



29 December 2010

- (1) **MEMBERS OF THE AVON FIRE AUTHORITY**  
Councillors Abraham, Alexander, Barrett (C), Barrett (N), Brown, Clark, Cole, Comer, Cook, Cranney, Curran, Dando, Davies, Drew, Gregor, Hugill, McGall, Patel, Pickup, Porter, Roberts, Walker, Willis, Wollacott and Wood
- (2) **APPROPRIATE OFFICERS**
- (3) **PRESS AND PUBLIC**

Dear Member

You are invited to attend a meeting of the Fire Authority being held at **2.00pm on Wednesday 5 January 2011**. The meeting will be held in the conference meeting room, Avon Fire and Rescue Service HQ, Temple Back, Bristol.

The Agenda is set out overleaf.

Yours sincerely

Geraldine Gee  
**Clerk to the Fire Authority**

**PROVIDING AVON FIRE & RESCUE SERVICE**

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**Working in partnership with the Gambia Fire & Rescue Service (GF&RS)**

## **Notes:**

**Inspection of Papers:** Any person wishing to inspect Minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Helen Howells, who is available by telephoning 0117 926 2061 ext. 283 or by visiting Avon Fire & Rescue Headquarters, Temple Back, Bristol (during normal office hours).

**Attendance Register:** Members should sign the Register which will be circulated at the meeting.

The appended supporting documents are identified by agenda item number.

### **Emergency Evacuation Procedure:**

- The fire alarm or notification of any other threat is a continuous siren.
- In such cases Members must leave the building by the nearest exit.
- In the event of explosion or smoke where controlled evacuation is not possible, Members must follow fire exit signs.
- All corridors are lit with emergency lighting.
- The assembly point is the Station Drill Yard at the rear of the Brigade Headquarters complex.

### **Code of Conduct – Declaration of Interests**

Any Member in attendance who has a personal interest in any matter to be considered at this meeting must disclose the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent. A member having a prejudicial interest must withdraw from the meeting room whilst the matter is considered.

## **A G E N D A**

- 1 APOLOGIES FOR ABSENCE** (Members are reminded there is no power to appoint substitutes on the Avon Fire Authority)
- 2 EMERGENCY EVACUATION PROCEDURES** – The Chair will draw attention to the emergency evacuation procedures as set out in Note 4 appearing on page 2 of this release.
- 3 DECLARATION OF INTERESTS**  
The Chair will draw attention to the requirements of the Code of Conduct as set out in note 5 appearing on page 2 of this release.
- 4 MINUTES OF AVON FIRE AUTHORITY HELD ON 17 DECEMBER 2010**
- 5 PUBLIC ACCESS** (Time Limit – 30 minutes)  
Under Standing Order 21 and providing 2 clear working days notice has been given to the Clerk, any resident of Bristol, South Gloucestershire, Bath and North East Somerset or North Somerset Council may address the Avon Fire Authority (for no more than 5 minutes) to present a petition, make a statement, or as leader of a deputation.
- 6 2011/12 BUDGET STRATEGY AND MEDIUM TERM FINANCIAL PLAN FOR 2011/15**
- 7 REGIONAL FIRE CONTROL PROJECT**

17 DECEMBER 2010

**PRESENT:** Councillors Abraham, Alexander, Barrett (C), Barrett (N), Clark, Cole, Comer, Cook, Curran, Dando, Drew, Hugill, Pickup, Porter, Walker, Wollacott and Wood

**IN MEMORY**

Members stood in silence in memory of former Member of the Authority Astra Brand.

**65 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors Brown, Cranney, Davies, Gregor, McGall, Patel, Roberts and Willis

**66 EMERGENCY EVACUATION PROCEDURES** – The Chair drew attention to the emergency evacuation procedures as set out in the Agenda.

**67 DECLARATION OF INTERESTS** – The Chair drew attention to the requirements of the Code of Conduct as set out in the Agenda.

