and rescue service reported by the Chief Fire Officers Association, where the average Fire and Rescue Authority has an equal split between funding received from Formula Grant and Council Tax.
- 4.4 In addition to the 25% reduction in Formula grant there are a number of specific grants where future funding remains uncertain at this stage. These include New Dimensions grant (£904,097 received in 2010/2011) and Regional Control Room Grant (£396,265 received in 2010/2011). Should these grants reduce or cease then the Authority will need to review the associated service arrangements and potentially plan for additional efficiencies to bridge the potential funding gap.
- 4.5 There is an expectation from government that Fire and Rescue Authorities will continue to identify and realise cashable efficiency savings over this four year period and they have made it clear that it is for individual Authorities not central government to make local decisions on how to achieve the significant cost reductions required. However, they have identified seven areas where potential savings could be achieved:
- Flexible staffing arrangements.
 - Improved sickness management.
 - Pay restraint and recruitment freezes.
 - Shared service / back office functions.
 - Improved procurement.
 - Sharing chief officers and other senior staff.
 - Voluntary amalgamations between Fire and Rescue Authorities.
- 4.6 Due to the uncertainty identified in paragraph 4.3 around the lack of information provided by the government on the allocation of the formula grant reductions required over the SR period, the MTFS has been prepared on the basis of a 3% reduction in 2011/2012, a 5% reduction in 2012/2013 and 8.5% reductions for both 2013/2014 and 2014/2015. As stated in paragraph 3.1 the MTFS will be updated in December once the actual reductions are known.

Local Government Funding Changes

- 4.7 As reported to the Authority in September, the Coalition Government has been consulting on the review of the formula methodology and data used to allocate formula grant and a number of options were exemplified which affected Fire and Rescue authorities. It should be noted that the outcome of the consultation will not inform the resource allocation for local

government. This has been determined by the SR10. However, it will determine how the total resource is allocated to individual authorities.

- 4.8 The options detailed in the September report, showed that if implemented they would have a significantly detrimental impact to the grant allocation of this Authority and would see a general re-allocation of grant away from Metropolitan Fire Authorities to Shire Counties.
- 4.9 In response to the consultation, the Authority has made representations fundamentally opposing the review of the formula grant mechanism particularly at a time when all Fire and Rescue Authorities are to receive significantly less formula grant as a result of the SR10 proposals.
- 4.10 Due to the uncertainties around the implementation of this review, no changes in the formula grant distribution mechanism have been reflected in the MTFS at this stage. However, as stated in paragraph 3.1 the MTFS will be updated in December once any changes are known.

Council Tax Levels

- 4.11 The Government has proposed to introduce a new grant in respect of a council tax freeze for 2011/2012, which was set out in the Budget Planning Framework 2011/2012 reported to the Authority in September 2010. The funding to be provided by the government is based on an assumed 2.5% increase and will cost £0.7 billion per annum over the SR period.
- 4.12 Confirmation has been received that Authorities that choose to freeze their Council Tax in 2011/2012 will be 'reimbursed' through the new grant mechanism that will fund the freeze for 2011/2012 over the SR period.
- 4.13 The Council Tax Freeze Grant has not however, been confirmed for 2015/2016 which could imply that this grant could cease leaving a funding gap, before any increases in service provision could be considered. The Authority is seeking clarity on this point from the government, as the Authority would wish to see this funding incorporated into the Authority's ongoing grant funding base position, so that it is not disadvantaged in any way moving forward into future years.

5. LOCAL CONTEXT

Revenue Budget 2010/2011

- 5.1 Tyne and Wear Fire and Rescue Authority (TWFR) received formula grant of £35.184m in 2009/2010 and will receive £35.570m in 2010/2011. These increases represent 1.26% and 1.10% respectively on the

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2008/2009 settlement. The settlements include a contribution from TWFRAs to bring other Authorities up to the floor of £0.530m in 2009/2010 and £0.340m in 2010/2011.

