

Revenue Budget and Capital Programme Budget Recommendations 2008/09

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report brings together the recommendations of the Strategy and Resources Committee of 24 January 2008, which have been incorporated into report 10 on the precept, to be considered later on the agenda for this meeting. In addition the outcome of the consultation process is reported.

2 Recommendations

The Fire Authority is asked to:

- a) Accept the recommendations of its Strategy and Resources Committee in order to set its capital, reserves and provisions and revenue budgets together with its precept for 2008/09;
- b) Note the revisions to the statement on the robustness of the budget and adequacy of the reserves; and
- c) Accept the key principles to incorporate in the updated Medium Term Financial Plan

3 Background

The Strategy and Resources Committee was charged with examining a budget package based on annual increases in the precept of 3.75%. The objectives of balancing the budget at the end of the three-year period, and of bringing down the annual rate of increase were highlighted.

The Committee considered the reports attached at Appendix A. They also considered feedback from public consultation.



4 Decisions of the Committee

The Committee heard that:

- i An additional £60,000 of potential developments had been identified;
- ii The Band D equivalent base had been reduced from an estimate of 157,722 to 157,243.68; and
- iii The Collection Fund surplus had reduced from an estimate of £50,000 to £38,000.

The implications of the losses in Council Tax bases were that projected budget surpluses and deficits, with 3.75% annual increases, deteriorated as follows:

	Surplus / (Deficit) from figures reported to the Authority in December £000	Surplus / (Deficit) now forecast £000
2008/09	324	226
2009/10	203	64
2010/11	(26)	(210)
Net surplus	501	80

Members then considered revenue expenditure and agreed to **recommend** that this remain unchanged, i.e. the £60,000 of additional service developments is contained by rephasing expenditure into later years if necessary. They **recommended** that detailed proposals as to how this would be done should be approved by the Committee.

Members also considered the capital programme and prudential guidelines. The programme is **recommended** for approval, although the consequent increase in prudential borrowing in 2009/10 – 2010/11 was noted. Concern was also raised over the reduction in net surpluses from £501,000 to £80,000 as a result of reduced tax bases and Collection Fund. These surpluses are needed to be added to the capital reserve in order to reduce the impact of prudential borrowing. Members were also concerned at the potential budget shortfall in 2010/11, which had risen to £210,000, and would rise further in 2011/12 as the full impact of the St Michael's Street project arose.

For these reasons the Committee decided to **recommend** a revenue budget based on annual increases in precept of 3.9%, which is summarised on the following page.



	2008/09	2009/10	2010/11
	£000	£000	£000
1 Expenditure	20,058	20,919	21,963
Funded from:			
2 Grant	7,670 -	7,975 -	8,268 -
3 Collection Fund Surplus	38 -	50 -	50 -
4 Reserves and Balances	255 -	98 -	-
5 Council Tax (+3.9% per annum)	12,326 - (£78.39)	12,896 - (£81.45)	13,493 - (£84.63)
6 Surplus / (Deficit)	231	100	(152) -
Total Funding	20,058 -	20,919 -	21,963 -

A full analysis of changes to this table is set out at Appendix B.

From the table, it can be seen that surpluses of £231,000 and £100,000 could be added to the capital reserve in 2008/09 and 2009/10. There remains a potential deficit in 2010/11 of £152,000, i.e. a reduction from the £210,000 that would have resulted from a precept increase of 3.75% a year. However the Committee accepted that this deficit could be managed, for the reasons set out in paragraph 4 of Report 7 of their agenda, and that the position for 2011/12 would also be improved.

The net budget requirement, i.e. the amount to be met from grant and Council Tax is expenditure (line1) less the net contribution to, or from, reserves and balances (lines 4 and 6). The net budget requirement for 2008/09 is, therefore, £20,034,000.

5 Consultation

The Fire Authority has tried to consult as effectively as possible, and been commended by external auditors for its approach that includes:

- a) Publishing budget meetings, decisions and reports on its website;
- b) Commissioning public meetings through Opinion Research Services Ltd, whose written report is attached;
- c) Meetings with stakeholders; and
- d) Meeting with other public bodies as invited.



The Authority is asked to take into account the formal report on the public meetings, attached at Appendix C, when considering its final budget plans.

6 Robustness of Budget and Adequacy of Financial Reserves

The recommendation to increase the precept by 3.9% from £75.45 in 2007/08 to £78.39 in 2008/09 does not materially affect Report 8, which the Committee considered for 2008/09. The net budget requirement rises marginally from £20,029,000 to £20,034,000, i.e. still a 5.1% increase over 2007/08. The growth in the precept of 3.9% is still significantly below 5%, so the threat of capping should be avoided.

The change does, however, increase the robustness of the three-year budget package, and does make it easier to balance the books in 2010/11.

Regarding the adequacy of reserves, an additional net £99,000 will be added to the capital reserve, over the three-year period, and the Committee **recommended** the reserves and provisions, with this amendment, to the Authority.

7 Medium Term Financial Plan (MTFP)

The Committee believes that a possible 3.9% per annum increase in precept over the next three years would form the basis of a comprehensive approach to service and financial planning, and in particular would:

- i Set a potential upper limit on increases, whilst giving scope for reducing the rate of increase;
- ii Provide scope for coping with a realistic level of service pressures likely to arise;
- iii Set an achievable annual target for efficiencies, whilst encouraging the drive for further efficiencies as the potential shortfalls from 2010/11 are addressed. The objective would be to match the national target for the service as a whole; and
- iv Deal with the problems identified at the St Michael's Street site, and the implications for committed financing costs. Notably one-off receipts, efficiencies and other savings would be channelled to the capital reserve to reduce prudential borrowing.

8 Financial Implications

The financial implications are outlined in the main body of this report.

9 Legal Comment

The Fire Authority must comply with the provisions of the Local Government Act 2003, which relates to finance, and in particular, parts 1 and 2 of the Act, which relate to capital finance and accounts and financial administration.



10 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed. It should be noted, however, that a full Equality Impact Assessment will be conducted upon the Medium Term Financial Plan as referred to in this report.

11 Appendices

Appendix A

Strategy and Resources Committee reports 6, 7 and 8 of 24 January 2008

Appendix B

Analysis of Expenditure and Precept Charges

Appendix C

Opinion Research Services' report on Consultation on the Budget Strategy 2008/09 to 2011/12

12 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



6

Shropshire and Wrekin Fire Authority
Strategy and Resources Committee
24 January 2008

Capital Programmes 2007/08 to 2010/11 and Prudential Guidelines

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report monitors capital spending in the current year and presents the capital programmes for 2008/09 to 2010/11, for consideration by the Committee in the context of Prudential Guidelines.

2 Recommendations

The Committee is recommended to:

- a) Note the current monitoring of the 2007/08 capital programme; and
- b) Forward the 2008/09 onward programmes for consideration by the Fire Authority as part of its final precept deliberations.

3 Background

The latest position on the current year's capital programme is set out in Appendix A to this report.

The capital programme currently included by the Fire Authority in its 2008/09 budget adopted for consultation is attached at Appendix B.

Detailed project appraisals are available electronically for further consideration by the Committee.



Consideration of the future capital programmes must be in the context of producing a balanced budget. This means that the increases in capital expenditure must be limited by increases in debt charges caused by increased borrowing and increases in running costs from new capital projects.