**68 MINUTES OF AVON FIRE AUTHORITY HELD ON 24 SEPTEMBER 2010**

**RESOLVED** that the minutes be agreed as a true record and signed by the Chair.

**69 ADDITIONAL AUTHORITY MEETING TO CONSIDER THE DRAFT BUDGET 2011/12**

**RESOLVED** that an additional meeting be held at 2.00pm on Tuesday 5 January 2011.

**70 MINUTES OF THE SPECIAL PURPOSES COMMITTEE HELD 24 SEPTEMBER 2010**

**RESOLVED** that the minutes be noted.

**71 MINUTES OF THE STANDARDS COMMITTEE HELD 18 NOVEMBER 2010**

**RESOLVED** that the minutes be noted.

**72 MINUTES OF THE SOUTH WEST REGIONAL MANAGEMENT BOARD HELD 28 SEPTEMBER 2010**

**RESOLVED** that the minutes be noted.

**73 MINUTES OF THE SOUTH WEST REGIONAL CONTROL LIMITED HELD 1 OCTOBER AND 15 NOVEMBER 2010**

**RESOLVED** that the minutes be noted.

**74 CALENDAR OF MEETINGS 2011/12**

Members considered the proposed meeting dates for 2011/12 and agreed to amend the first meeting on the schedule to 22 July 2011.

**RESOLVED** that the report be approved with the amended date.

**75 MEMBERS' ALLOWANCES 2011/12**

Members considered options to adopt a scheme of allowances for 2011/12.

Cllr Comer suggested that future considerations of allowances should include an option to link adjustments made to operational and support staff.

**RESOLVED** that the scheme of allowances remain the same as the current year for 2011/12.

**76 DISSOLUTION OF THE SOUTH WEST REGIONAL MANAGEMENT BOARD AND PROPOSALS FOR ONGOING REGIONAL COLLABORATION**

Members considered a report on the dissolution of the Regional Management Board.

**RESOLVED** that the recommendations detailed in the report be approved.

**77 CAPITAL PROGRAMME & REVENUE MONITOR 2010/2011**

The Treasurer provided an outline of the report including the key points to note on budget monitoring; the key budget issues and risks; the key capital budget points and significant finance issues. Members noted that efficiency savings were on track.

**RESOLVED** that the report be noted.

**78 PERFORMANCE & RISK MANAGEMENT UPDATE**

Members considered an update on performance and risk management. The Chief Fire Officer/Chief Executive highlighted that progress on the Corporate Plan and Integrated Risk Management Plan had been delayed to fit in the expected restrictions imposed by the Budget.

**RESOLVED** that the report be noted.

**79 ANNUAL AUDIT LETTER 2009/10**

Members considered the Annual Audit Letter 2009/10 from the Audit Commission. Members discussed the expectations that the cost of audits should reduce in line with the work the Audit Commission will be undertaking. Members also supported a collective approach for future auditing with neighbouring fire and rescue services.

**RESOLVED:** that the report be noted.

**80 RISK PLANNING UPDATE**

Members considered an update on risk planning.

**RESOLVED** that the report be noted.

**81 COMMUNITY SAFETY UPDATE**

Members considered an update on community safety initiatives and recognised the future impact that next year's budget could have in this area.

**RESOLVED** that the report be noted.

**82 EQUALITIES & DIVERSITY FRAMEWORK & INTERVENTIONS**

Members considered an update from the Equalities and Diversity Unit and noted that an “achieving” level had been attained in the recent peer assessment.

**RESOLVED** that the report be noted.

**83 SICKNESS ABSENCE UPDATE**

**RESOLVED** that the report be noted.

**83 GAMBIA & AVON FIRE SERVICE IN PARTNERSHIP (GAFSIP)**

Members heard from the Chief Fire Officer / Chief Executive and Councillor Colin Barrett on their recent visit to the Gambia.

The Chief Fire Officer / Chief Executive added that on receiving the award of the Order of the Republic on the Gambia in the rank of Commander, the Minister had said that if there had been a higher award available to give, the Authority would have received it.

Councillor Colin Barrett summarised his experience of the visit and thanked Members for the opportunity of representing the Authority.

**84 FIRES & OTHER INCIDENTS – SEPTEMBER & OCTOBER 2010**

Councillor Hugill praised the work of firefighters in dealing with an incident in November at Broughton House.

