

REPORT TO THE RESOURCES COMMITTEE

DATE: 26 NOVEMBER 2007

SUBJECT: BUDGET REPORT 2008/2009 – JOINT REPORT OF THE CHIEF FIRE OFFICER AND DIRECTOR OF FINANCE & PROCUREMENT

SUMMARY:

Members of Resources Committee are asked to consider the attached report and make a recommendation to the Fire Authority regarding the Authority budget for 2008/2009. Members' attention is particularly drawn to items of expenditure for which there is no provision in the recent settlement published by the Welsh Assembly Government.

OBJECTIVES		IMPLICATIONS	
The budget settlement for 2008/2009 has likely impacts on all Authority objectives, and implications in all areas of service provision.			
Trusted & Respect	✓	Operational Risk Management	✓
More than Emergencies	✓	Community Risk Reduction	✓
Saving Lives, Protecting Communities	✓	Training & Development	✓
Managing within Budget	✓	Civil Contingencies	✓
Improving Efficiency	✓	Finance & Procurement	✓
Resources to Priorities	✓	H.R.	✓
Alternative Resources	✓	ICT	✓
Managing People	✓	Corporate Services	✓
Integrated Management Planning	✓	Transport	✓
Partnership Working	✓	Health & Safety	✓
Effective & Empowered People	✓	Premises	✓
Sustainability & the Environment	✓	Welsh Language	✓
Governance	✓	Legal	✓

RECOMMENDATIONS:

Members consider a budget settlement for 2008/2009

BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:

Budget Working Papers
Update Reports to Members
Officers Policy Board Papers
Welsh Assembly Government Settlement Publications

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MID AND WEST WALES FIRE AND RESCUE AUTHORITY

RESOURCES COMMITTEE – 26th NOVEMBER 2007

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE DIRECTOR OF FINANCE AND PROCUREMENT ON THE BUDGET REQUIREMENT FOR THE FINANCIAL YEAR 2008/2009

Introduction

The Fire Authority continues to make satisfactory progress against its stated objectives, with long term progress being maintained in building safer communities.

The Authority has recently agreed its Risk Reduction Action Plan for 2008/2009, and this will form the basis for further driving service improvement into the future. Meanwhile, significant progress has been made in implementing key 2007/2008 objectives including the new crewing arrangements at Haverfordwest, a further increase in the number and effectiveness of Home Fire Safety Audits, and the provision of specialist training to prepare the Service to effectively deal with new identified activities and risk.

There are a number of pressures on the Authority budget, some flowing from new roles and responsibilities for the Service, and some resulting from external imposition and changes, in particular, to the arrangements for funding Firefighter pensions. The changes to pension arrangements, including the new responsibility to fund employers contributions to the Firefighter Pensions Scheme (which retained firefighters now have access to) adds, on its own, nearly 2% to the revenue budget requirement for 2008/2009. This requires to be set in the context of an overall settlement of 2.2% for all elements of the budget.

A number of new responsibilities have been partially or fully funded through internal re-alignment and efficiencies. This includes aiding compliance with the Authorities responsibilities under the Civil Contingencies Act 2004, the ongoing move to full rescue capability on front line appliances, and a wide range of educational and preventative activities.

This year's tight settlement, combined with the lack of funding provision to meet the new pensions liabilities means that every avenue continues to be explored for efficiencies, and every spend challenged by budget holders.

Financial Background

The Provisional Settlement announcement for 2008/09 is the worst since the devolution of the Fire Service to the Welsh Assembly Government and for Local Authorities is the worst since devolution. The Indicative budget being put forward for consideration attempts to allow some progress with the Risk Reduction Plan 2007/10 but because of the likely resources available will be severely limited in its proposals.

Members will be aware that the Comprehensive Spending Review (CSR) was delayed this year from July to October. This has meant a delay in the budget being debated by Members and will mean that the final settlement is not likely to be announced until January, after the deadline for consultation with the Local Authorities.

As a consequence, the meetings with the Local Authority Treasurers have become even more important than previously - senior officers have already met with the Treasurers twice, with a further meeting arranged for the 29th November.

Members will recall that in agreement with the Local Authorities, the cash call on the budget in 2007/08 was significantly reduced by a one off contribution from the Pensions Provision to compensate Local Authorities for the Pensions funding changes. This was done because the constituent authorities were facing budget difficulties being the third year settlement within the extended Comprehensive Spending Review period, expecting a better settlement in 2008/09. The effect of this as highlighted within last year's budget report, is to add a further 3.5% to any like for like budget increase agreed by this authority for 2008/09.

