

**Minutes of the Meeting of
Shropshire and Wrekin Fire Authority
Strategy and Resources Committee
held at Brigade Headquarters, Shrewsbury,
on Thursday, 15 November 2007 at 2.00 pm**

Present

Councillors Box, Eade (Chair), Hartin, Holyoak (Vice-Chair), Minnery, Picken and West

Before business commenced, the Chair asked the meeting to observe a minute's silence as a mark of respect for the four firefighters, who lost their lives in Warwickshire.

1 Apologies for Absence

No apologies for absence had been received from Members.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes

Members received the minutes of the Strategy and Resources Committee meeting, held on 2 October 2007.

Resolved that the minutes of the Strategy and Resources Committee meeting, held on 2 October 2007, be agreed and signed by the Chair as a correct record

4 Public Questions

No questions, statements or petitions had been received from members of the public.

5 2008/09 to 2009/10 Revenue and Capital Budgets

This report brought together the various elements of the expenditure budgets and projections. It recommended them to the Fire Authority as a basis for its budget consideration on 19 December 2007.

The Treasurer explained that the focus of the current planning is on expenditure and that paper 5 brings together the information contained in papers 5a – 5e.



The proposed capital expenditure reflects the 10 year programme that was set out in this year's Medium Term Financial Plan (MTFP).

There is a possible improvement by the "Total Variation" amounts shown in the table on page 3 of report 5. If all assumptions used in the MTFP are maintained, this leads to the revised headroom and shortfall figures that are detailed within the report. These figures show the resources that would be available, should the precept be 5% higher each year.

The position is better for expenditure. There are still a lot of questions surrounding this area but it is hoped that cuts in services will be avoided.

Service developments are not included in the workings shown in the report. Officers have received information on potential developments. This includes everything that is likely to develop over the next three years as officers are currently working on a three-year settlement.

Councillor Hartin asked if the £300,000 estimated for service developments was spread over three years or if it was purely for 2008/09. The Treasurer said that the intention was to identify as many of the potential developments in the next three years as possible. He explained that some of the proposed service developments have previously been brought to the Budget Working Group (BWG) and that some of them are one-offs. The next step is to balance the developments against precept levels.

At this point the Committee resolved to consider reports 5a – 5e, which provide supporting information to the recommendations in report 5, before considering the recommendations in report 5.

5a Base Budget plus Committed Change

This report showed the latest position on the base budget plus committed changes, following budget reviews by heads of department.

The Treasurer explained that this report details unavoidable expenditure. He explained that MRP, referred to in the table on page 2 of the report, is Minimum Revenue Provision. This is a Government requirement and covers 4% of assets borrowed for. This figure is put into the revenue balance, where it earns interest, or is used to fund future assets.

The proposed budget allows for ongoing and continuing credit balances, however success in delivering the capital programme on time may reduce this figure.

Councillor Hartin asked about investment income, which causes concern, as it has the potential to be volatile. The Treasurer hoped that the budget is set with an equal up and down side.

Resolved that the Committee note the contents of the report, for inclusion in the budget summary shown in report 5.



5b Pay and Prices Assumptions

This report set out the possible additional provision to be made to the 2008/09 and subsequent years' budgets for pay and price changes not known at the time of fixing the budget.

The Treasurer explained that this is the single biggest area of increase and that assumptions have been overestimated for the current year. He also pointed out that prices cover a multitude of things. There is a direct link to the General Reserve, as, if the assumptions are wrong, then the General Reserve may be needed.

Councillor Box suggested that the title 'Chief Officers' Pay' in the table on page 3 of the report should read 'Senior Officers' Pay'.

Councillor Box asked about the effects of Rank to Role and if any allocation had been made for this in the budget. The Treasurer explained that it is anticipated that this will be sorted by 31 March 2008. Any payments should be backdated and charged against the provision made in the base budget. Issues, such as Rank to Role, Continuing Professional Development and Long Service Increments, will be addressed in the monitoring report that will be submitted to the December Fire Authority meeting. If there is any residual under or overspend on inflation, this will need to be added to, or taken from, the budget.

Resolved that the Committee agree that the calculations based on current assumptions would require the following additional amounts, which are recommended for inclusion in budget planning:

2008/09 Budget	£577,000
2009/10 Budget	£1,204,000
2010/11 Budget	£1,848,000

5c Efficiencies 2007/08 and Forward Budgets

This report sought the scrutiny and approval of the Committee to the backward and forward looking Annual Efficiency Statements (AES) for 2007/08. Although no longer required by Government, it is good practice to monitor progress. The report also looked at the implications for setting efficiency budgets in 2008/09 to 2010/11.

The Treasurer explained that the efficiency concerning the conversion of a Fire Safety post from uniformed to non-uniformed is achieved, because the non-uniformed posts have lower costs than uniformed posts. The Chief Fire Officer explained that there are differences in the posts' responsibilities, as the uniformed posts have operational responsibility.

Councillor Box asked if this was a conversion of posts. The Chief Fire Officer explained that there has been no redundancy of post and that the unions are



happy with the conversion arrangement. There have been many over the years and they are useful for redeploying injured firefighters.

2007/08 is the end of the first three-year period of efficiency targets and the Fire Authority is close to achieving the target set, i.e. £921,000 against a target of £930,000. The £921,000 included £100,000 for management of vacancies, and it was agreed that this reduction be used in future years' budget planning. A further £160,000 had also been identified to the Authority in the current year, but officers could not recommend this to be taken into account until further information about 2008/09 became available.

Resolved that the Committee:

- a) Agree to the AESs set out in paragraph 4; and
- b) Submit the efficiencies, set out in paragraph 5, for inclusion in future budget planning

5d Capital Programme 2008/09 to 2010/11

This report set out the current schemes put forward for inclusion in the next three years' budgets based on the MTFP. It then set out the potential revenue consequences, subject to project appraisals and a review of financing possibilities.