**RESOLVED** that the report be noted.

Meeting closed 2.56pm

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Chair of the Authority

**AVON FIRE AUTHORITY**

MEETING:	<b>AVON FIRE AUTHORITY</b>
MEETING DATE:	5th January 2011
REPORT OF:	Treasurer to the Fire Authority Chief Fire Officer / Chief Executive
SUBJECT:	2011/12 Budget Strategy and Medium Term Financial Plan for 2011/15

**SUMMARY**

This report provides Members with an update on the development of the 2011/12 budget and the Medium Term Financial Plan (MTFP) for 2011/15. It gives a strategic overview of the context in which the budget proposals have been established and outlines the main assumptions that have been used to develop the budget plans.

This report also reviews the levels of earmarked and general reserves.

The Key Points to note are:-

1. Indicative formula grant has been reduced by £2.338m or 9.4%
2. Net inflationary pressures and unavoidable growth amount to £709k
3. Additional grant (S31) of £556k has been made available if there is no increase in council tax.
4. The identified budget deficit before the use of reserves and implementation of efficiency savings is £2.6m

**RECOMMENDATIONS**

Members are requested to:

1. Approve the approach and the current assumptions being used to develop the 2011/12 budget as outlined in tables 2 and 3. Note the budget options contained in table 4 and the financial issues in paragraph 23 and agree to its release for consultation;
2. To note the need to agree a budget after giving further consideration to the issues raised in this report, identification of saving options, responses to consultation, result of representations and any further information that is forthcoming. A further report will be presented to members at the meeting on the 11 February 2011.
3. Maintain the level of working balance at £1.5m (Approx 3% of the proposed 2011/12 budget), The development of an Austerity Reserve estimated to be

£2.1m to facilitate changes necessary to balance forthcoming budgets, the use of this reserve as outlined in Table 10 and note the projected level of reserves contained within Appendix A;

4. Note the current position in terms of the development for the MTFP as set out in table 10, the high level of additional required savings contained within it and the identified financial risks contained within table 7.
5. Note that on Tuesday 21 December, Councillor Terry Walker, CFO/CE Kevin Pearson and the Treasurer James Dack attended a meeting with the Fire Minister, Bob Neill MP, to make representation regarding the Provisional Grant Settlement. In the short space of time allowed an appeal was made to the Minister's sense of fairness expressing a sense of injustice that the settlement means Avon could lose up to 9.4% of its grant, whilst other fire authorities receive an increase. Final decisions on the grant settlement are expected to be made on 17 January 2011.

## BACKGROUND

6. **Setting the overall financial parameters** - The Government has made the economy its top priority and since its election in May a great deal of activity has been taking place. On 24 May the Government announced a series of emergency measures amounting to £6.2bn, which did not affect Fire and Rescue Authorities (FRAs) directly although it did affect many of the organisations with whom FRAs work on a regular basis. Following on from work done by the Office of Budget Responsibility which quantified the economy's structural gap as being £86bn, the Chancellor's budget on 22 June set out the Government's proposals for tackling the deficit.
7. In broad terms the Government is aiming to eliminate the structural deficit by 2014/15, the term of this Parliament, with much of the funding coming from reductions in public sector spending (77%) and the remainder coming from taxation. Council tax increases will be limited and there will be pressure to restrict pay awards.
8. Over the four-year period the size of reductions was originally identified as 14% across all the public sector, but protection of the NHS and other areas suggested that the remaining Delegated Expenditure Limits for Government departments would be reduced by at least 25%, with the possibility that final figures for individual services might be reduced by as much as 40%. The actual impact of the reductions was left to the Comprehensive Spending Review (CSR) process which was carried out during the summer.

## COMPREHENSIVE SPENDING REVIEW

9. On 20 October the Government announced details of the CSR, the key messages were as follows:-
  - **Formula Grant** – For Fire Authorities there will be reduction in Formula Grant of 25% in real terms weighted, or 'back loaded' to the second half of the spending review period i.e. 2013/14 and 2014/15. In the first year, 2011/12, the grant reduction will be in single figures, in percentage terms, across the Fire sector. It was unclear whether the funding formula would reflect any changes following a separate review of the distribution methodology. However, there was some concern that funding may move from Combined Fire Authorities (CFAs) to Metropolitan Authorities to reduce the impact of any grant reduction on the latter group of FRAs as their grant gearing is much higher at around 70% as opposed to CFAs at 40%.
  - **Specific Grants** - It appeared that specific grants covering activities such as New Dimensions would continue to be ring-fenced.
  - **Council tax** - For those FRAs that work with Government to deliver a council tax freeze in 2011/12 there will be eligibility to receive a grant equivalent to a 2.5% increase in council tax, which will be paid in each of the four years of the spending review period.