The Fire Authority must also have regard to the Prudential Code and must set Prudential Indicators for the next three years to ensure that its capital investment plans are affordable, prudent and sustainable.

4 Monitoring Current Capital Programmes

Progress on schemes from the Fire Authority’s capital programme for 2007/08 and also those schemes, which slipped from 2006/07, are shown at Appendix A.

Performance against the capital programme has been taken into account when setting the Fire Authority’s Prudential Indicators for the next three years, and would also have been considered when making necessary changes to current indicators. All borrowing undertaken on behalf of the Fire Authority by its Treasury Services advisors has been done in line with its Treasury Strategy.

5 Prudential Guidelines

The Local Government Act 2003 requires the Fire Authority to “determine and keep under review how much money it can afford to borrow”. In doing so, it “shall have regard to the Prudential Code for Capital Finance in Local Authorities”. The key issue is to ensure that the revenue consequences of the proposed investment will not lead to unacceptable financial pressures in later years.

The position is as follows:

a) Ratio of Financing Costs to Net Revenue Stream

	2007/08 Revised £ 000	2008/09 Budget £ 000	2009/10 Budget £ 000	2010/11 Budget £ 000
2007/08 and Earlier Programmes	566	634	634	634
2008/09 Programmes		61	138	138
2009/10 Programmes			134	271
2010/11 Programmes				108
Investment Income	366 -	260 -	260 -	260 -
	200	435	646	891
Net Revenue Stream (Budget) (£ 000)	£19,059	£20,029	£20,885	£21,753
Rates	1.0%	2.2%	3.1%	4.1%



b) The impact of Capital Investment on the level of Band D Council Tax is:

2008/09	£235,000 divided by 157,243.68 = 1.49p
2009/10	£446,000 = 2.84p
2010/11	£691,000 = 4.39p

c) The capital programme that gives rise to these increases is:

	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000
Payments (Appendix B) financed by:	1,025	2,285	3,299
Loan – supported by grant	433	483	497
– prudential borrowing	312	1,262	2,338
Capital Reserve	280	540	464
Capital Receipt	-	-	-
	1,025	2,285	3,299

Although there is just over £300,000 prudential borrowing in 2008/09, this is within the range of previous annual financial arrangements, particularly operational leasing.

The major question to address about further commitments is in 2009/10, 2010/11 and, indeed, 2011/12, when prudential borrowing rises significantly as a result of the planned Integrated Risk Management Plan (IRMP) capital scheme dealing with St Michael's Street.

In response, it is a policy of the Fire Authority to maximise the capital reserve with one-off savings and build in further planned contributions within its budget strategy. This, together with a review of the budget and of the programme in 2009/10, would permit the position to be addressed nearer the time, if necessary.

In addition it is anticipated that a significant capital receipt will be generated to offset the capital costs which continue rising in 2011/12. The four year outlook is likely to be:

	2010/11	2011/12	
	£000	£000	
IRMP Phase 2	2,600	-	
Capital Receipt	-	1,000	-
	<u>2,600</u>	<u>1,000</u>	-
Revenue Implications			
Debt Charges	65	234	
Capital Receipts	-	25	-
	<u>65</u>	<u>209</u>	



i.e. there is a further £144,000 committed growth in 2011/12. This issue is addressed in the later report on the final Budget Plan, where a potential strategy to balance the budget is set out.

d) The Capital Financing Requirement

The Prudential Code requires the calculation of the Capital Financing Requirement for 31 March in current and future years. The Capital Financing Requirement is simply the amount of capital spending not funded by grant, receipts or revenue, i.e. that which is financed from borrowing. The position is estimated to be:

	In Year Requirement	At 31 March
	£ 000	£ 000
31 March 2007 (Preceding Year)		4,472
31 March 2008 (Current Year)	897	5,369
31 March 2009	848	6,217
31 March 2010	1,391	7,608
31 March 2011	2,387	9,995

The importance of the Capital Financing Requirement is that net external borrowing must not (except in the short term) exceed the total of capital financing requirements in the preceding year plus the estimates of any additional capital financing requirements for the current and next two years, i.e. £7,608,000. At present, gross external borrowing is around £5.36 million.

e) Authorised Limit for External Debt

The limit is established, beyond which borrowing is not permitted. The limit must not only accommodate the capital financing requirement, but must be adequate to meet temporary borrowing, e.g. if income is delayed.

The following limits are recommended:

	£ 000
2006/07	7,472
2007/08	8,369
2008/09	9,217
2009/10	10,608
2010/11	12,995



f) Operational Boundary for External Debt

This is set as a likely and prudent boundary that can be exceeded, but, if so, would prompt investigation and, if necessary, corrective action. The following boundaries are recommended, based solely on budgeted capital expenditure:

	£ 000
2008/09	6,356
2009/10	8,101
2010/11	10,936

g) Treasury Strategy 2007/08

The Fire Authority employs Shropshire County Council to manage its Treasury Functions, who in turn have appointed Sector Treasury Services as their advisor.

Borrowing is expected to be made through the Public Works Loan Board (PWLB). The 25 to 30 year PWLB rate is expected to fall from 4.65% to 4.5% by the end of 2008, and rise in 2009 and 2010. The 50 year PWLB rate is expected to fall marginally to 4.45% from 4.5% during 2008, before rising again in 2009.

The Fire Authority will attempt to minimise its debt interest costs, as follows:

- Focus on undertaking new borrowing in or near the 25 to 30 year period.
- This strategy also means that after some years of focusing on borrowing at or near the 50 year period, the Fire Authority will be able to undertake borrowing in a markedly different period and so achieve a better spread in its debt maturity profile.
- Consideration will also be given to borrowing fixed rate market loans at 25 to 50 basis points below the PWLB target rate.

Against this background caution will be adopted with the 2008/09 treasury operations. The Treasurer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the Fire Authority.

Any debt rescheduling actions will be reported to the Fire Authority at the meeting following any action.



h) Investment Strategy

The Fire Authority will have regard to the Office of the Deputy Prime Minister's (ODPM) Guidance on Local Government Investments ("the Guidance") issued in March 2004 and the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes ("the CIPFA TM Code"). The Fire Authority's investment priorities are:

- a) The security of capital; and
- b) The liquidity of its investments.

The Fire Authority will also aim to achieve the optimum return on its investments commensurate with proper levels of security and liquidity.

The borrowing of monies purely to invest or on-lend and make a return is unlawful and this Authority will not engage in such activity.

The Treasurer will only use borrowers where credit ratings are acceptable to the Treasury Management Services provider. Lending will only be within the limits of amounts and periods agreed by the Treasury Management Services provider.

Investments will be sterling denominated. Funds available for investment are cash flow derived, but there may be a core balance available as the Fire Authority builds up its reserves. This core balance will be invested on the advice of our Treasury Management Services provider, to maximise investment returns, but with a limit of £1 million invested for more than one year.

i) Prudential Indicators for Borrowing and Lending

Consistent with Treasury and Investment Strategies, the Fire Authority is recommended to adopt the following Prudential Guidelines for the period to 31 March 2010:

Borrowing

- a) Upper limit for net principal fixed interest rate exposure - 100%
- b) Upper limit for net principal variable interest rate exposure - 20%

Investment

- a) Upper limit for net principal fixed interest rate exposure -100%
- b) Upper limit for net principal variable interest rate exposure - 100%



Maturing Structure of Fixed Rate Borrowing

	Upper Limit (%)	Lower Limit (%)
Under 12 months	30	0
12 months to 24 months	30	0
24 months and within 5 years	30	0
5 years and within 10 years	30	0
10 years and above	100	70

Investments for more than 364 days – £1,000,000

6 Financial Implications

The financial implications are as set out in the report.