- 5.2 To maintain the requisite service levels in 2010/2011, the Authority had a budgetary requirement of £59.365m. Consequently, a Band D Council Tax precept of £73.16 was set for 2010/11.
- 5.3 In recent years, the Authority has set comparatively low increases in its Council Tax precept, with increases in 2008/2009 of 2.4%, an increase of 1.24% in 2009/2010 and an increase of 0.91% in 2010/2011. These represent the lowest increases nationally for any Fire Authority over the last 3 years. In order to minimise the burden on the council tax payer, a number of efficiency savings have already been realised. Principal amongst these are the implementation of the Public Private Partnership Scheme, and the identification of efficiency savings through 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 Fire and Rescue Authorities. However, this needs to be considered in the context of levels of deprivation, the 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 in light of the SR10, will be to reduce expenditure significantly.

Revenue Outturn 2009/2010

- 5.5 The outturn position has been reviewed to identify the impact of variations experienced in 2009/2010. These are fully reflected in the MTFS.

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. General Fund balances are 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 General Fund 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 resources 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 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 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 2011/2012 to 2014/2015 and have been used to update the budget planning framework for 2011/2012.

Pay

- 6.1 A 0% pay award for firefighters has been offered for 2010/2011; as yet no agreement has been reached. The government has recommended a two year pay freeze this position will be kept under review.

Pensions

Local Government Pension Scheme

- 6.2 The last actuarial review of the Local Government Pension Fund for the Tyne and Wear area was undertaken as at 31st March 2007, this provided for stepped increases in the deficiency contribution, with a £23,000 contribution in 2010/11. The Authority is awaiting the outcome of the latest actuarial valuation, as at 31st March 2010, and once the outcome of this is known it will be incorporated into the Budget Planning Framework for 2011/2012 and the MTFs. However, in the absence of this a prudent

approach has been taken with further stepped increases in the deficiency contribution for 2011/2012 and beyond.

- 6.3 The Authority will continue to review the position on LGPS deficiency payments with regard to the option of making a lump-sum contribution to the Pension Fund to reduce the annual revenue payments.

Financial Arrangements for Firefighter Pensions

- 6.4 Members will be aware that employee and employer contributions are paid into a pension account from which pension 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. This 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, with no such retirements in 2008/2009, 2009/2010 or as yet in 2010/2011.

Public Sector Pension Review

- 6.6 The Independent Public Service Pensions Commission (IPSPC) led by John Hutton published an interim report on 7 October 2010. The report highlighted the importance of providing good quality pensions to public servants and rejected 'the race to the bottom in pension provision'. It concluded however that there was a clear need for public sector workers to make a greater contribution if their pensions were to remain fair and affordable. The Government has accepted these conclusions and in response to the Commissions' interim commendations, the government will:
- Commit to continue to provide a form of defined benefit pension;
 - Await Lord Hutton's final recommendation before determining the nature of that benefit and the precise level of progressive contributions required;
 - Carry out a public consultation on the discount rate to be used to set contribution rates in public service pension schemes;
 - Implement progressive changes to the level of employee contributions that will lead to an additional saving of £1.8 billion a year by 2014/2015, equivalent to three percentage points on average, to be phased in from April 2012;
 - The armed forces will be exempt from the increase in employee contributions;

- Launch a consultation on the Fair Deal policy, which Lord Hutton noted can create a barrier to the plurality of public service provision and make it more difficult to achieve innovation. The report is expected in the Summer (2011);
- Seek engagement with all stakeholders including trade unions.

It is too early to assess the implications at this stage. However, the position will be kept under review and the MTFS will be updated accordingly.

General Price Rises

- 6.7 There have been increases in the measures of inflation over the last eighteen months; however the level is still above the governments target rate for CPI of 2% and this is expected to continue throughout the remainder of 2010/2011.. These indicators are set out below:

Current Rates

- Consumer Price Index (CPI) – 3.1%
- Retail Price Index (RPI) – 4.8%

Average of Forecasts 2011/2012

- Consumer Price Index (CPI) – 2.0%
- Retail Price Index (RPI) – 3.55%

The position remains uncertain and forecasts continue to be regularly monitored and revised. Any increase would adversely impact on the MTFS position.