- **Borrowing** - The Government is maintaining the flexibility of prudential borrowing to enable investment in key local priorities.

10. **Economic Predictions** – The Government predicts and expects that spending growth may be at an average of 0.7% in real terms between 2011/12 and 2013/14, rather than the previously predicted 1.2% last autumn. Whilst there are some indications that the economy is starting to improve there is still some way to go before it recovers from the effects of the severe financial crisis. In the last quarterly inflation report, the Bank of England detailed that the recovery in 2010 will be “fragile”. The long term recovery is however, likely to be slow and protracted.

### PROVISIONAL FINANCIAL SETTLEMENT 2011/12 AND 2012/13

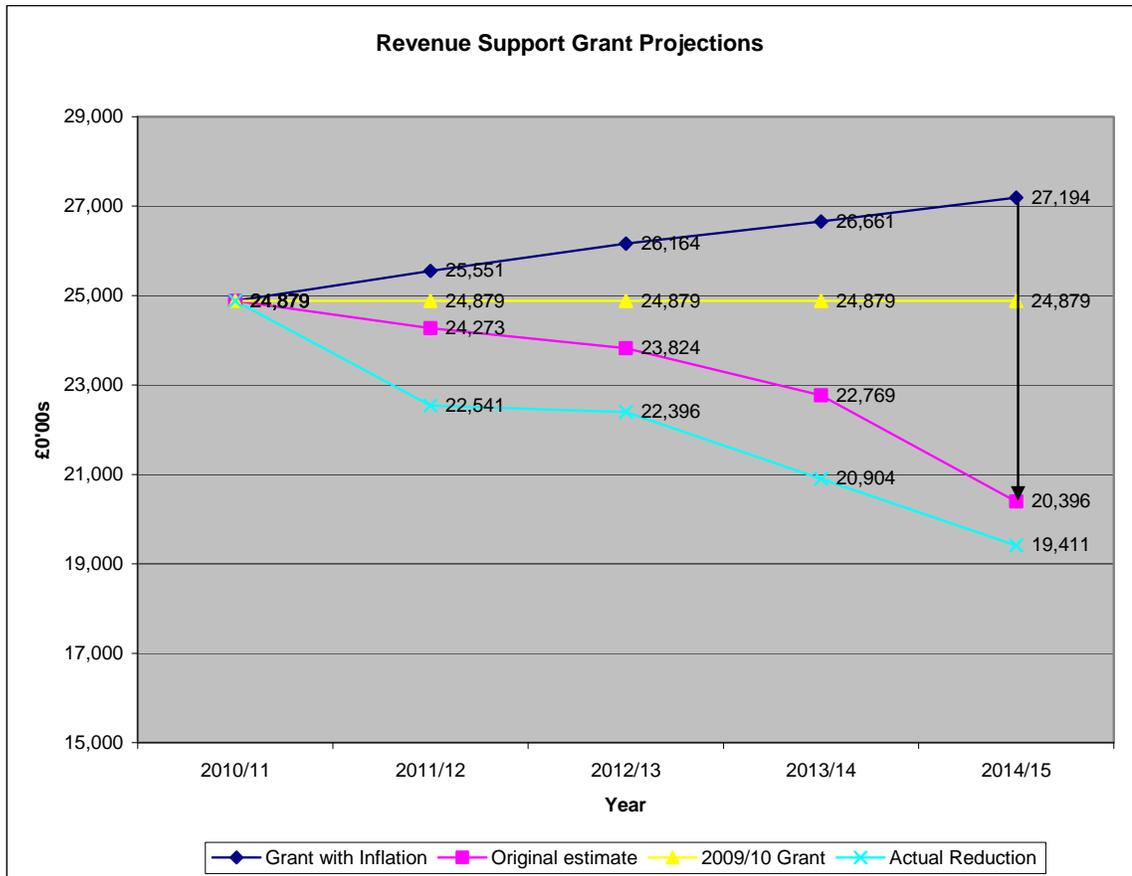
11. The proposed formula grants for 2011/12 and 2012/13 were announced on the 13<sup>th</sup> December. The effect of the settlement in absolute grants term for Avon was:-