7 Legal Comment

The Local Government Act 2003 requires the Fire Authority to “determine and keep under review how much money it can afford to borrow”. In doing so, it “shall have regard to the Prudential Code for Capital Finance in Local Authorities”.

8 Equality Impact Assessment

Officers have considered the Service’s Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

9 Appendices

Appendix A

Our approach to the delivery of the Capital Programme

Appendix B

Capital Programme

10 Background Papers

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	*
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Initial Equality Impact Assessment Form completed	



Our Approach to Delivery of the Capital Programme

For each scheme a capital appraisal form is prepared outlining the benefit to be achieved from the scheme, the proposed works and the anticipated costs and timescales. Appraisal forms are prepared prior to making significant investment in research and feasibility studies and the preferred solution may be varied according to the results of further investigation or changing circumstances. This is normally identified within the risk section of the capital appraisal. The Service always takes the opportunity to ensure delivery is affordable and best meets the needs of the Service in priority to achieving the anticipated timescales. Future capital appraisal forms will clarify these risks in greater detail than in the past.

2006/07

Scheme	Value	Spend	Progress	Budget	Progress
Shrewsbury Improvements	200	45	Extensive works have been carried out. A full electrical survey has been carried out and report prepared. Due to the shorter than anticipated life of the building following IRMP these works are being reviewed and it is expected that some items will not be necessary.	☺	? ☹
Accommodation for Pumping Unit (Craven Arms)	200	5	Work started on site on 14 January 08 and is expected to be complete during July 08.	☺	☺
Rescue Tender	300	75	The vehicle has been delivered and final stowage and training needs are being addressed. It is now available as the reserve appliance following donation of the existing reserve to Hungary.	☺	☹
Boat and Towing Vehicle	30	4	The boat, engine and trailer have been purchased. A suitable towing vehicle has not yet been identified.	? ☺	☹
Standby Control	20	8	This scheme is being reviewed as part of business continuity planning.	? ☺	? ☺
Management Information System	65	50	An order has been placed for this and it is now being installed. Shropshire County Council is providing Resourcelink.	☺	? ☺
Training Facilities	30	20	Road traffic collision training facilities at Telford are complete.	☺	☺
Asset Tracking System	45	40	An order has been placed for this and it is now being installed.	☺	☹



2007/08

Scheme	Value	Spend	Progress	Budget	Progress
Purchase of Ford Rangers	80	45	<p>This scheme has been delivered by reallocation of existing Ford Ranger station vans from Shrewsbury to Oswestry and Telford to Tweedale and with lower cost Kangoo vans.</p> <p>Wellington will retain its Ranger for use on the Wrekin.</p> <p>The reserve fleet will be provided with a Kangoo van initially to be exchanged with Tweedale's Ranger, when that is replaced with a specialist small fires unit.</p> <p>Vehicles have not yet been allocated pending confirmation of equipment to be carried and mobilisation arrangements.</p>	☺	☺
Road Traffic Collision (RTC) Equipment for Rangers	50		The equipment needs have not yet been finalised.	? ☹	? ☹
Training Facilities	30	10	RTC facilities are complete at Ludlow. A tower, designed to meet our current needs, is being costed and planning permission sought with the intention of providing the first at Bishop's Castle.	? ☹	☺
Information Technology	50		This funding is being used to improve business continuity arrangements.	☺	☺
Station End Equipment	10		This is being considered as part of the Fire Control project.	? ☹	? ☹
Building Improvements	65	65	Work is nearing completion at Prees.	☺	☺
Garaging at Oswestry	20	20	Orders have been placed for this work.	☺	☺
Tweedale Improvements	35		This work is complete.	☺	☺
Telford Central Improvements	100		A scheme has been agreed in principle and is being priced.	? ☹	? ☹



2007/08 Continued

Replacement Appliances	510		Orders have been placed for 4 appliances (1 brought forward from 2009/10) with delivery expected in April 2008 for the first appliance and August 2008 (at the earliest) for the remaining appliances.	☺	☹
Wholetime Fire Alarm Installations	100		This work is included in the tender for Shrewsbury electrical works. Telford needs will be considered as part of site re-modelling. A further risk assessment is being carried out at Wellington.	? ☹	? ☹

Schemes shown on grey background are complete and will not be reported on in future.



2008/09 Starts Programme

		Revenue Implications			
		Cost	2008/09	2009/010	20010/11
		£ 000	£ 000	£ 000	£ 000
Financed from Borrowing					
1	Building Improvements	65	3	6	6
2	Fire Appliances	680	17	91	91
		745	20	97	97
Financed from Capital Reserve					
3	Small Fires Unit	100	14	14	14
4	Training Facilities	30	4	4	4
5	Information Technology	40	6	6	6
6	Regional Fire Control Link	10	2	2	2
7	Station End Equipment	25	4	4	4
8	ITC* Equipment Room Relocation	75	11	11	11
		280	41	41	41
Total 2008/09		1,025	61	138	138

* Information Technology and Communications



2009/10 Starts Programme

		Revenue Implications		
	Cost	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000	£ 000
Financed from Borrowing				
9	Building Improvements	105	3	9
10	Crucial Crew Venue	150	4	14
11	Fire Appliances	340	9	46
12	Light Pumping Unit	250	7	33
19	Shrewsbury Integrated Risk Management Plan	900	23	81
		<u>1,745</u>	<u>46</u>	<u>183</u>
Financed from Capital Reserve				
13	Small Fires Unit	100	14	14
14	Training Facilities	30	5	5
15	Information Technology	135	29	29
16	Station End Equipment	25	4	4
17	Fire Kit Replacement	250	36	36
		<u>540</u>	<u>88</u>	<u>88</u>
Total 2009/10		<u>2,285</u>	<u>134</u>	<u>271</u>



2010/11 Starts Programme

		Revenue Implications		
	Cost	2008/09	2009/10	2010/11
	£ 000	£ 000	£ 000	£ 000
Financed from Borrowing and Capital Receipts				
18	Building Improvements			3
19a	Shrewsbury IRMP Phase 2	2,600		65
20	Fire Appliances	170		4
		<u>2,835</u>		<u>72</u>
Financed from Capital Reserve				
21	Fire Kit Replacement	250		6
22	Small Fires Unit	100		14
23	Gas Tight Suits	34		5
24	Breathing Apparatus Upgrade	50		7
25	Training Facilities	30		4
		<u>464</u>		<u>36</u>
Total 2010/11		<u>3,299</u>		<u>108</u>



Revisions to the Budget and Final Budget Plan

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report develops a final revenue budget package for consideration by the Fire Authority, taking into account latest information and public consultation.

2 Recommendations

The Committee is recommended to propose to the Fire Authority a revenue budget of £20,058,000 for 2008/09, based on the principles set out in paragraph 6, which, together with a net transfer from reserves, gives a budget requirement of £20,029,000.

3 Background

The Fire Authority, in December 2007, agreed to consider a budget package based on the principle of 3.75% increases in the precept but wanted to examine the precise implications of such an approach. The objectives of balancing the budget by the end of the three-year settlement period, and of bringing the increase in Council Tax down were highlighted.