Provisional Settlement

The Provisional Settlement allowed for a general increase in Aggregate External Funding (AEF) of 2.2%. This percentage is net of expected efficiencies. When specific grants are added, the settlement is increased to 3%. The SSA increase for the Fire Service over the 2007/8 budget levels is marginally more than the general settlement at 2.4%.

Whilst the Assembly has given an indication of the potential settlements for the following 2 years – the SSA for the Fire Service increasing by 2.8% in 2009/10 and 3.05% in 10/11, again marginally more than the average settlement levels – the 3 year settlement levels are still subject to change and are thus indicative only.

Additional Pensions liabilities from the new Pensions Funding Arrangements

From April 2006, retained employees have been eligible to enter the New Fire-fighters Pension Scheme (NFPS). For employees who enter the scheme, the Fire Authority pays employers contributions at a rate of 11 % plus ill health payments, assumed at a further 3.2%. The final extent of likely take-up is not yet known, however based on the 2007/08 indications, we expect a minimum cost in 2008/09 of £350k with a potential, should all retained personnel enter the scheme, of an employer liability of over £700,000 p.a. £350k adds 0.85% to the total revenue budget for 2008/09, at an overall level of 14.2% of pensionable pay..

Following the changes in the funding arrangements for pensions, costs of ill health (based on a formula) and injury awards fall on the Fire Service Revenue Account. The projected costs of these for 2008/09 are £395k, increasing by a further estimated £222k in 2009/10. For 2008/09 these costs add a further near 1% to the budget

Representations have been made regarding these additional burdens imposed on the Fire Service and which have not been funded by the Assembly, and it is hoped that these are reflected within the final settlement either by an allocation of additional SSA to the constituent authorities, or by a specific grant to the Fire Authorities pending inclusion in the SSA for the following year.

PROVISIONAL BUDGET REQUIREMENT – VALIDATION OF THE 2007/08 BUDGET

The 2008/09 budget requirement is shown in Appendix A.

Assumptions for the validation of the 2007/08 budget into 2008/09 are :-

- 1) The validation of 2007 pay awards (uniformed 2.4% and non uniformed 2.5%) and increments for non uniformed staff.
- 2) Assumed pay awards for 2008 as 3% from July 2008 for uniformed staff and 2.5% from April 2008 for non uniformed staff.
- 3) Increase of 1.5% (from 15.5% to 17%) in the employers contribution to the Local Government Pension Fund in line with the valuation of the Fund in March 2004. Recent advice suggests similar increases should be built in to the next 2 years.
- 4) Incremental increase of £25k for OS Mapping (2008/09 is the final year's increase)
- 5) General inflation increase of 2.5% on expenditure and income, with specific increases for utilities, rates and fuel
- 6) The continuation of the vehicle replacement programme, updated and attached at appendix D. In conjunction with the enhanced specification for all new-build appliances, this will provide one upgraded vehicle per fire station.
- 7) The ongoing effect of capital financing charges from schemes already committed by the Authority prior to 2008/09 and also resulting from the attached capital programme at Appendix B, which includes essential replacement/new items.

Using the above factors, together with the Pensions issues, to produce a validated budget for 2008/09, gives rise to an increase of 4.8% over the 2007/08 budget. Excluding the Pensions costs this would be a 3% increase.

Whilst the Assembly has given an indication to the Fire Service of the increase in SSA over the following 2 years the figures are only indicative. The 3 year budget therefore is still subject to change. The 2008/09 budget has been validated into 2009/10 and 2010/11 and known items of expenditure have been included. It is anticipated that there will be efficiencies emanating from the RRP over the period, however the phasing and magnitude of these are uncertain.

PROVISIONAL BUDGET REQUIREMENT – NEW PRESSURES AND EFFICIENCIES

The following additional pressures, net of efficiencies, are put forward to Members for consideration.

- 1) RRP first year priorities – Members last year considered the RRP priorities for the first year and Appendix C shows the ongoing effects of those decisions. Due to the financial situation the new proposals within the RRP action plan have to be postponed until resources can be released. While this is extremely disappointing, the timing of the initiatives within the RRP was always subject to resources being available.