- 6.8 Prudent provision has been provided for general price inflation within the MTFS at this stage..

Energy Prices

- 6.9 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.
- 6.10 The Authority is aware of its responsibility in relation to Environmental Sustainability, and has established a Sustainability Steering Group to consider potential schemes to make progress in this area. The replacement Fire Station at Tynemouth is an example of this commitment, with the design and construction meeting the standards required by the Building Research Establishment Environmental Assessment Method (BREEAM). In 2009/2010 a Carbon Management Plan reserve was established to facilitate the implementation of the Carbon Reduction Plan,

developed in partnership with the Carbon Trust. The purpose of the Plan is to make future savings in both carbon emissions and energy bills..

Other Prices

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

Capital Financing - Debt Charges, Capital Grant and Revenue Contribution to Capital Outlay

- 6.12 The Revenue Budget for 2010/2011 includes a Revenue Contribution to Capital Outlay (RCCO) of £1.45million, 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. This is now even more relevant since the government increased the cost of borrowing across the board for the public sector by 1% after the SR10 was announced. This will mean that future borrowing will cost the Authority more.
- 6.13 In 2010/2011, the Authority will receive Fire Capital Grant of £0.960 million. The Comprehensive Spending Review included static position in terms of Fire Capital Grant issued by central government for the whole of the CSR period. The Medium Term Financial Strategy 2011/2012 to 2014/2015 includes an annualised contribution from the Fire Capital Grant towards financing the Capital Programme. This provides additional flexibility and will help to smooth the effect on the Revenue Budget over the short to medium term.
- 6.14 In setting and revising the Capital Programme, capital financing decisions are taken in light of available capital resources. In this regard, the Authority will consider all options for capital financing, in addition to supported borrowing, capital grant and RCCO. The position will be kept under review as the MTFS and the budget for 2011/2012 is developed.

Interest on Balances

- 6.15 Given the continued low Bank Base Rate, the revenue budget for interest on balances in 2010/2011 was set at a similar, though slightly reduced level to the level set in 2009/2010, and is being kept under review throughout the year. At this stage, it appears that the level of budgeted income for 2010/2011 will be broadly in line with budget. The Medium Term Financial Strategy has been prepared on the basis that this low level of interest rates will continue into the foreseeable future, although this position will be kept under review.

7. SPENDING PRESSURES AND EFFICIENCY SAVINGS

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

Improvement Plan

- 7.1 Members will be aware that the Authority maintains an Improvement Plan that has been restructured so that actions are now categorised under one of seven key organisational priorities, therefore, clearly linking to the Authority's strategic planning process. Monitoring of these priorities is frequent and rigorous.
- 7.2 Members have previously supported investment in the Authority's work to reduce accidental dwelling fires and other initiatives to deliver these priorities. All of the remaining Improvement Plan actions can be addressed from existing resources, though this position will need to be kept under review as the funding position is clarified.

Integrated Risk Management Annual Action Plan 2010 - 2011

- 7.3 Members will be aware that the Authority produces a fully costed Integrated Risk Management Plan (IRMP) reflecting local needs and which sets out plans to effectively tackle existing and potential risks to communities.
- 7.4 The IRMP 2010/2011 includes a series of reviews which, if implemented, could generate significant efficiencies and the potential impact of these reviews has been built into the Medium Term Financial Strategy. The Authority is managing staff vacancies in anticipation of the outcome of the reviews and the impact of these on the 2010/2011 Revenue Budget, will be set out as part of the 2010/2011 Revenue Budget Second Review.
- 7.5 The efficiency savings arising from the IRMP 2010/2011 have been built into the MTFs, and are reflected in the MTFs Financial Summary at Appendix E. Also reflected in Appendix E are indicative savings for 2011/2012 to 2014/2015. These will need to be substantial in order to address the anticipated budget deficit arising from the reduced grant funding set out in the SR10.