The Authority confirmed, for the purpose of budget planning and consultation, a revised capital programme, and service developments and efficiencies, with implied consequences for reserves and provisions.



The position can be summarised as follows. Based on information considered by the Authority in December planned expenditure could be funded by increasing the precept by 3.75% per year and producing the following surpluses and (deficits):

2008/09	£324,000
2009/10	£203,000
2010/11	(£26,000)

	£501,000

The net £501,000 could be added to the capital reserve and used to help reduce prudential borrowing for the St Michael's Street project.

4 Update since December 2007 Fire Authority Meeting

Expenditure

No changes have been identified in the expenditure total of £20,058,000 presented to the Fire Authority in December, other than two additional potential service development items as follows:

- i Purchase of Smoke Detectors** **£40,000**
This would be required to replace the loss of grant received for previous years.

- ii Increased Equality and Diversity Resources** **£20,000**
This would address the National Equality and Diversity Strategy.

These items are potentially ongoing.

At the Fire Authority meeting in December, a prioritised list of developments, totalling £403,000, was presented. It was agreed that these would be considered at this meeting, and that a detailed explanation of the prioritisation methodology would be made.

Accordingly, summarised statements of each development have been produced, and the full business case for each is also available. An oral presentation of the prioritisation methodology will be made.

An approach to dealing with the potential developments without increasing net expenditure, especially given the worsened position on Council Tax income (see below), would be to manage the total growth in 2008/09 within the previously reported total of £403,000. This could be done by dealing with lowest ranking priorities in 2009/10 and 2010/11, where provision had already been made for as yet unidentified growth.



Income

The final figures for the Band D (equivalent) tax base have been received, which show a total of 157,243.68. This is lower than the optimistic assumption used in December of 157,722.

The Collection Fund surplus is also lower at an expected £50,000, compared with an estimate of £111,000, although this figure is still to be finalised.

Precept

If these revised figures for Council Tax income are now used and later years projected accordingly, the budget would be as follows:

	2008/09		2009/10		2010/11	
	£000		£000		£000	
Expenditure (assumes no change from December)	20,058		20,919		21,963	
Funded by:						
Grant	7,670		7,975		8,268	
Collection Fund	50		50		50	
Reserves						
Retained	98		98		-	
General Fund	157					
Council Tax (+3.75%)	12,309	(£78.28)	12,860	(£81.22)	13,435	(£84.27)
Surplus / (Deficit)	226		64		(210)	
	<u>20,058</u>		<u>20,919</u>		<u>21,963</u>	

The implications of this are:

- i The budget requirement for 2008/09 would be £20,029,000, i.e. £20,058,000 expenditure, less £255,000 taken from reserves, plus £226,000 surplus added to the capital reserve;
- ii Net surpluses over the three years total £80,000, which would be added to the capital reserve, and together with interest produce about £100,000;
- iii The budget has a potential deficit of £210,000 in 2010/11; and
- iv There would appear at present to be a challenge in attempting to reduce the rate of increase below 3.75% in 2009/10 and 2010/11.

However, a deficit in three years' time of £210,000 represents less than 1% of net expenditure and there are a number of reasons why it would be reasonable to assume that this could be met, and indeed that there may be opportunities for reducing the precept increase in 2009/10 or 2010/11:

- i There may be scope to find ongoing underspendings during the three years, e.g. on pay awards, or procurement costs;



- ii There may be scope to find greater efficiencies or reduce service growth, thereby reducing the net £50,000 planned in both 2009/10 and 2010/11;
- iii Delays, planned or unavoidable, in capital or other changes; and
- iv The Band D base projection and Collection Fund surpluses are at the lower end of recent experience and may increase.

There are, of course, risks the other way. Barring significant problems emerging, however, the scale of the shortfall can be addressed during the next three years, if it proves necessary.

5 2011/12 Prospects

Although a long way off, 2011/12 has particular importance, because it is the first year of the next grant settlement and because the financial implications of the St Michaels' Street project will still be creating committed growth.

A possible projection for 2011/12 might be:

	£000		£000
2010/11			21,963
St Michaels' Street scheme	145		
Other capital and growth items	115		
Pay and prices	650		910
			<u>22,873</u>
Funded by:			
Grant (+ 2.5%)	8,475	-	
Precept (+ 3.75%)	14,034	-	
Collection Fund	50	-	22,559
			<u>314</u>
Potential Deficit			<u>314</u>

On present figures, the shortfall would increase to £314,000. This would be decreased by using all available monies in the General Fund to increase the Capital Reserve in order to reduce prudential borrowing, currently saving £35,000. It is hoped that the deficit for 2010/11 of £210,000 would have been resolved by finding ongoing reductions, which would reduce the possible deficit to a manageable £69,000.

The major uncertainties would lie around the grant settlement. An increase of 2.5% is assumed, but a 1.5% variation either way would gain or lose £124,000. There are also uncertainties about service pressures, and, as already noted, the actual development of the St Michaels' Street project.

Nevertheless, on balance, it would appear that the currently projected 2011/12 deficit can be managed, whilst effectively sustaining service levels and meeting commitments including the St Michaels' Street project.



6 Summary

The position for a budget strategy, consistent with current service aspirations can, therefore, be summarised as follows:

- i Precept increases could be limited, (subject to major unknown changes in circumstances) to 3.75% per year for the next three years;
- ii An objective could be set to reduce the rate of increase, if possible;
- iii Service developments and, in particular, the St Michaels' Street project should be monitored closely in the next three years, and precept policy reviewed, if necessary;
- iv The capital reserve should be maximised, where possible, and used to reduce prudential borrowing;
- v Efficiency targets of £150,000 per year (0.75% of expenditure) should be maximised in the context of both the Authority's policy of achieving best value in service provision, and the national target for the Fire and Rescue Service of 1.6% per year; and
- vi Contingency plans ('what if' analysis) should be developed for 2011/12 to ensure that service levels can be maintained and challenges met, whatever the next settlement produces.

7 Financial Implications

The financial implications are as outlined in the main body of the report.

8 Legal Comment

There are no legal implications arising directly out of this report.

9 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

10 Appendices

There are no appendices attached to this report.

11 Background Papers

There are no background papers associated with this report.



Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings	*	Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	*
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



Robustness of Budget and Adequacy of Financial Reserves

Report of the Treasurer

For further information about this report please contact Keith Dixon, Treasurer, on 01743 260202.

1 Purpose of Report

This report addresses the issue of the robustness of the budget package, set out in the following report, and examines the adequacy of reserves and provisions.

2 Recommendations

The Committee is recommended to:

- a) Accept the Treasurer's assurance that the estimates made for budget calculation purposes are robust;
- b) Accept the Treasurer's assurance that the proposed financial reserves are adequate; and
- c) Note the risks that have been taken into account in making these assurances.

3 Background

The Local Government Act 2003 (Section 25) requires the Treasurer to make a report to the Authority, when it is considering its budget and Council Tax, dealing with the robustness of estimates and the adequacy of the reserves allowed for. Members are required to have regard to the report in making these decisions.



4 Robustness of Estimates

The main threats to robustness are:

- i **Errors and omissions**
These have been minimised by referring back to budgets in the current year, through the base budget review and regular monitoring.
- ii **Failure to budget adequately for pay and price changes**
The Fire Authority has always made a realistic estimate for inflation.
- iii **Inclusion of reductions that cannot be delivered**
All reductions are realistic and deliverable.
- iv **Additional spending pressures to deliver the service**
These have been identified and included in the items for growth to be considered by the Fire Authority.