The RRP initiatives add only £21k to the budget requirement after efficiencies, with further reductions of £100k in 2009/10. Other RRP initiatives can be included in future years should resources become available.

- 2) Further revenue pressures totalling £41k, after efficiencies. These are shown on Appendix C attached but are summarised as: the requirement to monitor Legionella, attending to Civil Contingencies and Resilience requirements, full year effects of part increases in staff from 2007/08 budget approval, additional costs of Assessment Development Centres, Assessment Verification Teams and the ongoing costs of Broadband, the capital costs of which were agreed in 2007/08.
- 3) Following an extensive examination of all elements of the budget, there are significant efficiencies included on Appendix C from a number of areas of the organisation which total over 1% of the budget.
- 4) The budget build up excludes at present the financial effects of the new Firelink communications system and the costs of resilience work to the control room. These again have been imposed centrally and Government should be supporting the Authority with additional funding. Again the Minister has been approached and it is recommended that the Authority waits to see if this funding is forthcoming.
- 5) Because of the delay in the work relating to the Long Term Capability Management – the transfer of New Dimensions assets from the Assembly to Fire Authorities – it is expected that the costs of this will continue to be paid as a payment direct from the Assembly. Further information may be available by the Final Settlement in the new year.

The addition of these new pressures brings the like for like increase in the budget to 4.96%. Excluding the change in Pensions funding issues, the increase is 3.15%.

There has been a great deal of work carried out by officers prior to this report being presented to committee and there are a number of pressures in addition to those included above that have been excluded from this report because of the financial restrictions. Some of these are significant, for example, an alternative remuneration scheme for the Retained Duty System staff, potential CPD payments/Additional Responsibility Allowances, Community Safety legislation costs, Recruitment Courses, and a number of other demands. No resources have come from the Assembly despite these pressures being outlined in the Expenditure Sub Group

report and like the Pensions costs, many of these are additional burdens outside the control of this Authority. Some of these will have to be absorbed as well as can be managed, and others will have to be delayed.

The Director of Finance and Procurement has discussed with the Treasurers the potential for using the Elective Pensions Provision to cover the costs of the retained employers contribution costs until the budget requirement for this liability can be levelled out. There is therefore the potential for reducing the call on the budget by 0.85%. However it is important that these costs are brought into the base budget as soon as possible. A delay even for this one year will mean a larger increase in the budget requirement next year and this may cause difficulties when that budget is considered. This could be particularly true if the numbers opting in to the scheme rise and its possible that this could add as much as 1.7% next year.

The Chief Fire Officer has also written to the Directors of Finance to request approval for the conversion of the Pensions Provision into reserves. This would not only allow flexibility over financial years but also with the uncertainty over pay awards will give the authority a buffer giving less likelihood for a supplementary levy. In this period of severe financial restrictions this would also allow the Authority to be less cautious in its estimating of pay awards and inflation, and would allow the Authority to release the contingencies inbuilt into the budget. A reduction of 1% could be achieved on the budget increase in this case. Without reserves it would not be prudent for the Authority to consider such a move.

Both the other Fire and Rescue Authorities have reserves and the Director of Finance and Procurement has tentatively broached the issue with the Wales Audit Office who would be satisfied with the arrangement subject to the constituent authorities' approval.

Should both the above mechanisms be adopted, the increase in the budget on a like for like basis could be reduced to 3.1%, which still includes a near 1% unavoidable pensions obligation impacting on the revenue budget.

The fact remains that, in summary, the potential budget increase is made up of:-

Retained employers contribution	0.85%
Other pensions commitments	0.96%
Validation of 2007/08 budget	3.0%
New investment net of efficiencies	0.15%

TOTAL	4.96%

Recommendation

That Members consider the budget strategy for 2008/09 for recommendation to the Fire Authority