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 £933,395 to be realised in 2010/2011.

- 7.7 The annualised saving for 2011/2012 will reflect inflationary adjustments.

Review of Operational Staffing Profile

- 7.8 In setting the 2010/2011 Revenue Budget, the Chief Fire Officer has continued to undertake a full review of the Authority's operational staffing profile and associated salary structure. Included within this review were assumptions in relation to the number of firefighters in the new or old firefighter's pension scheme as the employer's pension contributions vary (new scheme 11.0%, old scheme 21.3%). The profile is currently being reviewed and this will be taken into account when setting the 2011/2012 budget. A prudent estimate has been factored into the MTFs.

Efficiency Targets

- 7.9 The Authority has embraced and responded very positively to the requirements presented through the government's national efficiency review. 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%. During the two year period 2008/2009 and 2009/2010, the Authority achieved ongoing efficiency savings of £2.85 million (4.99%), exceeding the cumulative Government target of 3.2%. The Authority's target for cumulative ongoing efficiency savings to the end of 2010/2011 is £3.95 million (6.94%), which exceeds the Government target of 4.8%.
- 7.10 The Authority is committed to delivering further efficiency savings, particularly in light of the SR10; 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.

All of the above issues have been taken into consideration in preparing the MTFs Financial Summary at Appendix E.

National and Regional Initiatives

- 7.11 Provision has been included within the MTFs for approved initiatives. The following specific initiatives are drawn to Members attention:

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Regional Collaborative PFI Scheme - NEFRA

- 7.12 Members will be aware that this project is now complete and the new 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.

Fire Control - Regional Control Centre (RCC)

- 7.13 Members will be aware from previous reports that there is currently no 'go live' date for this Authority. The Fire Minister has stated that he expects the main contractor to deliver a system to time, to cost and to the quality expected by the fire and rescue service and this is to be delivered by mid 2011. Until that position is reached it is not possible to determine an effective date for transition.
- 7.14 In addition, the government's preferred option for apportioning the shared costs for running the RCC network is to apportion costs on a council tax base, and this gives rise to a significant potential funding gap for the North East.
- 7.15 The Minister has also stated that the outcome of the Spending Review may well affect how the funding for the RCC is delivered although, to date, the RCC has been fully funded, and all of the additional costs arising from the project continue to be underwritten by the government.
- 7.16 Due to the ongoing uncertainty regarding the funding arrangements for the Fire Control project, the potential impact of this will continue to be reviewed by Officers and reported to Members. The MTFS will be revisited as necessary.

Firelink Project

- 7.17 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.
- 7.18 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

- 7.19 The National Procurement Strategy for the Fire and Rescue Service 2009 – 2012 was abolished as part of the Coalition Government's public body reforms; it will cease to exist from spring 2011. Expressions of interest are currently being sought to take over the procurement functions of FireBuy. There are no financial implications from this change for the Authority.

Human Resources

- 7.20 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

- 7.21 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, which 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.

Spending Priorities

- 7.22 Factors which the Authority has taken into consideration in previous years to determine spending priorities were:
- 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;
 - inspection implications including service based assessments.
- 7.23 Given the significantly reduced settlements for the next four years confirmed in the SR10, it is likely that there will be no scope to address spending priorities. Indeed, the factors identified in 7.22 above may need to be employed to identify areas for further efficiencies.

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Efficiency Savings

7.24 Reference has been made above, to a number of areas where efficiency savings are forecast to be realised from 2011/2012 onwards. The MTFS Financial Summary, set out at Appendix E, illustrates the impact of the efficiency savings forecast to date, although it should be noted that the position will not be confirmed until the detailed budget estimates are prepared later in the year.

8. SPECIFIC GRANTS

New Dimensions

8.1 CLG continues to recognise that FRAs need continued funding to support the New Dimensions capabilities and to support the Assurance function. The following grants are to continue for the current year at the levels shown below.