The proposed budget for 2008/09 is, therefore, in my view robust and deliverable.

The duty imposed by the 2003 Act refers to the precept year (2008/09). Clearly the same degree of assurance cannot be given for the following two years, as levels of uncertainty increase into the future. Nevertheless, I believe that the forecasts for the following two years are soundly based and provide a solid platform for forward planning now that Government grant has been established for those years.

5 Capping

The major uncertainty for any authority's budget is the Government's using its capping powers to restrict the estimated income from Council Tax. The Minister of Local Government wrote to Local Authority Leaders on 17 December 2007 and said:

- i "The Government expects the average council tax increase in England to be substantially below 5% in 2008/09";
- ii The Government "will not hesitate to use our capping powers as necessary to protect council tax payers from excessive increases";
- iii "No decisions have been taken on capping principles for 2008/09. It would be unwise for any authority to assume that capping principles set in previous years will be repeated. We intend to take decisions on principles after authorities have set their budgets, but we are prepared to announce the principles in advance if the circumstances suggest this is necessary".

This does inject a substantial potential threat to the robustness of any budget that is in danger of being capped. Although the Fire Authority's current precept is greater than the mean for Combined Fire Authorities, and the



increase in budget requirement is currently planned to be 5.1%, the increase in precept is 3.75% which should, by all reasonable criteria, be judged as substantially below 5%.

6 Adequacy of Reserves and Provisions

Linked to the robustness of the budget are the reserves and provisions created to protect the Service, should unforeseen circumstances arise, or unseen spending pressures affect future years.

The reserves, provisions and funds were considered by the Committee on 15 November 2007 and reported to the Authority in December. The potential position over the next three years is set out in the appendix to this report.

There have been no significant changes to the need for, or levels of, provisions.

Regarding reserves, the main known risk is the outstanding Employment Tribunal consideration of retained firefighters' pensions prior to 1 April 2006. No further information is available, so the current calculation is maintained

The position on the transition to the Regional Control Centre / FireLink scheme is still uncertain. No further information is available since this was last considered and, although the position needs monitoring, any problems should not directly impact the 2008/09 budget.

A new risk has been identified, that is the undertaking of the St Michaels' Street project. This has brought the scheme, estimated at £3.5 million, wholly into the three-year budget period. The Authority's current policy is, however, to enhance the capital reserve, where possible, to reduce prudential borrowing and / or meet unexpected capital costs. The Authority is also planning on making provision of £200,000 each year to meet as yet unidentified service pressures, some of which might arise as a result of the St Michaels' Street project.

Apart from this, the position on reserves remains unchanged since November, and an assurance can, therefore, be given that both provisions and reserves are adequate to meet identified risks to the budget in 2008/09.

7 Financial Implications

The financial implications are as outlined in the main body of the report.

8 Legal Comment

The Treasurer is obliged to give the assurances set out in this report by the Local Government Act 2003.



9 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment has not, therefore, been completed.

10 Appendices

Budget for Reserves and Provisions

11 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balanced Score Card		Integrated Risk Management Planning	
Business Continuity Planning		Legal	*
Capacity		Member Involvement	
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment		Operational Assurance	
Efficiency Savings		Retained	
Environmental		Risk and Insurance	
Financial	*	Staff	
Fire Control/Fire Link		Strategic Planning	
Information Communications and Technology		West Midlands Regional Management Board	
Freedom of Information / Data Protection / Environmental Information		Equality Impact Assessment	*



Budget for Provisions and Reserves

	2008/09 £000	2009/10 £000	2010/11 £000
Provisions			
1 Equipment Replacement Provision			
Balance 1 April	86	89	93
Expenditure	20 -	20 -	20 -
Income - Receipts	20	20	20
- Interest	3	4	5
Balance 31 March	89	93	98
Reserves - Earmarked			
2 Retained Review Project			
Balance 1 April	195	102	6
Expenditure	98 -	98 -	-
Income - Receipts	-	-	-
- Interest	5	2	-
Balance 31 March	102	6	6
3 Efficiency Reserve			
Balance 1 April	105	60	38
Expenditure	50 -	25 -	25 -
Income - Receipts	-	-	-
- Interest	5	3	1
Balance 31 March	60	38	14
4 Capital Reserve			
Balance 1 April (note ii)	681	780	528
Expenditure	280 -	540 -	464 -
Contributions	139	204	277
One-off receipts	226	64	210 -
Interest	14	20	10
Balance 31 March	780	528	141
5 Extreme Weather Reserve			
Balance 1 April	290	300	315
Expenditure (note iii)	-	-	-
Income - Interest	10	15	16
Balance 31 March	300	315	331



	2008/09 £000	2009/10 £000	2010/11 £000
6 Pensions Reserve			
Balance 1 April	460	483	507
Expenditure (note iii)	-	-	-
Income - Interest	23	24	25
Balance 31 March	<u>483</u>	<u>507</u>	<u>532</u>
7 Service Maintenance/Staff Turnover			
Balance 1 April	180		
Expenditure	185	-	
Interest	5		
Balance 31 March	<u>-</u>		
Reserve - General			
8 General Reserve			
Balance 1 April	1,002		
Expenditure (note iii)	-		
Income - Interest	50		
Balance 31 March	<u>1,052</u>		

Notes

- i Interest is earmarked to the reserves to maintain their value in real terms.
- ii The Authority's policy is to have a nil balance on its General Fund, and therefore the projected balance of £245,000 at 31 March is included in the Capital Reserve balance at 1 April 2008.
- iii Unless there are planned additions or reductions, it is assumed that there will be no call on reserves



Analysis of Expenditure and Precept Charges

Reference	2008/09		2009/10		2010/11	
	Expenditure £ 000	Precept £	Expenditure £ 000	Precept £	Expenditure £ 000	Precept £
i	11,782	75.45	12,326	78.39	12,896	81.45
ii	577	3.69	627	3.99	644	4.07
iii	64 -	0.41 -	108	0.69	100	0.63
iv	438	2.80	65	0.41	205	1.29
v	100 -	0.64 -	150 -	0.95 -	150 -	0.95 -
vi	168 -	1.07 -	157	1.00	98	0.62
vii	231	1.48	131 -	0.83 -	252 -	1.59 -
viii	61	0.39	211	1.34	245	1.55
	<u>12,757</u>	<u>81.69</u>	<u>13,213</u>	<u>84.04</u>	<u>13,786</u>	<u>87.07</u>
ix	475 -	3.04 -	305 -	1.94 -	293 -	1.85 -
x	44	0.28	12 -	0.08 -	-	-
xi		0.54 -		0.57 -		0.59 -
xii	<u>12,326</u>	<u>78.39</u>	<u>12,896</u>	<u>81.45</u>	<u>13,493</u>	<u>84.63</u>

Notes

- i Previous Year's Precept The table starts with the precept levied in 2007/08, i.e. £11,782,000 from £75.45 for a Band D property. The table then shows the cash changes that have taken place in producing the 2008/09 budget. The further predicted changes in 2009/10 and 2010/11 are then shown.
- ii Pay and Prices The table shows the significance of this largely committed change, if current service levels are to be maintained.
- vii Addition to Capital Reserve This shows the planned addition of £231,000 in 2008/09, the reduction to a planned £100,000 contribution in 2009/10, then to a potential reduction in the reserve of £152,000 in 2010/11, if the budget for that year remains in deficit.
- viii Financing New Capital Investment This shows the built-in growth each year of the 2008/09, 2009/10 and 2010/11 capital programmes.
- xii Increase in Band D Base This shows the benefit to the precept of the rise in the number of Band D properties each year.



