

TYNE AND WEAR FIRE AND RESCUE AUTHORITY

MEETING: 23RD FEBRUARY 2009

SUBJECT: REVENUE BUDGET 2009/2010

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 2009/2010 by the Authority at its meeting held on 19th January 2009. Following consideration of the reports, the Authority agreed as follows:

Minute No, 86 resolved that:-

- (i) the contents of the report and the draft Revenue Budget position for 2009/2010 be noted;
- (ii) the draft revised MTFS attached at Appendix A be noted.

- 1.2 The purpose of this report is to present for consideration and approval by Members, the Revenue Budget for 2009/2010, including the precept required to be levied on the District Councils in Tyne and Wear.

2. FINAL REVENUE SUPPORT GRANT SETTLEMENT 2009/2010.

Local Government Finance Settlement 2009/2010

- 2.1 A detailed report on the Final Local Authority Finance Settlement 2009/2010 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 2009/2010 of £35.184 million and for 2010/2011 of £35.570 million remain unchanged from the figures announced previously. The levels of grant entitlement represent increases of 1.26% for 2009/2010 and 1.10% for 2010/2011.

Fire Capital Grant

- 2.2 On 15th December 2008, CLG announced its proposals for distributing the Fire Capital Grant, which totals £78 million nationally. The grant has been allocated on the basis of a fixed element of £0.5 million for each authority for each of the two financial years with the balance being distributed according to population. As a consequence, this Authority will receive a capital grant allocation of £745,323 in 2009/2010 and £959,579 in 2010/2011.

3. REVENUE BUDGET 2009/2010

- 3.1 The Revenue Budget for 2009/2010 has been set taking full account of the tightening economic position facing the UK and global economies, including the relatively low grant increases of only 1.26% and 1.10% in 2009/2010 and 2010/2011 respectively, and the potential for low grant settlements beyond that.
- 3.2 In addition, the Audit Commission's national review of the Fire and Rescue Service – "Rising to the Challenge, Improving Fire Service Efficiency" 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". The government has, naturally, welcomed this review, and it is likely that the next Spending Review will take account of the potential for FRS's to deliver further efficiency savings when deciding on the level of grant settlements available to the Fire and Rescue Service, nationally.
- 3.3 Further to the national context above, this Authority has a stated objective to deliver efficiency savings in order to restrict council tax precept increases as far as possible, and the Revenue Budget for 2009/2010 has been set on that basis.
- 3.4 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 Plan, the Medium Term Financial Strategy (MTFS), the Integrated Risk Management Plan (IRMP) and the CPA Improvement Plan. The review has also ensured that opportunities for generating efficiency savings are maximised.
- 3.5 Appendix A shows the summary position for the Authority and the detailed budgets, which, it is proposed, will also appear in the Strategic Community Safety Plan 2009-2012. The proposed revenue budget for 2009/2010 totals £58.714 million. The presentation of the budget information is determined by the requirements of the Best Value Accounting Code of Practice as it defines best professional practice in terms of financial reporting.
- 3.6 The proposed budget makes provision for the following:

Integrated Risk Management Plan 2009-2012

- 3.7 Members will be aware that this Authority has produced and maintained a fully costed Integrated Risk Management Plan (IRMP), which has provided significant efficiency savings to offset the financial implications of the national pay agreement and provide investment in Community Safety initiatives.
- 3.8 In September 2008, Members approved the IRMP 2009-2012, and the associated 2009/2010 Action Plan. These plans are consulted upon with the public and other interest groups prior to final consideration and approval by Members in March of each year. The financial implications of this plan have been built into both the Revenue Budget for 2009/2010 and the MTFS.

Strategic Review of Fire Cover

- 3.9 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 2009/2010 has been increased to £910,629 reflecting inflationary adjustments.

