

TYNE AND WEAR FIRE AND RESCUE AUTHORITY**MEETING: 22ND FEBRUARY 2010**

SUBJECT: REVENUE BUDGET 2010/2011**JOINT REPORT OF THE CHIEF FIRE OFFICER, CHIEF EMERGENCY PLANNING OFFICER, CLERK TO THE AUTHORITY AND FINANCE OFFICER**

1. INTRODUCTION

1.1 Initial consideration was given to the draft Revenue Budget for 2010/2011 by the Authority at its meeting held on 25th January 2010. The purpose of this report is to present for consideration and approval by Members, the Revenue Budget for 2010/2011, including the precept required to be levied on the District Councils in Tyne and Wear.

2. FINAL REVENUE SUPPORT GRANT SETTLEMENT 2010/2011.

2.1 A detailed report on the Final Local Authority Finance Settlement 2010/2011 is presented elsewhere on this agenda. The report notes that the government has not made any changes to the formula grant system, and the Authority's grant entitlement for 2010/2011, of £35.570 million, remains unchanged from the figure announced previously, and represents an increase of 1.10% for 2010/2011.

3. REVENUE BUDGET 2010/2011

3.1 The Revenue Budget for 2010/2011 has been set taking full account of the continued economic downturn facing the UK economy, and the likelihood of future grant restrictions (possibly real-term reductions or even cash reductions) whichever political party is in power following the next general election.

3.2 The likelihood is that the fire sector, at a national level, will not be protected from the predicted reductions in grant funding, particularly, following the Audit Commission's recent national review of the Fire and Rescue Service – "Rising to the Challenge, Improving Fire Service Efficiency", which outlined a number of findings, including that the service "could save up to £200 million a year if all fire services adopted good practice from pioneering fire services".

3.3 The Authority has a comparatively high level of expenditure per head of population compared to other Authorities. Whilst this needs to be considered in the context of levels of deprivation and the socio economic position of the area as a whole, the Authority has a stated objective to deliver efficiency savings in order to restrict council tax precept increases as far as possible.

- 3.4 In recent years, the Authority has set comparatively low increases in its precept, with increases in both 2007/2008 and 2008/2009 of 2.4% and an increase of only 1.24% in 2009/2010. These increases represented the second lowest (in 2007/2008) and lowest increases (in 2008/2009 and 2009/2010) nationally. The 2010/2011 Revenue Budget has been set taking account of the national position outlined above, whilst continuing the approach to minimise the burden on the council tax payer.
- 3.5 Accordingly, the Chief Fire Officer has undertaken a base budget review of all delegated budgets with the intention of ensuring resources are directed at key strategic priorities in terms of developing and improving the service as informed by the Strategic Community Safety Plan, the Medium Term Financial Strategy (MTFS) and the Integrated Risk Management Plan (IRMP). The review has also ensured that opportunities for generating efficiency savings are maximised.
- 3.6 Appendix A shows the summary position for the Authority and the detailed budgets, which, it is proposed, will also appear in the Strategic Community Safety Plan 2010-2013. The proposed revenue budget for 2010/2011 totals £59.365 million. The presentation of the budget information is determined by the requirements of the Best Value Accounting Code of Practice as it defines best professional practice in terms of financial reporting.
- 3.7 The proposed budget makes provision for the following:

Integrated Risk Management Plan 2009-2012

- 3.8 Members will be aware that this Authority produces and maintains a fully costed Integrated Risk Management Plan reflecting local needs and which sets out plans to effectively tackle existing and potential risks to communities.
- 3.9 The IRMP 2009-2012 includes a review of crewing levels on, and location of, Special Emergency Response Vehicles, and the impact of this has been built into the Medium Term Financial Strategy and the Revenue Budget for 2010/2011.

Strategic Review of Fire Cover

- 3.10 As previously reported, the Public Private Partnership Scheme is now fully operational. The significant savings envisaged at the inception of the Scheme have accrued, and the planned reduction of Fire Fighters by natural wastage has enabled an annualised saving to be built into the base budget. The saving for 2010/2011 has been increased to £933,395 reflecting inflationary adjustments.