SHROPSHIRE AND WREKIN FIRE AUTHORITY

Consultation on the Budget Strategy 2008/09 to 2011/12



Opinion Research Services

Spin-out Company of the
University of Wales Swansea

Contents

1. Executive Summary	5
2. Consultation Process.....	8
2.1 The commission	8
2.2 Schedule and conduct of meetings.....	8
2.3 Inclusiveness and representativeness.....	9
2.4 The report	9
3. Research Findings	11
3.1 Introduction.....	11
3.2 Budget 2008/09	11
3.3 Capital expenditure.....	13
3.4 Future budgets.....	14

The ORS Project Team

Project Design and Management

Kelly Lock
Martyn Sullivan

Facilitation

Mark Llewellyn

Report Authors

Kelly Lock
Mark Llewellyn

Acknowledgements and Preamble

ORS is pleased have worked with Shropshire and Wrekin Fire Authority (SWFA) in conducting the research reported here – not only because respondents shared their views readily on the proposals being put forward by the Authority, but also because the study was undertaken in order to inform the future development of Shropshire Fire and Rescue Service (SFRS).

We thank SWFA for commissioning the project as part of an ongoing programme of consultation. We particularly thank those involved in preparing, presenting and clarifying information during the sessions, namely Alan Taylor, Chief Fire Officer; Keith Dixon, Fire Authority Treasurer; Councillor Stuart West, Chair of the Fire Authority; Councillor Yvonne Holyoak, Vice-Chair of the Fire Authority; and Joanne Coadey, Principal Accountant. Their input was essential to achieving an informed debate.

We are grateful to all those who took part in the interesting meetings and shared their views with us. They were patient in listening to background information before entering positively into the spirit of open discussions.

At all stages of the project, ORS' status as an independent organisation consulting the public and stakeholders as objectively as possible was recognised and respected. We are grateful for the trust, and we hope this report will contribute usefully to thinking about the Authority's development.

We hope that ORS has been instrumental in forging a link between the Scrutiny Panel members and their Fire and Rescue Service, and that the information in this report accurately reflects participants' views and priorities.

1. Executive Summary

1.1 INTRODUCTION

- 1.1.1 This is not a particularly long report and the detail is important in expressing the tone of the discussions – so readers are invited to examine the main body of the report for an in-depth discussion.
- 1.1.2 However, it is probably also helpful to include a summary of the main outcomes – though such a concise account inevitably over-simplifies and risks accentuating the negative at the expense of the positive.

1.2 METHODOLOGY

- 1.2.1 The following report details the outcomes from two Scrutiny Panels with members of the public in Shrewsbury and Ludlow. The groups discussed SWFA's Budget Strategy 2008/09 to 2011/12.
- 1.2.2 The two meetings were qualitative forms of consultation. While the findings cannot be certified as statistically representative of all people in Shropshire, the meetings included a wide range of people and allowed them to think as well as talk. While summarising the main themes and highlighting the key points, this report seeks to be faithful to what was said.
- 1.2.3 The opinions expressed were not always unanimous, but we have endeavoured to reflect both the majority view and, where useful, the diversity of views.

1.3 MAIN FINDINGS

Budget 2008/09

- 1.3.1 There was unanimous agreement that 3.75% was an acceptable increase for SWFA on the basis that the service continues to strive for efficiencies wherever possible.
- 1.3.2 In light of the need to fund major future projects the majority felt that an increase of 3.9% would be preferable and create a safety net to help prevent further future increases in Council Tax. 3.9% was also thought to facilitate the long-term reduction of the financial debt.

Comparatively high precept

- 1.3.3 Participants expressed some concern over SWFA's comparatively high precept, but the reasons for such were accepted and understood.
- 1.3.4 The vast majority found the charge reasonable given what it does in order to provide a necessary service.
- 1.3.5 One of the groups recognised that the precept would be lower but for the significant cost of refurbishing Shrewsbury's St. Michael's Street site.

Government grant increase

- 1.3.6 The vast majority were pleased with the relatively high percentage grant increase received by SWFA from Government. Most groups were also very pleased to see redress in the balance of funding between authorities.

Value for money

- 1.3.7 All groups described the Fire Authority as representing value for money. Members of the public feel that they receive an excellent and improving service for the amount they pay through their Council Tax.
- 1.3.8 SWFA was praised for the way it is exercising financial control within existing budgetary constraints.

Capital Expenditure

- 1.3.9 There was unanimous satisfaction with the proposed capital expenditure for 2008/09, particularly given that it is less than the amount for the previous year:

Expenditure for 2009/10 and 2010/11

- 1.3.10 The rise in capital and revenue costs for 2009/10 and 2010/11 were thought to be justified due to the essential refurbishment of Shrewsbury's St. Michael's Street site.
- 1.3.11 Concerns were expressed regarding the associated revenue costs after 2011/12 although it was recognised that there exist difficulties in accurately predicting them at this time.

Expenditure on Shrewsbury Fire Station

- 1.3.12 All groups endorsed again the refurbishment of Shrewsbury's St. Michael's Street site and accepted the associated expenditure.
- 1.3.13 Some participants questioned whether £1m would be achieved and stressed that SWFA must ensure it is not reliant on that money given uncertainties in the property and land markets.
- 1.3.14 Further some doubt was cast over whether the work would be completed to budget

Four-year strategy

- 1.3.15 The 'year of planning' prior to the commencement of Shrewsbury's St. Michael's Street site refurbishment was seen in positive terms.
- 1.3.16 In addition respondents felt that having a four year plan around a three year settlement was a good idea.

Future Budgets

- 1.3.17 There was unanimous satisfaction with the scale of future budget increases, especially in light of the value for money respondents perceive to be being provided by SWFA.

Surplus and borrowing for 2008/09 and 2009/10

- 1.3.18 Participants thought that ensuring as large a surplus as possible was garnered in order to offset the borrowing later on was sensible.
- 1.3.19 It was noted that given the current uncertainties in the financial markets and that the high cost of borrowing could rise in the future, SWFA must maintain a watching brief in order that it keeps on top of its finances.
- 1.3.20 The surplus was advocated as just that and members of the public suggested that SWFA must restrain as far as possible from additional expenditure.

Further efficiencies

- 1.3.21 Participants noted that the drive for further efficiencies was welcome and desirable, providing safety of its workforce is not compromised.

Investment: higher or lower?

- 1.3.22 The majority of respondents across Shropshire advocated a 3.9% precept rise for the next period (instead of the initially proposed 3.75%), at least until the next Government grant is decided.
- 1.3.23 However, they warned of the dangers of capping and that the brunt of any further investment would be borne by Council Tax payers.

2. Consultation Process

2.1 THE COMMISSION

- 2.1.1 On the basis of its experience, ORS was commissioned by SWFA to facilitate and report two public scrutiny panels during January 2008.
- 2.1.2 It was agreed that ORS would work in collaboration with SFRS to facilitate the meetings and prepare a report of the discussions, covering the arguments and points made as well as the conclusions. SFRS encouraged ORS to facilitate the meetings and prepare this report independently.