Firefighter Pensions

- 3.10 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. This Authority has invested in health awareness and intervention measures through its Occupational Health Unit, and this has brought about a reduction in the number of ill health early retirements, with none occurring during 2008/2009, up to this point. Prudent assumptions have been made in the updated MTFS and the Revenue Budget for 2009/2010.
- 3.11 A projected Pensions Account for 2009/2010 is presented at Appendix B for information.

Local Government Pension Scheme (LGPS) Deficiency Payments

- 3.12 Provision has been made within the MTFS and the Revenue Budget for 2009/2010 for stepped increases in the deficiency contribution to the Local Government Pension Scheme in line with information supplied by the fund's actuary up to the end of 2009/2010 and thereafter on a prudent basis.

Pay Provision

- 3.13 Prudent provision has been made within the Revenue Budget for 2009/2010 for pay increases for all employee groups, which will be subject to the outcome of national pay agreements.

CPA Improvement Plan

- 3.14 Members will be aware that a CPA Improvement Plan has been prepared that includes 10 Improvement Outcomes, each Outcome having associated targets within annual plans. The financial impact has been built into the MTFS and the Revenue Budget for 2009/2010.

Changing Context

- 3.15 The economic downturn that looked like a possibility earlier in this financial year is now a reality. As a result, the Chief Fire Officer is undertaking a review 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. Further reports will be made to Authority as appropriate.

National and Regional Initiatives**Regional Control Centre (Fire Control)**

- 3.16 An update on the Fire Control project was reported to Members at the full Authority meeting in December 2008 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 Region is July 2010.
- 3.17 Project and transitional costs are fully funded until July 2010 and the Revenue Budget has been set based on the overarching principle, which the North East FRAs continue to pursue, that there should be no net cost to be incurred by any of the Fire and Rescue Services within the region.

Firelink Project

- 3.18 The government has undertaken to meet the capital cost of the new system and has committed to providing additional funds to FRAs to meet additional revenue costs, initially through specific grant and then, ultimately, to be distributed through Revenue Support Grant.
- 3.19 The Revenue Budget for 2009/2010 has been set on the basis that there is no additional cost to this Authority arising from the Firelink Project, however, the uncertainty regarding the precise arrangements for the inclusion of this additional funding within the Revenue Support Grant represents a risk to the MTFS over the medium term.

Firebuy

- 3.20 As reported to Members in November 2008, CLG has consulted on issues in relation to the Revised National Procurement Strategy, including the future of Firebuy Ltd. An announcement from the CLG outlining the outcome of the consultation exercise is awaited, at which time the future of Firebuy Ltd, including funding arrangements, will be more clear.

Long Term Management of the New Dimension Capability

- 3.21 Under CLG's New Dimensions Programme, it procured a number of assets to enhance the Fire and Rescue Service's ability to respond to disruptive events, including the provision of over 400 vehicles and associated equipment, nationally. Currently, CLG owns these assets, however, the strategy is for FRS's to take full and direct responsibility for the management of New Dimensions assets in due course.
- 3.22 At this stage, arrangements are being made for the future maintenance of these assets and it is unclear as to the timing of any change of responsibility and how the funding arrangements will change should the assets transfer to FRS's. The Revenue Budget for 2009/2010 is, therefore, unchanged in relation to this issue although the position will continue be monitored.

Human Resources

- 3.23 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

- 3.24 Given the significant reductions in the base rate, the Revenue Budget for 2009/2010 has been revised accordingly, and will be kept under review throughout the financial year.