<b>Table 1 - Formula Grant Allocations</b>					
Year	Grant £m	Reduction £m	Reduction %	Contribution to the Floor £m	Floor Level
2011/12	22.541	2.338	9.40%	0.013	9.50%
2012/13	22.396	0.145	0.64%	0.294	3.40%

The grant is disappointing reflecting a reduction in year 1 of 9.4% and a total reduction of funding of £4.8m over 2 years. This is significantly more than anticipated following the initial CSR announcement. The key points to note are:-

- A relatively large reduction in total funding across all Combined and Metropolitan Fire Authorities of 5.8% in year 1. A more modest reduction of 0.7% in year 2.
- The overall 8.8% real terms decrease in year 1 across Combined and Metropolitan Fire Authorities.
- The disproportionate and polarised effects of the change in funding formula have resulted in significant variations in grant from 5% growth to 19% reduction across authorities before dampening (appendix C).
- Changes to the formula include the updating of population and expenditure data, changes in the Fire risk index and the removal of grant for future supported capital expenditure.
- Work is ongoing to analyse the key changes in the formula and there relative impact
- A very high level of floor dampening for Fire Services in year 1 of 9.5%, yet a modest floor of 3.4% in year 2 offering little protection to Services in year 1
- Despite the large reduction in its grant Avon is still contributing to the floor Authorities in both years.

12. The more than expected reduction in grant has led to a revision of the medium term as follows:-



It now appears probable that the total real terms reduction for Avon will be 28% over the 4 year period equating to an absolute reduction of 20%.

### LINK TO AUTHORITY GOALS AND OBJECTIVES

13. The real terms reduction in future funding will provide a significant financial challenge to the Authority. Whilst the financial challenge is a dominant driver for change, it remains important that the Service's future strategies continue to be Service-led. This has been the basis upon which this Authority has developed its financial planning arrangements over previous years

Work on the current IRMP is well advanced and will be integrated with the final revenue budget and MTFP. Our future strategies will strive to include the following principles whilst ensuring that budgetary pressures can be met:-

- Improving the services to communities
- that we will do existing things differently and do new and different things

- that we constantly challenge ourselves on how we have done business in the past and improve it
- that we have greater engagement around what is actually needed and what is possible
- that reshaping includes staff and is evidenced based where possible
- that we have the highest standards of service delivery
- that partnerships are productive with us contributing to others agendas
- that we are more challenging to the provision of value for money
- that we exploit the “spare capacity” we have to achieve better society outcomes
- that we manage the change programme in a structured, logical and sustainable way which is well communicated to all affected
- that we have evaluation and review in place to keep us on track
- that we will have to embark upon joint cultural change programmes and workforce modernisation that liberates the talent within and attracts the best. Significant cultural change must commence at all levels.
- we will have a different approach to dealing with high volume, low risk incidents such as Automatic Fire Alarms and small fires

## DRAFT BUDGET 2011/12

14. The build up of the draft revenue budget for 2011/12 is set out over the following paragraphs
15. **Summary of Assumptions** - The following table outlines the key assumption included in the budget for 2011/12:-

<b>Table 2 Key Assumptions - 2011/12</b>	
Item	
National decrease in Fire Formula grant	-5.82%
Change in individual authority Formula Grant including impact of floors Capping limit	-3.58%
Increase in tax base	0.1%
Collection fund surplus / (deficit) £'000	-46
Increase in pay awards	0%
S31 grants will continue for USAR	Yes
Any costs for retained pensions case to be met by Central Government	Yes
General Inflation	2.70%

16. **Collection Fund Surplus** - Having consulted with the 4 Unitary Authorities in the Avon Area, it is projected that there will be a net deficit £46k for 2011/12. This adds to the amount needed to be raised from Council Tax or met by additional savings.