MID AND WEST WALES FIRE AND RESCUE AUTHORITY		Appendix A		
2008/09 BUDGET REQUIREMENT, VALIDATED FOR FURTHER 2 YEARS				
	% Increase	2008/09	2009/10	2010/11
1) PREVIOUS YEAR ORIGINAL BUDGET		41,042,435	43,077,736	44,869,856
2) PAY AWARD ADJUSTMENTS				
REDUCED PAY AWARD W/T		-76,891		
REDUCED PAY AWARD P/T		-23,553		
REDUCED PAY AWARD CONTROL ROOM		-5,959		
3) 2006/2007 PAY AWARD VALIDATION - FULL YEAR EFFECT				
WHOLE-TIME FIREFIGHTERS 2.4% [09/10 & 10/11 3.0%]		123,000	157,440	162,163
RETAINED FIREFIGHTERS 2.4% [09/10 & 10/11 3.0%]		31,405	40,200	41,405
CONTROL 2.4% [09/10 & 10/11 3.0%]		7,945	10,170	10,475
4) ANNUAL INCREMENTS				
APT&C		54,000	54,000	54,000
5) VEHICLE REPLACEMENT PROGRAMME/APPLIANCE UPGRADES		110,000	78,000	184,000
6) 2008/2009 BUDGET AT NOVEMBER 2007 PRICES		41,262,382	43,417,546	45,321,899
7) 2008/2009 INFLATION ASSUMPTIONS				
WHOLE-TIME FIREFIGHTERS 3.0% JUL 08 [09/10 & 10/11 3.0%]		473,000	487,190	501,805
RETAINED FIREFIGHTERS 3.0% JUL 08 [09/10 & 10/11 3.0%]		120,592	124,210	127,935
CONTROL 3.0% JUL 08 [09/10 & 10/11 3.0%]		30,511	31,425	32,370
APT&C 2.5% APR 08 [09/10 & 10/11 2.5%]		73,578	75,420	77,300
MANUALS, MECHANICS 2.5% APR 08 [09/10 & 10/11 2.5%]		15,673	16,065	16,465
LG PENSIONS: EMPLOYER'S CONTRIBUTION RATE INCREASE		70,000	72,000	74,000
OS MAP LICENCES		25,000	0	0
INJURY AND ILL HEALTH PENSIONS		395,000	222,000	0
RDS STAFF EMPLOYERS CONTRIBUTIONS		350,000	100,000	100,000
OTHER EXPENDITURE INFLATION 2.5%+PREMISES		150,000	155,000	160,000
		42,965,736	44,700,856	46,411,774
8) CAPITAL FINANCING CAP PROGRAMME ATTACHED (App B)		50,000	244,000	201,000
	4.81	43,015,736	44,944,856	46,612,774
9) EFFICIENCIES + INVESTMENTS (see Appendix C)		62,000	-75,000	0
(Excludes Firelink new costs)	4.96	43,077,736	44,869,856	46,612,774
11) INDICATIVE BUDGET REQUIREMENT	4.96	43,077,736	44,869,856	46,612,774
PERCENTAGE INCREASE ON PREVIOUS YEAR BUDGET		4.96	4.16	3.88
-				
2007/08 budget financed by :- Constituent Auths £39,664,902				
Pensions Provision £1,377,533				

Mid and West Wales Fire and Rescue Authority

Appendix B

Proposed Capital Programme 2008/9 - 2010/11

	Scheme Description	Additional Narrative	Scheme Cost £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
1	Minor Works	Minor improvements including upgrading electrical and mechanical installations		300	300	300
2	Llandrindod Wells Emergency Services - SLIPPAGE IN THE TIMETABLE AND FEASIBILITY STUDY BEING UNDERTAKEN TO ASSESS COSTS	Joint facility with Police, Ambulance and others - gross costs expected at £7m, net costs to Fire Service shown here, method of financing yet to be agreed	2,800 net costs	1,120	1,680	0
3	Capital Equipment - Rope Rescue		60	30	0	0
4	BA Cylinders		250	0	250	0
5	Capital Equipment - IT			125	125	125
6	Command and Control		350	0	0	350
7	PPE		1,250	1,250	0	0
8	New Fire Station - Amman Valley		500		500	
9	Hydrant Installations	New schemes		35	35	35
10	Vehicle enhancement			320	320	
	Total Capital Expenditure			3,180	3,210	810

To be financed by loan		3,055	3,085	685
To be financed by revenue		125	125	125
		3,180	3,210	810

Revenue Budget - Additional requirements/savings 2008/09 and ongoing revenue implications