	2010/11
	£
USAR Crewing grant	811,000
USAR Local Training Facility	20,000
USAR PPE Maintenance	18,800
USAR Timber replenishment	10,000
USAR Canines	6,600
Mass Decontamination – training funding	37,142
Oxygen	555

8.2 As yet no information is available as to whether the grant will be received in future years. To continue this service at the current level, funding of £0.846 million would be required and if no grant is awarded then this will be a further cost pressure that will need to be managed within existing resources. The position will be updated once this position is clarified but officers need to plan necessary actions should the funding cease.

Regional Control Room Grant

8.3 Grant is received by individual FRAs and then pooled as a regional project resource. The grant allocation for 2010/2011 has been reduced from £420,028 to £396,265 and as yet no information is available as to whether the grant will be received in future years. The position will be updated once this is clarified. However, as previously agreed, this Authority will not finance any set up costs in relation to this nationally initiated project.

9. GENERAL FUND BALANCES AND MAJOR RESERVES

General Fund Balances Policy

9.1 In considering a prudent minimum level of General Fund balances, the Authority considers:

- known commitments against general fund 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 unforeseen eventualities.

The risks analysed over the medium term include reference to:

- significant reductions in formula and other grant funding;
- inflation;
- debt charges;
- investment interest on balances;
- contingencies;
- risk management arrangements;
- financial planning;
- revenue budget – budgetary control;
- capital programme – budgetary control;
- the realisation of 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 informed 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 the order of £3 million is appropriate after taking into consideration the following:
- a significant modernisation programme which brings with it both financial and change management risks;
 - 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 £3.07 million, which is appropriate given the issues referred to above. The position will be kept under review and a formal risk assessment regarding levels of General Fund 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 thirteen partnerships in place and within those arrangements four 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 In 2005, the Tyne and Wear local authorities agreed that each authority would allocate 60% of its government grant allocation for civil protection work to the Tyne and Wear Emergency Planning Unit (TWEPU). The budget for 2011/2012 has been prepared on the basis of a 10% reduction from the 2010/2011 position equating to a budget of £462,490, followed by a standstill position for 2012/2013 to 2014/2015. This position is reflected in the draft 2011/2012 Revenue Budget reported at Appendix D.
- 11.2 A review of all Tyne and Wear Joint Service arrangements is currently ongoing, and this will inform the Revenue Budget for TWEPU for

2011/2012. At this stage, the Medium Term Financial Strategy assumes no change in arrangements, however, this position will be reviewed and updated as necessary.

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 to 11 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 with stakeholders including the Trade Unions and business ratepayers for consideration and comment.

13. BUDGET PLANNING FRAMEWORK 2011/2012

- 13.1 The Authority agreed the Budget Planning Framework for 2011/2012 at its meeting in September 2010. This report is intended to update that framework in recognition of the known budget pressures and strategic priorities and make assumptions about the level of grant funding using the best known information at this point in time. 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 2011/2012 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 which can make the greatest contribution to the Strategic Community Safety Plan 2010-2013;
 - that the scope for maximising efficiency savings be reviewed as follows:
 - through the implementation of modernisation strategies as part of the IRMP;
 - through adopting best practice in relation to procurement of goods and services;
 - through generating efficiency savings arising from policy and 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.

- building on existing working relationships, preparation of medium to long-term efficiency plans commence, drawing on the IRMP and other potential opportunities to modernise the service in light of the much significantly reduced level of public expenditure settlements in announced as part of SR10.