Capital Programme

- 3.25 A Revenue Contribution to Capital Outlay has been provided for in the Revenue Budget for 2009/2010, which will continue to provide flexibility within the funding arrangements of the Authority's Capital Programme.
- 3.26 The 2009/2010 Capital Programme is presented for Members attention elsewhere on this Agenda. In addition to the Revenue Contribution, a contribution of £199,763 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.
- 3.27 The Capital Programme includes a scheme to develop an Incident Management Training Facility at the Brigade Training Centre, incorporating USAR training facilities. Whilst there will be some additional revenue consequences arising from this, including staffing costs, it is anticipated that there will be a net saving on the revenue budget arising from this scheme as there will be a reduced requirement for external training and increased opportunities for income generation as other FRAs will look to take advantage of the enhanced training facilities.
- 3.28 An Estates Development Plan 2007 - 2012 was reported to Members in July 2007 that presented a number of proposals for the future development of the Authority's estate portfolio. It is proposed to fund this Plan from the Development Reserve on a phased basis. It is likely that there will be revenue implications arising from these developments. Whilst these will become clearer as individual proposals are developed, at this stage the planning assumption is that the revenue implications will, in overall terms, be resource neutral.

General Balances and Earmarked Reserves**General Balances Policy**

- 3.29 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.

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

- the ongoing 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 Plan 2007 – 2012;
- the uncertainty regarding price and pay inflation, including specifically 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

3.31 The estimated level of general balances as at 31st March 2009 and 31st March 2010 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 £3.337 million by 31st March 2009, representing just over 5% of the proposed revenue budget for 2009/2010 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

3.32 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 The 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, known government grant settlements to 2010/2011, national projects and the future outlook;
- Local Funding Position:
 - The Authority's budget is prepared on the basis of this Authority continuing to provide the currently approved levels of service;
 - 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 for a Revenue Contribution to Capital Outlay;
- the revenue implications of the CPA Improvement Plan.

4.2 The projected precept rises in 2010/2011 and future years are based on a series of assumptions. However there is uncertainty regarding a number of factors including:

- the level of pay awards;
- the level of inflation;
- the impact of national projects, such as Fire Control, Firelink and Firebuy;
- the level of government grant support beyond 2010/2011, including the impact of the Audit Commission's national review of the Fire and Rescue Service – "Rising to the Challenge, Improving Fire Service Efficiency", referred to at paragraph 3.2;
- any changes to specific grants e.g. transfer to general grant funding or cessation;
- 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, 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;
- further 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 2009/2010 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 2009/2010 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 2009/2010

- 5.1 Members will be aware that the Civil Contingencies Act (CCA) is now in place and funding is allocated to all relevant local authorities as part of the Local Government Finance Settlement to enable them to meet their responsibilities under the Act. A legal agreement between the five districts and the Tyne and Wear Emergency Planning Unit (TWEPU) has been developed and includes details on how the unit will be funded by the districts.

Financial Agreement 2007/2008 – 2009/2010

- 5.2 In 2005, the Tyne and Wear Local Authorities agreed that each authority would allocate 60% of its government allocation for civil protection work to TWEPU, providing TWEPU with a full-year budget for both 2005/2006 and 2006/2007 of £535,289.
- 5.3 In October 2006, a standstill budget of £535,289 was agreed up to the end of the 2009/2010 financial year, and this position is reflected in the 2009/2010 Revenue Budget reported at Appendix A.
- 5.4 A review of funding for all Joint Service arrangements is currently ongoing, and will inform the Revenue Budget for TWEPU in 2010/2011.

Revenue Budget 2009/2010

- 5.5 The breakdown of the budgets to be charged to local authorities in Tyne and Wear for 2009/2010 is illustrated below:

Local Authority	TWEPU Budget £
Newcastle	141,190
Sunderland	136,555
Gateshead	92,406
North Tyneside	87,933
South Tyneside	77,205
Total	535,289

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 3rd February 2009.
- 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 to see average council tax and precept increases of substantially below 5%. It has stated that local government should be under no illusions that it is prepared to use its capping powers.
- 7.2 Since the report to the January Authority meeting, 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, 2009 on the billing authorities' Council Tax Collection Funds, these are as follows:

	£
Gateshead	79,000
Newcastle	(37,980)
North Tyneside	22,298
South Tyneside	(1,463)
Sunderland	30,542
TOTAL	92,397

- 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	59,050
Newcastle	76,810
North Tyneside	63,233
South Tyneside	44,100
Sunderland	80,089
TOTAL	323,282

- 7.5 In setting a revenue budget of £58.714 million, the Authority will precept the five District Councils which will increase the Band D Council Tax from £71.61 to £72.50, a rise of £0.89 per annum, which represents an increase of 1.24%.