PFI Benchmarking

- 3.11 In line with similar PFI arrangements, the Authority's PFI scheme provides for a review of Facilities Management support costs, including cleaning, security and grounds maintenance, 5 years after commencement of the scheme. Officers of the Authority, assisted by the lead Authority, are undertaking benchmarking of these costs and have begun discussion with the PFI contractors on this, although these discussions are likely to be ongoing for some time.

3.12 There is the potential for an increase in costs arising from this exercise, and prudent provision has been made in the MTFFS and Revenue Budget for 2010/2011 as appropriate.

Firefighter Pensions

Ill Health Early Retirements

3.13 Members will be aware that, under the funding arrangements for the Firefighter Pension Scheme, authorities retain responsibility for meeting the cost of ill health pension awards. Investment in health awareness and intervention measures through the Occupational Health Unit has brought about a reduction in the number of ill health early retirements, with none occurring during 2008/2009, and in 2009/2010 to date. Prudent assumptions have been made in the MTFFS and the Revenue Budget for 2010/2011.

Actuarial Valuation

3.14 The latest actuarial valuation of the Firefighters' Pension scheme (as at 31st March 2007), undertaken by the Government Actuary's Department, was published on 23rd October 2009 with the main findings of the review noting that:

- pensioner longevity is increasing;
- there were fewer ill health retirements than expected;
- there were more voluntary withdrawals than expected;
- evidence suggests that the average age of new entrants to the Scheme is increasing and that an increasing proportion of entrants are female.

3.15 The average cost of benefits accruing has increased from the previous valuation date of 31st March 2004, increasing from 36.5% of pensionable pay to 37.7% for the Firefighters' Pension Scheme (FPS) and from 22.7% of pensionable pay to 23.7% for the New Firefighters' Pension Scheme (NFPS), which is primarily due to the increased pensioner longevity. After adjusting for the ill health charge (which is met from Authority's operating accounts rather than the Pension Fund), the total contribution (from employer and employee contributions) is 35.4% for the FPS (previously 32.3%) and 20.3% for the NFPS (previously 19.5%).

3.16 Whilst timescales have still not been notified for the implementation of these revised contribution rates, it has been assumed that there will be no changes in the contribution rates for 2010/2011, with any increase set to be applied from 1st April 2011 onwards.

3.17 A projected Pensions Account for 2010/2011 is presented at Appendix B for information.

Local Government Pension Scheme (LGPS) Deficiency Payments

3.18 Provision has been made within the MTFFS and the Revenue Budget for 2010/2011 for stepped increases in the deficiency contribution to the Local Government Pension Scheme in line with information supplied by the fund's actuary.

Pay Provision

- 3.19 Taking account of the current economic position, prudent provision for salary costs has been made within the MTFs and the Revenue Budget for 2010/2011 for all employee groups, which will be subject to the outcome of national pay agreements.

Economic Downturn

- 3.20 In light of the continued economic downturn, the Chief Fire Officer is looking to identify activities that are designed to help sustain the local economy and support businesses and local residents who suffer hardship as a consequence of the worsening economic condition. Measures already introduced by the Authority include a reduction in supplier payment terms, wherever possible, and a bulk order to purchase replacement fire appliances, which offered stability to the market and provided certainty to suppliers. Further reports will be made to Authority as appropriate.

National and Regional Initiatives

Regional Control Centre (Fire Control)

- 3.21 Members have received a number of updates recently on the Fire Control project outlining that, despite the project being delayed, the government remains committed to the Regional Control Centre project. An extension in timescales means that the new proposed 'go-live' date for this Authority is May 2011.
- 3.22 As project and transitional costs are fully funded until cutover, there are no financial implications in relation to the 2010/2011 Revenue Budget.

Firelink Project

- 3.23 The government will meet the capital costs of the new Firelink radio system, which has already brought about improvements at an operational level within this Authority. Whilst some clarification in relation to the ongoing revenue costs is still required, latest information provided by the contractor indicates the position will be cost neutral for the Authority, and the Revenue Budget for 2010/2011 has been prepared on that basis.

Transfer of Ownership of New Dimensions Assets

- 3.24 In December 2009, Members agreed to the transfer of ownership to this Authority of its New Dimensions asset, and this transfer is scheduled to take effect on 1st April 2010. CLG has provided assurances, as far as possible, in relation to future funding to meet the cost of the 16-year maintenance contract and, on that basis, both the MTFs and the Revenue Budget for 2010/2011 have assumed a neutral position arising from this transfer.