13.2 Clearly, consideration of the budget is at an early stage and there are a number of major uncertainties, as previously detailed, that will have a major impact on the budget in future years. The proposed Budget Planning Framework for the preparation of the 2011/2012 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 2011/2012 Revenue Budget, and;
- b) Note the Medium Term Financial Strategy for 2011/2012 to 2014/2015 at this stage 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 2010	3,070
First Review 2010/2011	
- Underspend on Leasing Budget	256
Second Review 2011/2012	
- 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)
Estimated Balance as at 31st March 2011	3,070

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (01.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£'000	£'000	£'000
Insurance Reserve 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.	707	0	707
Development Reserve Reserve created to fund medium term and long term capital and revenue developments.	14,703	0	14,703
Early Retirements Reserve Reserve to cover future compensatory added years payments associated with an early retirement during 2002/2003. This ensures no ongoing revenue implications.	44	(3)	41
PFI Smoothing Reserve 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.	4,794	327	5,121

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (01.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£'000	£'000	£'000
<p>Contingency Planning Reserve 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 Established to fund the slippage of specific items of revenue expenditure.</p>	795	(795)	0
<p>New Dimensions Reserve 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	0	363
<p>Community Safety Reserve Reserve to deliver community safety initiatives in future years.</p>	250	0	250
<p>Civil Emergency Reserve Reserve to enable the Authority to respond to a catastrophic event, locally or nationally.</p>	200	0	200
<p>Regional Control Centre (RCC) Reserve 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 Reserve established to implement Carbon Reduction Plan developed in partnership with the Carbon Trust and Fire and Rescue Authorities. This investment will make future savings in both carbon emissions and energy bills.</p>	600	(273)	327

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (01.4.10)	Estimated Movement in 2010/2011	Estimated Balance (31.3.11)
	£'000	£'000	£'000
Equality and Diversity Reserve Reserve established to enable the evaluation of a number of capital schemes to support the Authorities commitment to achieve higher quality and diversity ethnic recruitment targets.	200	0	200
Insurance Provision The provision covers certain insurance risks up to agreed limits.	438	0	438

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 Keith Addison, 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 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. Preventing deaths and injuries from fires and other emergencies. Key Linkages with the Strategic Community Safety Plan 2008 - 2013 are: 2.1.1 and 2.1.2 of the level 2 plan.
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 ethics;• 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 Dave Escott, 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

Six courses per year with up to 15 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</p> <p>The Phoenix Project – Sunderland</p>
<p>PARTNERS</p> <p>Sunderland Youth Offending Service / Tyne and Wear Fire and Rescue Service.</p>
<p>PURPOSE</p> <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>
<p>AIMS / OBJECTIVES</p> <p>The Phoenix Project is a partnership between TWFRS and Sunderland Youth Offending Service that provides an intensive work experience opportunity for young people between 11 - 17 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 neutral status of the fire service and positive role model of firefighters 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 behaviour and attitudes of young people by teaching life skills, increasing confidence and self esteem to enable them to become more responsible in their approach to citizenship and their own role in the community .</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.
Phoenix also supports the Safer Sunderland Partnership (CDRP) objectives:

- Tackling crime, disorder and the misuse of drugs.

LEAD OFFICER

Watch Manager B John Ord

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 level agreement provides 120 places for referrals from the Sunderland YOS. In 2008 135 referrals attended 15 courses with 126 completing the full course. A completion rate of 93%.

The introduction of two follow up courses at 3 months (Respect course) and 9 months (Advanced course) for students who have maintained behaviour levels and not reoffended for those periods have proved to be successful in increasing the numbers of students who desist from offending by creating incentive and motivation.

Evaluation of Phoenix has shown that 48% of students completing the course do not offend up to 12 months following. Evaluation of the Respect course has shown a significant increase in this figure to 85% when students have been given the incentive of follow up courses.

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 for Phoenix is provided via the Sunderland Youth Offending Service of not less than £30,000 per annum and a further salary contribution of £24,000 per annum for a permanent YOS worker attached to Phoenix. Further funding for Respect and Advanced courses is sought on an ad hoc basis from district funding sources.

PREVENTING PROTECTING RESPONDING

This is 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 April 2011.