17. **Tax Base** – The Council Tax is calculated by dividing the Authority's precept (the amount of money needed to fund the net budget requirement after allowing for formula grant) by the tax base (the number of Band D properties within an area). The Authority's Tax Base for 2011/12 is projected to be 367,940 an increase of 0.5%.
18. **RCC:** - The Government announced on 20 December that the Fire Control project had been cancelled. The draft budget has been prepared assuming a cut-over date of November 2011. Because of the late announcement the full financial impact have not yet been fully assessed and but will be included in the report to members at the meeting on 11 February 2011.
19. **Other Grants:** - at this stage it is assumed that other funding streams for USAR and Fire Link will continue to be paid as standalone grants, in addition to formula grant.
20. **Capital Programme:** -Revenue contributions to the capital programme have been reduced by £40k over the current year and planned increases of £180k withdrawn. The government has announced that they have withdrawn any future revenue support for approved capital expenditure, replacing it with an increased capital grant in the short term. A draft programme is contained within table x.
21. The outline draft budget is as follows:-

**Table 3 Development of the 2011/12 Draft Budget**

	<b>Gross Expenditure £'000</b>	<b>Income £'000</b>	<b>Net Expenditure £'000</b>
<b>Core Budget 2010/11 (Restated)</b>	49,009	-1,923	47,086
- add back use of reserves	100	0	100
<b>Revised 2010/11 Base Budget</b>	<b>49,109</b>	<b>-1,923</b>	<b>47,186</b>
<b>Pay and Prices</b>			
- Pay awards	0	0	0
- Energy Inflation	33	0	33
- Other inflation	261	-48	213
<b>Commitments</b>			
- Capital financing	108	0	108
- National Insurance Increase	170	0	170
- National Radio scheme	271	-203	68
- RCC project funding	-200	312	112
- Other Pressures	40	30	70
<b>Cost reductions</b>			
- Insurance Premiums	-65	0	-65
<b>2011/12 Revenue Budget Requirement</b>	<b>49,727</b>	<b>-1,832</b>	<b>47,895</b>
<b>Funding</b>			
- Central Government Support			-22,541
- Collection Fund (surplus) \ deficit			46
<b>Amount required from Council Tax before savings or use of Reserves</b>			<b>25,400</b>

The above table identifies that after allowing for identified pressures and cost reductions the amount of funding required from Council Tax, savings or the use of reserves is £25.4m.

22. A number of options have been developed for discussion and consultation as follows. They are modelled to show the impact of differing levels of council tax and the use of reserves.

<b>Table 4 Suggested Budget Options</b>				
	<b>Option A</b>	<b>Option B</b>	<b>Option C</b>	<b>Option D</b>
	<b>No council tax increase</b>	<b>5% council tax increase</b>	<b>Zero Budget Increase</b>	<b>No Savings</b>
Use S31 Grant	Yes	No	No	No
Use of Reserves £'000	-800	-800	-800	0
Saving Requirement £'000	-1,828	-1,270	-9	0
Overall Budget Increase £'000	-2,376	-1,262	-1	809
Budget %	-5.05%	-2.68%	0.00%	1.72%
Council Tax	£60.38	£63.41	£66.83	£69.03
Council Tax % increase	0.00%	5.02%	10.68%	14.33%

<b>Funding Mix</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reserves	800	800	800	0
Council Tax	22,216	23,330	24,591	25,400
Grant S31 Council Tax	556	0	0	0
Savings	1,828	1,270	9	0
<b>Total</b>	<b>25,400</b>	<b>25,400</b>	<b>25,400</b>	<b>25,400</b>

- **Option A** – incorporates the additional section 31 grant, utilises £800k of reserves and maintains the current level of council tax
- **Option B** – Does not incorporate the additional grant, utilises reserves of £800k and increases council tax by 5%
- **Option C** – Does not incorporate the additional grant, utilises reserves of £800k increases council tax by 10.7%
- **Option D** - Does not incorporate the additional grant, utilises no reserves and increases council tax by 14.3%

## STRATEGIC ISSUES

23. **Financial Strategy** – The Fire Authority needs to consider a number of economic options which will impact on the budget and medium term plan