Regional Collaborative PFI Scheme - NEFRA

- 3.25 Members will be aware that this project has now progressed to the build phase, and completion is scheduled for June 2010. The MTFS and Revenue Budget for 2010/2011 both reflect this Authority's share of the costs, as well as efficiencies previously identified and captured in relation to the new facility and the supporting staffing arrangements.

Human Resources

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

Interest on Investments

- 3.27 Given the significant, sustained, reductions in the base rate, the Revenue Budget for 2010/2011 has been revised accordingly, and will be kept under review throughout the financial year.

Capital Programme

Capital Financing – Revenue Contribution to Capital and Fire Capital Grant

- 3.28 A Revenue Contribution to Capital Outlay has been provided for in the Revenue Budget for 2010/2011, which will continue to provide flexibility within the funding arrangements of the Authority's Capital Programme.
- 3.29 The 2010/2011 Capital Programme is presented for Members attention elsewhere on this Agenda. In addition to the Revenue Contribution, a contribution of £200,000 is required from the Fire Capital Grant, with the remainder of that grant being transferred to a Capital Grant Reserve in order to meet the cost of future prioritised capital schemes.

Revenue Implications

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

Carbon Reduction Plan

3.32 The Capital Programme 2010/2011, reported elsewhere on today's agenda, includes provision for a Carbon Reduction Plan, as previously reported to Members. The Plan identifies the Authority's target of reducing CO₂ emissions from normal business activities by 22%, by March 2015, through a number of actions in the Authority's estate, fleet, policy and behaviour. Investment in the Plan will introduce efficiency savings when comparing future costs against the future costs of not undertaking the actions, however, increases in energy prices are likely to mean that cash releasing efficiency savings will not materialise.

General Balances and Earmarked Reserves

General Balances Policy

3.33 In considering a prudent minimum level of balances, the Authority considers:

- known commitments against balances in future years;
- volatile elements of service delivery, which make accurate prediction of expenditure more difficult;
- financial risks faced by the Authority and the measures in place to mitigate them or meet them financially, as outlined in the Financial Risk Analysis at Appendix C.

3.34 Taking account of the level of risk within this Authority, the retention of a minimum level of general fund balances of between £3 million and £3.5 million is considered, at this stage, to be appropriate after taking into consideration the following:

- a significant modernisation programme which brings with it both financial and change management risks;
- the tightening national economic position which is likely to impact on future general grant funding provided to Fire and Rescue Authorities and the efficiency expectations placed on Authorities by government;
- funding required to support the Estates Development Strategy;
- the uncertainty regarding price and pay inflation, including energy prices and the impact of potential further changes in base rates;
- uncertainty regarding the future funding for national projects;
- the Financial Risk Analysis included at Appendix C.

Minimum Level of General Fund Balances

3.35 The estimated level of General Fund Balances as at 31st March 2010 and 31st March 2011 is set out at Appendix D, taking into account all uncommitted general balances. It can be seen that uncommitted general balances are estimated to be approximately £3.29 million by 31st March 2010, representing just over 5% of the proposed revenue budget for 2010/2011 and within the minimum range specified. Based on the Financial Risk Analysis attached to this report, this level of uncommitted general balances is appropriate.

Earmarked Reserves

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

4. MEDIUM TERM OUTLOOK

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

- National Context – announcements regarding future funding, settlements, precept expectations and national projects;
- Local Funding Position:
 - the budget decisions made in finalising the 2010/2011 Revenue Budget;
 - the position and policies in relation to General Fund Balances and Major Reserves;
- Spending Commitments;
- Spending Pressures – including the impact of modernisation strategies and plans;
- the revenue implications associated with the implementation of the IRMP;
- the revenue implications of the capital programme, including the provision of a Revenue Contribution to Capital Outlay.

4.2 The projected budgets in 2011/2012 and future years are based on a series of assumptions. However there is uncertainty regarding a number of factors including:

- the level of government grant support beyond 2011/2012, including the possibility of real-term or cash reductions in grant funding from 2011/2012 onwards;
- the impact of the ongoing review of Formula Grant;
- any changes to specific grants, e.g. transfer to general grant funding or cessation;
- the level of pay awards;
- the level of inflation;
- the impact of national projects, such as Fire Control and Firelink;
- the impact of the implementation of the Single Status Agreement;
- the level of the Council Tax base in each district over the short to medium-term, which will, potentially, continue to be affected by the current economic position.