NB - All costs shown as increases or decreases over 2007/08 financial year

Policy Issue	2008/09 £ 000's	2009/10 £ 000's	2010/11 £ 000's	Full Year £ 000's
RRP				
Change of crewing arrangements at H west	-260	-360	-360	-360
Less 2 CFS posts Haverfordwest	60	60	60	60
1 LFS/CS officer in CC.(2 in 7/8)	56	56	56	56
Community Safety Initiatives, YFF, HFSA's	165	165	165	165
Total First Priority RRP bids	21	-79	-79	-79
Control Room and Admin Support Efficiencies	-56	-56	-56	-56
Legionella monitoring	20	20	20	20
Increased rental income	-12	-12	-12	-12
ORM				
LOLER Compliance	-10	-10	-10	-10
Civil Contingencies and Resilience				
Operational requirement	110	110	110	110
Less efficiencies in staffing structure	-60	-60	-60	-60
HR and Training				
Appointment of Equalities Officer Full Yr Effect	9	9	9	9
Assessment Development Centres	27	27	27	27
Assessment Verification Teams	35	70	110	110
Efficiencies within Training budget	-40	-40	-40	-40
Reduction in allowances negotiated	-10	-20	-60	-60
Comms and IT				
Firelink officer Full Year Effect (FYE)	8	8	8	8
Broadband	20	20	20	20
	41	66	66	66
	62	-13	-13	-13

APPENDIX C

MID AND WEST WALES FIRE AND RESCUE AUTHORITY																APPENDIX D	
REVISED 5 YEAR VEHICLE REPLACEMENT PROGRAMME																	
	2005/06		2006/07			2007/08			2008/09			2009/10			2010/11		
	NOS	CAPITAL	NOS	CAPITAL	YEAR OF	NOS	CAPITAL	YEAR OF	NOS	CAPITAL	COMMENTS	NOS	CAPITAL	COMMENTS	NOS	CAPITAL	COMMENTS
	REQ	COSTS	REQ	COSTS	DRAWDOWN	REQ	COSTS	DRAWDOWN	REQ	COSTS		REQ	COSTS		REQ	COSTS	
WATER TENDER APPLIANCE	2	450,000.00	2	450,000.00	JULY 07	4+2	1,470,000.00	6 IN BUILD	6	1,470,000.00		3	735,000.00		6	1,470,000.00	
APPLIANCE UPGRADES	8	320,000.00	8	320,000.00		8	320,000.00		8	320,000.00		8	320,000.00				
LIGHT 4WD PUMPS NOT REPLACED	1	75,000.00															
REPLACED BY:																	
LAND ROVERS 05/06																	
FIREFOGGING UNITS 05/06																	
BORTH APPLIANCE 06/07			1	0.00	07/08 DEFER	1	150,000.00	07/08									
T4P																	
CONTROL UNIT																	
RESCUE TENDER															1	450,000.00	
BRIMAC RECOVERY UNIT																	
CARS	10	100,000.00				20	200,000.00	NOV 07	10	100,000.00							
VANS	6	60,000.00				15	225,000.00	NOV 07	8	120,000.00		6	90,000.00				
MINI BUS						2	46,000.00	JAN 08				1	24,000.00				
LANDROVERS									1	25,000.00							
AERIAL LADDER PLATFORM	0	0.00	2	900,000.00	DEC 07												
DIVING UNIT																	
WATER CARRIER																	
FOAM TANKER												1	200,000.00				
FLAT BED POD							0.00										
POD WATER CARRIER																	
HOSE POD															1	80,000.00	
HOT FIRE POD - TRAINING									1	125,000.00							
PRIME MOVER							0.00					1	75,000.00		1	150,000.00	
CANTEEN POD												1	100,000.00		1	100,000.00	
HAZ SUBSATANCES POD												1	100,000.00		1	100,000.00	
CONTROL UNIT																	
BA POD													180,000.00				
FOAM POD															2	300,000.00	
FIRE PREVENTION UNIT									1	185,000.00	ON-GOING						
CHEMICAL INCIDENT UNIT													150,000.00				
BA INCIDENT POD																	
SHIP FIREFIGHTER POD																	
CHIP PAN UNIT																	
BOATS															3	30,000.00	
FIRE SAFETY DISPLAY UNIT						1	0.00										
POLLUTION RESPONSE VEHICLE												1	75,000.00				
DRIVER TRAINING VEHICLE			2	100,000.00	JULY 07	1	50,000.00	NOV 07									
	27	1,005,000.00	15	1,770,000.00		48	2,461,000.00		35	2,345,000.00		23	1,949,000.00		16	2,680,000.00	