2.2 SCHEDULE AND CONDUCT OF MEETINGS

- 2.2.1 Two forums were held with members of the public in Shrewsbury and Ludlow – the make-up of which can be seen in the table below. Encouragingly participants represented a wide spectrum of ages and socio-economic status:

Panel	Attendees	Profile
Shrewsbury	16	8 females, 8 males
Ludlow	13	7 females, 6 males

- 2.2.2 All participants who attended the Integrated Risk Management Plan (IRMP) 2008/09 Scrutiny Panels in October/November 2007 were invited to attend this follow-up consultation session. Of the 29 attendees across the two panels, 17 have been attending similar forums for the past four years, five were new recruits in October 2006 and seven were new recruits in October 2007.
- 2.2.3 Although a couple could not attend due to other commitments, the vast majority of participants who took part in the IRMP 2008/09 session returned to take part in this session.
- 2.2.4 Participants were invited by ORS and paid for their trouble and expenses in attending and taking part in lengthy and detailed meetings.
- 2.2.5 The meetings offered an effective opportunity for the participants to understand, question and debate the issues fully. In order to make the meetings as informed as possible for the participants, SFRS prepared and delivered a detailed PowerPoint presentation on the various aspects of the Budget Strategy, covering:
- Budget 2008/09
 - Capital Expenditure
 - Future Budgets
- 2.2.6 The groups were then given the opportunity to ask questions and seek points of clarification, before dividing into small groups and considering the Strategy in some detail. Finally, there was a plenary session where the groups' findings were fed-back to attendees.

2.2.7 The meetings began with a detailed and very informative presentation by SFRS to provide respondents with a substantial context of information within which they could understand and consider the Fire Authority's proposals. This approach was used for two main reasons:

- Members of the public are typically poorly informed about how the Fire and Rescue Service operates and is managed. Although established panel members have, over the years, gained such background knowledge, this section was especially relevant for the new participants at each public panel
- The challenge was not to ask people's general impressions of the Fire and Rescue Service but to debate very particular issues – so the meetings needed to focus on them and the reasons for them

2.2.8 Hence, a considerable amount of information was needed before participants could debate the main specific areas of discussion in turn.

2.2.9 For these reasons, the consultation process should be considered as 'testing' the acceptability of SWFA's Budget Strategy 2008/09 to 2011/12 – by presenting its various components clearly for discussion. The key question the researchers were asking was:

If people are made fully aware of the background to and arguments for the proposals, how convincing do they find them?

2.3 INCLUSIVENESS AND REPRESENTATIVENESS

2.3.1 Given that no public body can guarantee a particular level of response to its consultation initiatives, the foremost tests of success are fairness and inclusiveness – were participants given sufficient information and could they comment readily? In this case, the answer to that question is yes.

2.3.2 Although the outcomes of such meetings cannot be certified as statistically representative of staff and public opinion, the public meetings reported here certainly gave a very diverse range of people, drawn from differing areas of Shropshire. The participants were diverse in terms of gender, age, socio-economic and professional status, housing tenure and other criteria. Therefore we are satisfied that the outcomes of the meetings (as reported below) are broadly indicative of how Shropshire public opinion would incline on the basis of similar discussions.

2.3.3 In summary, then, the meetings are reliable and authoritative as examples of the reflections and opinions of diverse informed people reacting to SFRS' financial proposals.

2.4 THE REPORT

2.4.1 Essentially, the report reviews the sentiments and judgements of participants about SWFA's Budget Strategy 2008/9 to 2011/12.

2.4.2 Some verbatim quotations (*italicised* below) are used – not because we agree or disagree with them – but for their vividness in capturing recurrent points of views. ORS does not endorse the opinions in question, but seeks only to portray them accurately and clearly. While quotations are used, the report is obviously not a verbatim transcript of the sessions, but an interpretative summary of the issues raised by participants in free-ranging discussions.

2.4.3 The next section of this report has been structured so as to address each of the areas of discussion in some detail. The views of both meetings have been amalgamated – although significant differences in their views have been drawn out.

3. Research Findings

3.1 INTRODUCTION

- 3.1.1 Each Scrutiny Panel group was asked to address a series of questions, which were intended to focus their thinking but not necessarily constrain their thoughts. The 'worksheets' outlined some of the most relevant information to aid the panel in their thinking. Approximately 30 minutes was spent on each topic so the sessions were very focused. The outputs from these discussions are reported below.

3.2 BUDGET 2008/09

Increases in Council Tax

- 3.2.1 All the groups at both Shrewsbury and Ludlow agreed that the 3.75% rise in Council Tax to fund the SWFA is justified, although several stipulated that a general acceptance of the rise should not mean that SWFA stops striving for efficiencies and aiming for lower precepts in the future:

Justified based on value for money and with regard to grant settlement

About right to justify improvements in performance

The increase is justified and we have confidence in the way things are being managed

About right in terms of value for money

It's justified...the service is excellent and the Authority endeavours to give good value

The increase represents very good value for money which is evidenced by the reviews and management techniques employed

£3 per year extra is justified with hope that precept in future years can be lower

Just about right but still requires efficiency and reduction in costs.

- 3.2.2 It was also noted that *SWFA is asking for a smaller percentage than the Council and the Police so it's good again.*

- 3.2.3 In light of the need to fund future projects such as the refurbishment of Shrewsbury's St. Michael's Street site, the majority were of the view that an increase of 3.9% would, it was felt, be preferable in order to *create a safety net and help prevent further future increases in Council Tax.* 3.9% was also deemed more acceptable in that it will facilitate the long-term reduction of financial debt:

The initial burden on taxpayers will be worthwhile to reduce the final debt in less time

3.9% would allow more flexibility in future years.

- 3.2.4 One group in Ludlow debated whether going for an increase of 5% would be sensible, but could see logic in the 3.9% increment:

On the one hand we think that going for maximum would help the authority achieve its aims but we appreciate that it has planned the budget prudently and believed they have considered all options.

Comparatively high precept

- 3.2.5 As in previous years, participants expressed some concern that Fire and Rescue Service funding has led to SWFA's comparatively high precept. However, the reasons for the precept cost were accepted and understood by the vast majority of participants. Indeed comments were predicated on the basis that Shropshire has never fared well in such settlements:

SWFA has suffered historically from under-funding for a rural county with a smaller population than some other areas...therefore it always will appear relatively expensive compared to other larger populations and will always be high in the Council Tax precept

Unfortunate result of the way the precept is structured but justified by virtue of good performance

SWFA suffered historically due to poor grant settlements for shire counties in previous years.

- 3.2.6 As such, and given the constraints within which it has to work, the vast majority thought it reasonable that SWFA charges what it does in order to provide a necessary service.
- 3.2.7 One of the Shrewsbury sub-groups recognised that the precept would be lower but for the significant cost of refurbishing Shrewsbury's St. Michael's Street site:

Would be sitting even prettier if the capital expenditure was not there...with a lower precept.

- 3.2.8 Given that the refurbishment is to go ahead however, one of the Ludlow groups was of the view that the increase is *very timely given the big projects planned.*

Government grant increase

- 3.2.9 The vast majority viewed that the percentage grant increase received by SWFA from Government is fair – although it was stated that participants *would always like more!* Indeed, most groups were very pleased to see the Government beginning to redress the balance of funding between authorities – providing that SWFA *[does not get] too complacent and continues to use it wisely:*

Settlement is fair given inflation generally

We feel it is fair, especially in the light of previous low increases

6.6% is very fair in the light of historical settlements

Will help rectify previous shortfalls

It has at last been recognised that we are as important as any other authority

We feel that we deserve this increase after having received so little in previous years

Good to see the Government are reviewing the system...this is an unfair Government strategy which appears to be under review

Levelling the playing field – more would have been lovely too!