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

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

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

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

4.6 The Finance Officer states:

'Based upon the information used in determining this Revenue Budget 2010/2011 report, including specifically:

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

the Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2010/2011 after an assessment of the financial risks faced by the Authority has been taken into account.'

5. TYNE AND WEAR EMERGENCY PLANNING UNIT (TWEPU) - REVENUE BUDGET 2010/2011

- 5.1 Members received a report in January 2010 outlining that a review of all Joint Service arrangements within Tyne and Wear is currently underway. This includes a review of the resilience arrangements within each of the five local authorities covering the Tyne and Wear area and the associated relationships between the individual local authorities and the Tyne and Wear Emergency Planning Unit (TWEPU), which is currently hosted by the Fire and Rescue Authority.
- 5.2 It is anticipated that draft options for future working will emerge from the review over the next 2 to 3 months and this will identify options for future working relations in respect of the resilience agenda.

Financial Agreement 2010/2011

- 5.3 Pending the outcome of the review, and to allow service delivery to continue into 2010/2011, the Tyne and Wear Leadership Group has agreed with the Head of the TWEPU a budget of £513,887 for 2010/2011, which takes account of an efficiency saving equivalent to 4%.
- 5.4 The breakdown of the budgets to be charged to local authorities in Tyne and Wear for 2010/2011 is illustrated below:

Local Authority	TWEPU Budget £
Newcastle	135,545
Sunderland	131,095
Gateshead	88,712
North Tyneside	84,417
South Tyneside	74,118
Total	513,887

6. CONSULTATIONS WITH REPRESENTATIVES OF BUSINESS RATEPAYERS

- 6.1 In compliance with the Authority's statutory obligations, Members and Officers met with representatives of the North East Chamber of Commerce at the Brigade Headquarters on 12th February 2010.
- 6.2 The notes of the meeting and any response of the Chamber of Commerce will be tabled at the meeting of the Authority.

7. COUNCIL TAX

- 7.1 With regard to precept levels, the government has retained its 'Capping and Reserve powers' and expects the average Council Tax increase in England for 2010/2011 to fall to a 16-year low, which would mean increases should be lower than the national average increase of 3% in 2009/2010. They have also asserted that the government's capping powers will be used again if authorities fail to adhere to this guidance.
- 7.2 Since the Draft Revenue Budget for 2010/2011 was presented to Members in January, final adjustments have been made to budgets and figures have been received in relation to Council Tax Bases and the Collection Fund positions of each of the billing authorities.
- 7.3 With regard to the estimated balances at the year ending 31st March, 2010 on the billing authorities' Council Tax Collection Funds, these are as follows:

	£
Gateshead	73,000
Newcastle	(46,912)
North Tyneside	5,164
South Tyneside	11,535
Sunderland	3,093
TOTAL	45,880

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

Gateshead	59,142
Newcastle	77,033
North Tyneside	63,703
South Tyneside	44,481
Sunderland	80,260
TOTAL	324,619

7.5 In setting a revenue budget of £59.365 million, the Authority will precept the five District Councils which will increase the Band D Council Tax from £72.50 to £73.16, a rise of £0.66 per annum, which represents an increase of 0.91%.

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

	£
Gateshead	4,326,814
Newcastle	5,635,715
North Tyneside	4,660,496
South Tyneside	3,254,219
Sunderland	5,871,802
TOTAL	23,749,046

8. RECOMMENDATIONS

8.1 The Authority is requested to: -

- (a) note the revised estimate for 2009/2010, as summarised at Appendix A;
- (b) approve the Revenue Budget for 2010/2011, as summarised at Appendix A;
- (c) note the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E;
- (d) note the Medium Term Financial Strategy detailed at Appendix F;
- (e) note the Council Tax base of 324,619 for the year 2010/2011, as notified by the billing authorities within Tyne and Wear;
- (f) agree that the following amounts now be calculated by the Authority for the year 2008/2009, in accordance with Sections 43 and 44 of the Local Government Finance Act 1992:
 - (i) £67,334,051 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(2)(a) to (d) of the Act;
 - (ii) £7,969,511 - being the aggregate of the amounts which the Authority estimates for the items set out in Section 43(3)(a) to (b) of the Act;
 - (iii) £59,364,540 - being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 43(4) of the Act, as its budget requirement for the year;

(iv) £35,615,494 - being the aggregate of the sums which the Authority estimates will be payable for the year into its Authority Fund in respect of redistributed Non-Domestic Rates, Revenue Support Grant and additional grant, and as increased by the net surplus on the Billing Authorities' Collection Funds.