- 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	4,281,125
Newcastle	5,568,725
North Tyneside	4,584,393
South Tyneside	3,197,250
Sunderland	5,806,453
TOTAL	23,437,946

8. RECOMMENDATIONS

- 8.1 The Authority is requested to: -

- (a) approve the revised estimate for 2008/2009, as summarised at Appendix A;
- (b) approve the Revenue Budget for 2009/2010, as summarised at Appendix A;
- (c) note the Medium Term Financial Strategy detailed at Appendix F;
- (d) note the position on general and earmarked balances and reserves, the associated risks and their mitigation as outlined at Appendices C, D and E;
- (e) note the Council Tax base of 323,282 for the year 2009/2010, 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) £66,166,409 - 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) £7,452,292 - 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) £58,714,117 - 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) £35,276,171 - 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) £72.5000 - 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 | 48.3333 | being the amount given by multiplying |
| B | 56.3889 | the amount at (v) above by the number |
| C | 64.4444 | which, in the proportion set out in |
| D | 72.5000 | Section 5(1) of the Act, is applicable |
| E | 88.6111 | to dwellings listed in a particular |
| F | 104.7222 | valuation and divided by the number |
| G | 120.8333 | which that proportion is applicable to |
| H | 145.0000 | dwellings listed in valuation band D, |
| | | calculated by the Authority in |
| | | 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 2009/10

SUMMARY OF ESTIMATES

Actual 2007-08 £'000	Original Estimate 2008-09 £'000	Revised Estimate 2008-09 £'000	Original Estimate 2009-10 £'000
13,247	14,006	13,829 Community Safety	14,070
43,001	44,761	44,872 Fire Fighting & Rescue Operations	44,772
0	0	0 Fire Service Emergency Planning	0
0	0	0 Management & Support Services	0
302	349	330 Corporate & Democratic Core	331
870	11	10 Non Distributed Costs	11
(1,764)	(1,550)	(1,250) Interest on Balances	(447)
0	851	114 Contingencies	938
(867)	(888)	(888) Strategic Review of Fire (PFI)	(911)
		Capital Financing Costs:	
1,675	1,631	1,631 - Debt Charges	1,547
(1,149)	(1,390)	(1,390) - Reversal of Capital Charges	(1,467)
		Pensions FRS17:	
28,950	150	570 - Pension Interest Cost and Expected Return on Pensions Asset	580
(28,990)	142	(42) - Contribution to FRS 17 Pension Reserve	99
55,275	58,073	57,786	59,523
1,274	0	287 Add/(Deduct) Balances - Reserves	(809)
56,549	58,073	58,073	58,714
		Less:	
4,877	4,246	4,246 Revenue Support Grant	6,598
29,060	30,500	30,500 National Non-Domestic Rates	28,586
200	168	168 Collection Funds Net Surplus	92
34,137	34,914	34,914	35,276
22,412	23,159	23,159 To be met from Precept	23,438
320,493	320,493	320,493 Council Tax Base	323,282

COMMUNITY SAFETY

Actual 2007-08 £'000	Original Estimate 2008-09 £'000	Revised Estimate 2008-09 £'000		Original Estimate 2009-10 £'000
10,207	10,292	10,206	Employee Expenses	10,364
276	472	293	Premises Related Expenditure	347
71	79	88	Transport Related Expenditure	75
1,420	1,370	1,577	Supplies and Services	1,418
164	203	310	RCCO	298
2,103	2,328	2,329	Support Services	2,340
14,241	14,744	14,803	Total Expenditure	14,842
994	738	974	Less Income	772
13,247	14,006	13,829	Total Budget	14,070