They are reducing inequality and redressing the balance of funding.

Value for money

- 3.2.10 It is encouraging to report that all groups described the Fire Authority as representing value for money. Participants were certainly of the view that they receive an excellent and

improving service for the amount they pay through their Council Tax and were pleased to see that assistance is provided to other fire and rescue services in order to help others:

Money is being used well to provide additional improvements in service

Good value, especially given that help goes across boundaries...the Authority helps neighbouring counties too.

- 3.2.11 SWFA was also, once again, highly praised for the way it is exercising financial control within existing budgetary constraints:

Performance figures are very good and improving

Good, especially given that SWFA is a good performing authority and are in the upper bracket nationally

SWFA gives good value for money because they meet all of their commitments at a reasonable cost and compare very favourably with the rest of the country

The Authority has done very well and should be commended for its achievements...the proof is in its track record

We are among the best in the country and therefore good value.

3.3 CAPITAL EXPENDITURE

- 3.3.1 All groups were satisfied with the proposed capital expenditure for 2008/09, particularly given that it is *less than in 2007/08*:

Satisfied based on current identified capital costs

Given the evidence presented, expenditure is satisfactory.

Expenditure for 2009/10 and 2010/11

- 3.3.2 The rise in capital and revenue costs for 2009/10 and 2010/11 were also thought to be justified due to the essential refurbishment of Shrewsbury's St. Michael's Street site:

The Shrewsbury work has to be done...it's cheaper than building new stations and relocating

The rise in capital because of the Shrewsbury fire station project is inevitable and accepted

We accept the need to develop St Michael's Street therefore capital costs are unavoidable

Costs must be accepted to cater for the redevelopment of Shrewsbury and the repayment of the loan

Unfortunate that we have to pay so much to borrow but we are assured SWFA has looked for the best deal

OK with capital costs for 2009/10 and 2010/11 and hope for no inflationary rises.

- 3.3.3 However, there was some concern regarding the associated revenue costs after 2011/12 although it was acknowledged that these are *difficult to predict accurately at this time*.

Expenditure on Shrewsbury's St. Michael's Street site

- 3.3.4 As expressed above, all groups endorsed again the refurbishment of Shrewsbury's St. Michael's Street site. They accepted the associated expenditure and made a number of additional comments:

A modern building could have financial savings in upkeep etc.

It will have less repair costs in future, better efficiency, better health and safety

We know that this is necessary to provide a modern facility...less future maintenance and links maintained with HQ

We feel that the current station is time expired and a refurb must bring benefits as it will bring it up to modern standards

It is essential in order to deliver current services and will facilitate continued good service delivery

[It will] improve the efficiency of the working environment...for example in health and safety.

- 3.3.5 However, significant concerns were expressed by some groups regarding the potential for costs to rise:

There are concerns over whether the project will be delivered on budget.

- 3.3.6 Also, some participants questioned what would happen if the £1m for HQ land does not materialise and stressed that SWFA must ensure it is not reliant on that money.

Four-year strategy

- 3.3.7 The fact that SWFA is looking to the future was pleasing to participants, as was the fact that it has factored in a 'year of planning' prior to the commencement of Shrewsbury's St. Michael's Street site refurbishment:

Very good strategy...much better than planning on a one year plan

Good idea to have longer period which will allow more effective planning...ensures continuity of service delivery

The further ahead we can plan the better providing that there is reasonable financial stability

The year of planning in 2008/09 will be needed as many things are uncertain, especially in relation to cost of refurbishment and value of the land

The strategy appears to have considered all eventualities but the Authority is going to have to work hard to close the gap.

- 3.3.8 It was certainly hoped that *the four year strategy can be adhered to and that it will not have to be extended because of financial problems.*

3.4 FUTURE BUDGETS

- 3.4.1 All groups were satisfied with the scale of future budget increases, especially in light of the excellent value for money they perceive to be being provided by SWFA:

We are satisfied...value for money is good so no problems with the increases

The Fire Authority gives good value for money

[We are satisfied] especially given that there remains a need to reduce costs marginally by increasing efficiency.

Surplus and borrowing for 2008/09 and 2009/10

- 3.4.2 Deriving as large a surplus as possible in order to offset the borrowing later on was thought to *make sense because of the high cost of borrowing.*

*This represents sound planning which will hopefully reduce the capital repayment term
We think the surplus will be well invested with good returns.*

- 3.4.3 However, it was stressed that the high cost of borrowing could see a rise in the future (i.e. interest rates may increase) and that SWFA must maintain a watching brief in order that it keeps on top of any financial implications that may arise from this:

If unforeseen circumstances arise then management need to identify further efficiencies

The concern is in undertaking a large loan commitment...instability in the financial markets [means there] could be problems for the future but the risk is worthwhile and necessary

As long as circumstances remain stable there should be no reason for concern.

- 3.4.4 Although agreeing with the need for a surplus, one group at Shrewsbury stressed that this must not be seen by the Fire Authority as a licence to spend money:

Agree with this to reduce the eventual debt but the surplus should not be spent on unnecessary expenditures

We have faith in the process but SWFA needs to resist temptation to spend!

Further efficiencies

- 3.4.5 Whilst believing that it is a financially prudent authority, participants agreed that further efficiencies will always be desirable for SWFA providing they are relevant and that safety is not compromised in any way:

We are hopeful that funds are not squandered and that efficiencies continue

Complacency is not a good thing so SWFA needs to be aware of costs at all times

It is good that the officers do not become complacent but we feel that they work to the best of their abilities for a good value for money service

We are confident that the current management will ensure efficiency

Hope this is ongoing and will continue to be so

Efficiencies should always be required to minimise costs and provide good service delivery

Grant could reduce in future years so discipline will help mitigate against reductions in service

Good for a service to operate with financial stringency but the improvements on offer with a small surplus are very desirable.

Investment levels

- 3.4.6 One group at Shrewsbury felt that *the present budget forecast should be sufficient providing there are no additional costs not taken into account*. The majority at both Ludlow and Shrewsbury, however, preferred a 3.9% precept rise for the next period, or at least until the next grant is decided:

Should go for 3.9% not 3.75% – this represents a minimal increase and will reduce the amount of the eventual loan

Feel that there are greater benefits in going for 3.9% which is a very small increase over the 3.75%...it gives a higher ceiling for any future reduction

3.9% should be maintained until the next grant is decided – and then review the decision

3.9% would be better considering SWFA only absorbs 5% of the overall County budget...it could reduce the repayment time and total cost

Likely to be easier politically to start at a higher percentage and be able to lower the figure rather than have to increase in the near future.

- 3.4.7 However, in closing, they acknowledged the importance of not rising above this level in future years due to the danger of capping and that any further investment would be partly borne by Council Tax payers:

In theory more investment is always good but it would come from our pockets so projects need to be identified, proved necessary and properly evaluated and costed.

Opinion Research Services Ltd
The Strand
Swansea
SA1 1AF

Tel: (01792) 535300
Fax: (01792) 535301
E-mail: info@ors.org.uk

© Copyright 2008 Opinion Research Services Ltd