(v) £73.1598 - being the amount at (iii) above, less the amount at (iv) above all divided by the amount in paragraph 7.4 above, calculated by the Authority in accordance with Section 44(1) of the Act, as the basic amount of its Council Tax for the year.

(vi) **Valuation Bands**

A	48.7732	being the amount given by multiplying the
B	56.9021	amount at (v) above by the number which, in the
C	65.0309	proportion set out in Section 5(1) of the Act, is
D	73.1598	applicable to dwellings listed in a particular
E	89.4175	valuation and divided by the number which that
F	105.6753	proportion is applicable to dwellings listed in
G	121.9330	valuation band D, calculated by the Authority in
H	146.3196	accordance with Section 36(1) of the Act, as the
		amounts to be taken into account for the year in
		respect of categories of dwellings listed in
		different valuation bands.

REVENUE ESTIMATES 2010/11

SUMMARY OF ESTIMATES

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
8,761	10,029	9,979	Community Safety	10,131
42,212	48,813	49,049	Fire Fighting & Rescue Operations	49,437
0	0	0	Fire Service Emergency Planning	0
0	0	0	Management & Support Services	0
313	331	331	Corporate & Democratic Core	335
519	11	11	Non Distributed Costs	11
(1,161)	(447)	(147)	Interest on Balances	(120)
0	938	177	Contingencies	661
(888)	(911)	(911)	Strategic Review of Fire (PFI)	(933)
			Capital Financing Costs:	
1,541	1,547	1,347	- Debt Charges	1,518
(1,322)	(1,467)	(1,467)	- Reversal of Capital Charges	(1,800)
			Pensions FRS17:	
32,560	580	1,070	- Pension Interest Cost and Expected Return on Pensions Asset	1,130
(25,328)	99	(595)	- Contribution to FRS 17 Pension Reserve	(550)
<hr/> 57,207	<hr/> 59,523	<hr/> 58,844		<hr/> 59,820
866	(809)	(130)	Transfer to/(from) Reserves and Balances	(455)
<hr/> 58,073	<hr/> 58,714	<hr/> 58,714		<hr/> 59,365
			Less:	
4,246	6,598	6,598	Revenue Support Grant	4,510
30,500	28,586	28,586	National Non-Domestic Rates	31,060
168	92	92	Collection Funds Net Surplus	46
<hr/> 34,914	<hr/> 35,276	<hr/> 35,276		<hr/> 35,616
23,159	23,438	23,438	To be met from Precept	23,749
320,493	323,282	323,282	Council Tax Base	324,619

COMMUNITY SAFETY

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
5,340	6,319	6,166	Employee Expenses	6,296
403	347	348	Premises Related Expenditure	394
61	79	80	Transport Related Expenditure	121
1,489	1,418	1,485	Supplies and Services	1,585
288	298	310	RCCO	226
2,282	2,340	2,379	Support Services	2,390
9,863	10,801	10,768	Total Expenditure	11,012
1,102	772	789	Less Income	881
8,761	10,029	9,979	Total Budget	10,131

FIRE FIGHTING & RESCUE OPERATIONS

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
26,023	32,296	32,228	Employee Expenses	32,427
1,883	1,622	1,628	Premises Related Expenditure	1,845
1,134	1,416	1,236	Transport Related Expenditure	1,530
5,684	5,863	5,965	Supplies and Services	6,875
1,560	1,612	1,980	RCCO	1,222
10,005	9,932	10,143	Support Services	10,135
46,289	52,741	53,180	Total Expenditure	54,034
4,077	3,928	4,131	Less Income	4,597
42,212	48,813	49,049	Total Budget	49,437