The Treasurer explained that service developments and capital schemes are linked and these could be updated.

Those items, which are of small value or have a short life, are normally financed from the Capital Reserve, whilst those of larger value or with a longer life are financed by Borrowing. The agreed revenue provision, compared to the statutory minimum of 4%, for fire appliances is currently set at 8.3%. This is a prudent approach, which will ensure that the debt is written down within the lifespan of the appliances.

At the Budget Working Group meeting in August 2007, it was suggested that a possible way of reducing costs would be to revert to borrowing of 4%, i.e. the MRP amount required by Government. A recently circulated consultation document suggests that this may no longer be possible, as the MRP guidance is to be amended and replaced with a duty for the Fire Authority to identify a prudent figure. If this is agreed, it would leave the Authority in a strong position but would mean that certain opportunities are closed.

The report shows that the Capital Fund will run out in 2010/11. The table on page 3 of the report shows that scheme 21, Firekit Replacement, would, therefore, need to be financed by borrowing. Any borrowing over £400,000 is classed as prudential borrowing. 2010/11 will also be a big year in terms of the Integrated Risk Management Plan (IRMP). If the IRMP proposals are agreed, it would be prudent to try and put more money into the Capital Fund over the next three years.



Councillor Box asked if the IRMP costs were normally put into the next financial year after they are agreed and for clarification of the estimated costs of staying on the St Michael's Street site and moving from the St Michael's Street site.

The Chief Fire Officer explained that, whilst the results of this year's IRMP consultation cannot be pre-empted, it was included in the 10 year Capital Plan that work on Headquarters would not be undertaken until 2010/11 with the costs being split over two years. The current estimated costs are £8 million to move from St Michael's Street and £2 million to stay and revamp the site.

Councillor Hartin commented that the £1.5 million quoted in the report seemed low. The Chief Fire Officer explained that the cost of £3 million would be split over a two-year period. He also explained that the consultant's report had not yet been received and it was, therefore, likely that the Capital Programme would alter.

Councillor Minnery explained that the initial IRMP decision would be made at the Fire Authority meeting in December. This will then go back to IRMP consultation for a more detailed decision.

Resolved that the Committee propose to the Authority for inclusion in its three-year budget planning:

- a) The schemes set out in paragraphs 4, 5 and 6;
- b) The potential funding of these schemes and the maximisation of the capital reserve, if possible; and
- c) The revenue consequences that would flow from these schemes

5e Provisions, Reserves and Funds

This report set out the issues, which the Fire Authority will need to consider as part of its annual review of provisions, reserves and funds.

The Treasurer explained that the £352,000 from the General Fund has already been committed, leaving the £3.009 million of reserves and provisions indicated in the report.

The Treasurer explained that money can be added into reserves that are judged to be inadequate or taken from excessive balances. He asked the Committee to consider if the £3 million currently in reserves is still appropriate.

The Treasurer also highlighted the General Reserve, which is currently £955,000. This contingency level is recommended by the District Auditor. The £955,000 is based on the Risk Register and is also drawn up according to Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. A cash value and probability of occurrence is attributed to each of the risks covered by the General Reserve.



The Treasurer explained that with regard to new legislation (item 10 in the General Reserve Build-up) the issue of Retained Service pensions was the most worrying. The results of the employment tribunal relating to this issue should be announced in the New Year and this could potentially have the most difficult impact on the Fire Authority. If the reserves are £200,000 out, as provided for in the General Reserve, then this would lead to an approximate 2% increase on the precept in the following year, and mean that there is nothing left in the General Reserve for misjudging inflation in future years.

Councillor Eade asked what the guidance levels were on balances. The Treasurer explained that current guidance is 5% of turnover with provision for specific problems.

Councillor Eade commented that the level of balances does seem high. Councillor Hartin commented that the Authority had run with lower levels of balances for several years and had actually run with nil balances for a period.

Councillor Box commented that he was reluctant to change the levels of the General Reserve because of the uncertainty over the Retained Duty System pension award. He also asked if there was a sufficient amount set aside for FiReLink and the move to Regional Control Centre. The Treasurer explained that there is no specific amount set aside for this issue but there is an amount earmarked in the General Reserve. The Treasurer felt that he was unable to advise the Authority to do anything different at this stage in the budget process.

Councillor Box asked if there were any cost implications, in terms of resilience, with Staffordshire moving into the Regional Control Centre first. The Chief Fire Officer felt that there were unlikely to be any implications, as the Regional Control Centre will have the equipment to run our systems.

Resolved that the Committee:

- a) Confirm the existing provisions and general reserve;
- b) Will review the level of capital reserve as the current budget position becomes clearer;
- c) Confirm the other earmarked reserves; and
- d) Has considered how to use the general fund later in the process with one possible use being to deal with the FiReControl / FireLink transition



At this point the meeting revisited report 5.

5 2008/09 to 2009/10 Revenue and Capital Budgets

Resolved that the Committee:

- a) Recommend that the Fire Authority does its three-year budget and precept planning on the basis of the following revenue expenditure (before net service developments):

2008/09	£19,707,000
2009/10	£20,615,000
2010/11	£21,490,000

- b) Recommend the following provisional capital programme (prior to detailed appraisal of schemes):

2008/09	£1,035,000
2009/10	£1,470,000
2010/11	£2,589,000

and that the Fire Authority seek to maximise the use of the capital reserve;

- c) Note the potential scope for headroom for net service additions, as set out in paragraph 5; and
- d) Recommend that reserves and provisions be maintained at present real term values, subject to maximising the capital reserve, should resources become available.

The meeting closed at 3.15 pm.

Chair.....

Date.....