NAME OF PARTNERSHIP Safetyworks!
PARTNERS Northumbria Police – working together to deliver mutual goals to help reduce fires and crime and disorder. Nexus – working together to deliver transport safety. Local Authorities – working together to deliver community safety to help improve the quality of life of those living and working in Tyne and Wear. St Johns Ambulance – working together to deliver accident prevention and basic first aid training.
PURPOSE The principal strategic aim of the Fire and Rescue Authority is to make community safety the primary focus. The Authority places a significant emphasis on educating children and adults to change their behaviour to safeguard themselves and others in their community. 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.
AIMS / OBJECTIVES <ul style="list-style-type: none">• Act as a focal point for community safety and crime prevention education in Tyne and Wear• Improve the quality of life and community safety of those living and working in Tyne and Wear• Provide realistic and interactive scenarios which enable practical learning in a safe, controlled environment• Promote good citizenship by encouraging people to consider the consequences of their actions on themselves and others• Accommodate within the centre the needs of all groups who wish to use it• Encourage the development of wide-ranging community safety education and training for statutory, voluntary and private sectors
LEAD OFFICER Group Manager Dave Escott, SHQ

GOVERNANCE ARRANGEMENTS

All Partners are in regular contact throughout the period of the partnership via meetings, e-mail and telephone conversation. All partners will be able to comment and influence the strategy of Safetyworks! and both parties strategic objectives.

EXPECTED OUTPUTS AND OUTCOMES

The approximate number of visitors per year will be 10,000. The outcomes from Safetyworks! will contribute towards the overall targets of TWFRS Community Safety targets.

METHODS OF MONITORING / EVALUATION

Project Startups and Evaluations are carried out for all programmes.

FINANCIAL PERFORMANCE

It is the intention for the provision of the centre and its facilities to be cost neutral to the Fire Authority. A substantial financial contribution has been made by Northumbria Police Authority. Other partners have made important contributions in the form of redeveloping their scenarios. A cost of 3.5 posts is funded by the Fire Authority; however, all other posts are funded by partner agencies.

MAJOR RISKS

Risk assessments which are in place have identified:

- Litigation from accidents or inappropriate behaviour within the Centre
- The reputation of the Organisation (team member actions whilst in TWFRS control)
- Failure to meet the contractual agreement of the partnerships:
- Trained staff members/partner agency facilitators unavailable to deliver programmes
- Injuries to visitors
- Injuries to staff

Emergency Planning Unit – Revenue Budget 2011/2012

	£
Total Expenditure	462,490
Funded by:-	
- Newcastle City Council	121,959
- Sunderland City Council	117,982
- Gateshead Council	79,825
- North Tyneside Council	75,987
- South Tyneside MBC	66,737
	462,490

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
Inflationary pressures		(0.03)	1.13	2.35	3.60
Turnover		(0.74)	(0.76)	(0.96)	(0.98)
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		(0.62)	(1.60)	(2.74)	(8.75)
- 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	(2.04)	0.00
Indicative Budget	59.36	58.84	57.65	55.24	52.85

Medium Term Financial Strategy – Financial Risk Analysis

Impact of the outcome of SR10

Risk is that the impact of the funding cuts as a result of SR10 has a significantly greater impact on the authority's financial position than currently envisaged as a result of the unknown factors.

This is unknown at this stage, but very prudent assumptions have been made in respect of the impact. The effects on the Authority's financial position will be kept under constant review so that remedial action can be taken at the earliest opportunity.

Inflation

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

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

- Prudent provision has been made for all employees' pay awards;
- The government's previous guidance is that they expect public sector pay to be restricted in light of the latest economic downturn;
- Average forecasts for CPI and RPI are 2.0% and 3.55% respectively;
- Expenditure in respect of most of the budget heads can be either influenced or controlled;

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;
- the economic outlook is that base rates are likely to remain low over the course of the coming year, although the PWLB have increased their rate by 1%, and the Treasury Management Strategy can be adjusted to minimise the impact of any significant increases;

Creating the Safest Community

- 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 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 are created for all known spending pressures;
- 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 have been developed;
- comprehensive self and external insurance arrangements are in place;
- there is an adequate self insurance fund;

Creating the Safest Community

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;
- Revenue Contribution to Capital, Fire Capital Grant and 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.

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.