FIRE SERVICE EMERGENCY PLANNING

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
427	475	484	Employee Expenses	479
43	45	45	Premises Related Expenditure	44
6	6	6	Transport Related Expenditure	6
64	42	42	Supplies and Services	41
540	568	577	Total Expenditure	570
545	574	574	Less Income	570
(5)	(6)	3	Total Budget	0
5	6	(3)	Appropriation: Contribution to/from FRS17 Pensions Reserve	0
0	0	0	Total Budget	0

MANAGEMENT & SUPPORT SERVICES

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
10,376	9,876	10,095	Employee Expenses	10,079
160	221	220	Premises Related Expenditure	208
754	667	673	Transport Related Expenditure	631
1,840	1,821	2,001	Supplies and Services	1,660
1,322	1,467	1,467	Capital Charges	1,800
14,452	14,052	14,456	Total Expenditure	14,378
14,452	14,052	14,456	Less Income	14,378
0	0	0	Total Budget	0

CORPORATE & DEMOCRATIC CORE

Actual 2008-09 £'000	Original Estimate 2009-10 £'000	Revised Estimate 2009-10 £'000		Original Estimate 2010-11 £'000
148	149	149	Supplies and Services	151
119	133	133	Cost of Member Services	134
46	49	49	Support Services	50
313	331	331	Total Expenditure	335
0	0	0	Less Income	0
313	331	331	Total Budget	335

Projected Pensions Account 2010/2011

EXPENDITURE	£	INCOME	£
Ongoing Pensions	16,601,963	Employers Contributions	5,778,638
Current and projected 2010/2011 retired firefighter pension costs		New Employers contributions, dependent upon which scheme, based on percentage of firefighter pay	
Lump Sum Payments	3,521,198	Employees Contributions	3,062,832
Lump sum amount paid to firefighters on retirements projected to occur in 2010/2011		Current firefighter contributions, dependent upon which scheme	
Ill Health Lump Sums	249,945	Ill Health Contributions	
Lump sum amount paid to firefighters retiring on ill health grounds		From 2006/2007 onwards, the Authority is required to contribute 4 x pensionable pay for higher-tier ill health retirements and 2 x pensionable pay for lower-tier retirements	
		Ill Health Contributions (2008/2009) -	
		Higher Tier	0
		Lower Tier	0
		Ill Health Contributions (2009/2010) -	
		Higher Tier	48,770
		Lower Tier	32,513
		Ill Health Contributions (2010/2011) -	
		Higher Tier	49,989
		Lower Tier	33,326
Transfers Out	0	Transfers In	203,837
Where firefighters transfer out of the firefighters pension scheme to another pension scheme, a cash transfer value is paid across to reflect the value of pension rights accrued		New recruits can transfer into the firefighters pension scheme and a sum to reflect the value of their existing pension rights earned is paid to the Authority upon transfer	
		Top Up Grant	11,163,201
		Grant to be received from the DCLG to balance the Pension Account	
	20,373,106		20,373,106

Medium Term Financial Strategy – Financial Risk Analysis**Inflation**

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

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

- prudent provision has been made for all salary costs;
- the government has proposed pay awards in the range of up to 1% in 2010/2011 for key public service workforces, not in multi-year deals, and is seeking a 1% cap on basic pay uplifts across the public sector for 2011/2012 and 2012/2013. Local Government employers have offered a zero pay increase for 2010/2011 against a pay claim by the unions of 2.5% or £500 (a total cost increase of 2.8%);
- currently, RPI is 2.4%, RPIX is 3.8% and the Consumer Price Index (CPI) is 2.9% and the inflation outlook (CPI) for the year ahead is within the 0.5% to 2.7% banding;
- expenditure in respect of most of the budget heads can be either influenced or controlled;
- separate provision has been made for fuel and utility costs, which have been subject to significant price variations over the last year.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

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

Investment Interest

Risk is that income generated will not match budget provision

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

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

Contingencies

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

This is unlikely to occur due to:

- prudent estimates included in respect of each category of contingency provision;
- specific contingencies have been created for all known spending pressures in 2010/2011;
- the total contingency provision is deemed sufficient in the context of the net revenue budget;
- past experience suggests an underspending against the contingency provision.