FIRE FIGHTING & RESCUE OPERATIONS

Actual	Original	Revised		Original
2007-08	Estimate	Estimate		Estimate
£'000	2008-09	2008-09		2009-10
	£'000	£'000		£'000
27,851	28,651	28,313	Employee Expenses	28,250
1,351	1,518	1,514	Premises Related Expenditure	1,622
1,118	1,343	1,268	Transport Related Expenditure	1,421
6,307	6,118	6,223	Supplies and Services	5,863
900	1,098	1,679	RCCO	1,612
9,449	9,936	9,940	Support Services	9,932
46,976	48,664	48,937	Total Expenditure	48,700
3,975	3,903	4,065	Less Income	3,928
43,001	44,761	44,872	Total Budget	44,772

FIRE SERVICE EMERGENCY PLANNING

Actual	Original	Revised		Original
2007-08	Estimate	Estimate		Estimate
£'000	2008-09	2008-09		2009-10
	£'000	£'000		£'000
461	474	459	Employee Expenses	475
50	44	44	Premises Related Expenditure	45
7	7	7	Transport Related Expenditure	6
53	44	44	Supplies and Services	42
571	569	554	Total Expenditure	568
562	554	554	Less Income	574
9	15	0	Total Budget	(6)
(9)	(15)	0	Appropriation: Contribution to/from FRS17 Pensions Reserve	6
0	0	0	Total Budget	0

MANAGEMENT & SUPPORT SERVICES

Actual 2007-08 £'000	Original Estimate 2008-09 £'000	Revised Estimate 2008-09 £'000		Original Estimate 2009-10 £'000
9,362	9,794	9,842	Employee Expenses	9,876
249	313	311	Premises Related Expenditure	221
601	619	641	Transport Related Expenditure	667
2,257	1,754	1,876	Supplies and Services	1,821
1,149	1,390	1,390	Capital Charges	1,467
13,618	13,870	14,060	Total Expenditure	14,052
13,618	13,870	14,060	Less Income	14,052
0	0	0	Total Budget	0

CORPORATE & DEMOCRATIC CORE

Actual 2007-08 £'000	Original Estimate 2008-09 £'000	Revised Estimate 2008-09 £'000		Original Estimate 2009-10 £'000
144	168	149	Supplies and Services	149
116	132	132	Cost of Member Services	133
42	49	49	Support Services	49
302	349	330	Total Expenditure	331
0	0	0	Less Income	0
302	349	330	Total Budget	331

Projected Pensions Account 2009/2010

EXPENDITURE	£	INCOME	£
Ongoing Pensions	15,707,745	Employers Contributions	5,894,365
Current and projected 2009/2010 retired firefighter pension costs		New Employers contributions, dependent upon which scheme, based on percentage of firefighter pay	
Lump Sum Payments	3,410,594	Employees Contributions	3,111,576
Lump sum amount paid to firefighters on retirements projected to occur in 2009/2010		Current firefighter contributions, dependent upon which scheme	
Ill Health Lump Sums	243,849	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 (2007/2008) :	
		Higher Tier	139,260
		Lower Tier	-
		Ill Health Contributions (2008/2009) :	
		Higher Tier	
		Lower Tier	-
		Ill Health Contributions (2009/2010) :	
		Higher Tier	48,770
		Lower Tier	32,513
Transfers Out	-	Transfers In	44,026
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	10,091,678
		Grant to be received from the DCLG to balance the Pension Account	
	19,362,188		19,362,188

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

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

This is 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 awards to be no higher than 2.0%, and the latest economic downturn points to a greater likelihood that pay awards will be lower than this level;
- Currently, RPI is 0.9%, RPIX is 2.8% and the Consumer Price Index (CPI) is 3.1% and the inflation outlook (CPI) for the year ahead is within the 0.9% to 1.3% banding;
- 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 reduce further in overall terms over the course of the coming year and the Treasury Management Strategy can be adjusted to minimise the impact of any significant increases;
- 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 have been created for all known spending pressures in 2009/2010;
- 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;
- risk management practices are assessed as part of the CPA / 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;
- Revenue Contribution to Capital 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.