Risk Management

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

This is very unlikely to occur due to:

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

Financial Planning

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

This is unlikely to arise due to:

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

Revenue Budget - Budgetary Control

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

This is very unlikely to occur due to:

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

Capital Programme Implications

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

This is unlikely to happen due to:

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

Reductions to the Revenue Budget

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

This is unlikely to occur due to:

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

Impact of the Economic Downturn

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

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

Availability of Other Funds

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

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

Statement of General Balances

	£'000
Balance as at 1st April 2009	3,068
First Review 2009/2010:	
- Underspend on Leasing Budget	50
Second Review 2009/2010:	
- Underspend on Employee Budget	1,080
- Underspend on Leasing Budget	77
- Overspend on Income Budget	(300)
Third Review 2009/2010:	
- Underspend on Employee Budget	150
- Underspend on Debt Charges	200
- Underspend on Leasing Budget	65
- Estimated provision for Carbon Reduction measures	(600)
- Estimated provision for Equality and Diversity	(200)
- Estimated provision for purchase of vehicles	(300)
Estimated Balance as at 31st March 2010 and 31st March 2011	3,290

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.09)	Estimated Movement in 2009/2010	Estimated Balance (31.3.10)
	£000	£000	£000
<p>Insurance Reserve</p> <p>Reserve held to protect the Authority from unexpected volatility from changes in legislation that could be retrospective, unknown exposures that may arise in the future, and to cover a possible shortfall in the eventual settlement in respect of MMI.</p>	686	0	686
<p>Development Reserve</p> <p>Reserve created to fund medium term and long term capital and revenue developments.</p>	14,703	0	14,703
<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>	47	(3)	44
<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>	5,084	165	5,249

PREVENTING PROTECTING RESPONDING

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.09)	Estimated Movement in 2009/2010	Estimated Balance (31.3.10)
	£000	£000	£000
<p>Contingency Planning Reserve</p> <p>Reserve to enable appropriate contingency arrangements to be put in place to ensure continued service delivery.</p>	2,250	0	2,250
<p>Budget Carry Forward Reserve</p> <p>Reserve established to fund the slippage of specific items of revenue expenditure.</p>	2,548	(2,548)	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>	452	(104)	348
<p>Community Safety Reserve</p> <p>Reserve to deliver community safety initiatives in future years.</p>	250	0	250
<p>Civil Emergency Reserve</p> <p>Reserve to enable the Authority to respond to a catastrophic event, locally or nationally.</p>	200	0	200
<p>Regional Control Centre (RCC) Reserve</p> <p>Reserve to provide a means of offsetting any costs associated with the RCC Project on the basis that the CLG position does not provide an absolute assurance to the Authority that all additional costs will be funded by CLG.</p>	350	0	350
<p>Insurance Provision</p> <p>The provision covers the value of known insurance risks.</p>	540	0	540

MEDIUM TERM FINANCIAL STRATEGY 2010/2011 TO 2014/2015

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Approved Budget	58.71	58.71	58.71	58.71	58.71	58.71
Inflation:						
- Firefighters Pay Growth		0.61	1.23	1.86	2.50	3.15
- APT&C Pay Growth		0.11	0.22	0.33	0.44	0.55
- Prices Growth (incl. Energy)		0.57	0.88	1.18	1.50	1.82
Ill Health Early Retirements		(0.06)	0.02	0.02	0.02	0.02
Revenue Implications of Capital Programme:						
- Incident Management Training Facility		(0.10)	(0.10)	(0.10)	(0.10)	(0.10)
LGPS Deficiency Payments		0.02	0.04	0.06	0.08	0.10
NEFRA Collaborative PFI Scheme		0.13	0.16	0.16	0.16	0.16
Efficiency Savings						
- IRMP efficiencies		(0.42)	(0.84)	(0.84)	(0.84)	(0.84)
- Review of Operational Staffing Profile		(0.05)	(0.37)	(0.37)	(0.37)	(0.37)
- Delegated Budgets		(0.15)	(0.20)	(0.25)	(0.30)	(0.35)
- Capital Programme			(0.15)	(0.15)	(0.15)	(0.15)
Indicative Budget	58.71	59.37	59.60	60.61	61.65	62.70
Percentage Increase over Previous Year's Budget		1.1%	0.4%	1.7%	1.7%	1.7%