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.

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

Availability of Other Funds

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

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

Appendix D

Statement of General Balances

	£'000
Balance as at 1st April 2008	2,930
First Review 2008/2009:	
- Review of Service Establishment	107
- Transfer to Development Reserve	(107)
Second Review 2008/2009:	
- Underspend on Employees Budget	320
- Underspend on Leasing budget	100
- Underspend on Revenue Contribution to Capital	424
- Transfer to Earmarked Reserves	(424)
Third Review 2008/2009:	
- Underspend on Employees Budget	10
- Underspend on Safety Works	177
- Underspend on Supplies and Services	230
- Underspend on Revenue Contribution to Capital	389
- Transfer to Earmarked Reserves	(519)
- Shortfall on Investment Income	(300)
Estimated Balance as at 31st March 2009 and 31st March 2010	3,337

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.08)	Estimated Movement in 2008/2009	Estimated Balance (31.3.09)
	£000	£000	£000
Insurance Reserve	671	0	671
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.			
Development Reserve	14,371	0	14,371
Reserve created to fund medium term and long term capital and revenue developments.			
Early Retirements Reserve	50	(3)	47
Reserve to cover future compensatory added years payments associated with an early retirement during 2002/2003. This ensures no ongoing revenue implications.			
PFI Smoothing Reserve	4,791	293	5,084
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.			

Title and Purpose of Earmarked Reserve / Provision	Opening Balance (1.4.08)	Estimated Movement in 2008/2009	Estimated Balance (31.3.09)
	£000	£000	£000
Contingency Planning Reserve Reserve to enable appropriate contingency arrangements to be put in place to ensure continued service delivery.	2,250	0	2,250
Budget Carry Forward Reserve Reserve established to fund the slippage of specific items of revenue expenditure.	1,892	643	2,535
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.	355	0	355
Community Safety Reserve Reserve to deliver community safety initiatives in future years.	250	0	250
Innovation Fund Reserve Reserve to provide funding to develop a range of fire prevention initiatives in future years.	30	(30)	0
Civil Emergency Reserve Reserve to enable the Authority to respond to a catastrophic event, locally or nationally.	200	0	200
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.	350	0	350

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

MEDIUM TERM FINANCIAL STRATEGY 2009/2010 TO 2013/2014

	2008/09 £m	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Approved Budget	58.07	58.07	58.07	58.07	58.07	58.07
Inflation:						
- Firefighters Pay Growth		0.77	1.53	2.32	3.13	3.96
- APT&C Pay Growth		0.17	0.34	0.52	0.70	0.89
- Prices Growth (incl. Energy)		0.85	1.42	2.12	3.20	4.63
Capital grant to replace RCCO		(0.20)	0.00	0.00	0.00	0.00
Ill Health Early Retirements		(0.28)	(0.30)	(0.33)	(0.32)	(0.31)
Revenue Implications of Capital Programme:						
- Incident Management Training Facility		(0.01)	(0.06)	(0.06)	(0.06)	(0.06)
LGPS Deficiency Payments		0.02	0.04	0.06	0.08	0.10
NEFRA Collaborative PFI Scheme		0.03	0.15	0.15	0.15	0.15
Efficiency Savings						
- IRMP efficiencies		(0.36)	(0.89)	(0.89)	(0.89)	(0.89)
- Review of Operational Staffing Profile		(0.30)	(0.30)	(0.30)	(0.30)	(0.30)
- Delegated Budgets		(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
- Capital Programme				(0.15)	(0.15)	(0.15)
Indicative Budget	58.07	58.71	59.95	61.46	63.56	66.04