### **Section 31 Grant and Council Tax**

**Current Policy:** To utilise the Section 31 grant and therefore maintain the council tax at the current level.

Strengths - Avoids any capping issues, guaranteed funding for 4 year period.  
Weaknesses Funding not built into the base

### **Capping**

The Localism Bill published on 13 December includes provisions to abolish Central Government capping and instead give the public the power to approve or veto excessive council tax rises. Any authority which wishes to increase its council tax beyond a threshold determined by the Secretary of State and approved by the House of Commons will be required to hold a referendum to seek the approval of their electorate. Local people would therefore have the final say on excessive increases; a majority no-vote would mean authorities having to refund their council taxpayers. It is expected that these provisions will come into effect from 2012-13 onwards.

For 2011-12 the existing capping rules will continue to apply. The minister has indicated that he will set out the capping principles when the House debates the final local government finance report expected to be made on 17 January 2011.

**Current Policy:** To avoid capping as the cost of rebilling would be substantial and savings in addition to those imposed by the cap would need to be found to cover these.

### **Use of Reserves**

**Current Policy:** Reserves earmarked for identified issues are held for those issues. The Austerity reserve will be used to facilitate changes that will result in reduced expenditure in the future for example improved systems, redundancy payments. Linked to longer term savings Longer term Reserves will not be used to fund the gap between Budget and Income unless in exceptional circumstances

### **Savings Measures and Implementation timescales**

**Current Policy:** The Chief Fire Officer has identified and is reviewing a range of savings options as included in Appendix F. The Authority will try and match savings and efficiencies with reductions in funding.

## **The level of Capital Programme and funding arrangements**

Issue: - The government has removed future supported borrowing from the formula grant mechanism and the proposal is to replace this with capital grant. Any capital expenditure that is financed from prudential borrowing will incur interest and repayment costs.

**Current policy:-** The budget and MTFP assume a level of borrowing that keeps the revenue cost of capital to 5% of the net budget.

Options:- An increase in capital expenditure will result in a need to borrow increasing revenue costs by approximately 10% - 13% per annum of the capital sum.

## **COUNCIL TAX CALCULATION**

24. **Council Tax for 2011/12** – The Authority’s net budget requirement is met in part by the formula grant comprising of the Revenue Support Grant and National Business Rates. The rest is raised by the Council Tax. The estimated position for 2011/12 based on the draft budget based on option A is:-

<b>Table 5 Calculation of Council Tax for 2011/12 (Option A)</b>	
	<b>Gross Expenditure £'000</b>
<b>Net Budget Requirement</b>	<b>46,067</b>
<b>Transfer from reserves</b>	<b>-800</b>
<b>Net Budget after use of Reserves</b>	<b>45,267</b>
<b>Financed from:</b>	
Collection Fund deficit	-46
Formula Grant (-5.8%)	22,541
Council Tax Grant	556
Precept Requirement from Council Tax	22,216
<b>Total Funds</b>	<b>45,267</b>
<b>Assumed tax base</b>	
Bath and North East Somerset	64,402
Bristol City Council	134,386
North Somerset	78,392
South Gloucestershire	90,760
<b>Total tax base</b>	<b>367,940</b>
Tax rate for Band D property 2010/11	£60.38
Tax rate for Band D property 2011/12	£60.38
Increase in Band D charges	0.00%

## RECONCILIATION WITH THE MEDIUM TERM FINANCIAL PLAN

25. The following table compares the revised assumptions in paragraph 15 with last years MTFP. As can be seen the effect of lower grant settlements and a deficit in the collection fund had impaired the financial situation for 2011/112

<b>Table 6 Changes in Financial Data and Assumptions</b>			
<b>Item</b>	<b>Original MTFP</b>	<b>Revised</b>	<b>Variance £'000</b>
Pay awards	1%	0%	-372
Inflation	2%	2.7%	59
Capital Financing	180	108	-72
Net growth \ savings	123	-1,473	-1,596
Use of Reserves	-300	-800	-500
Formula Grant	0%	-9.4%	2,338
Council Tax grant	0	-556	-556
Surplus on collection fund (estimate)	0	46	46
Tax base (latest estimate)	367,734	367,940	-13
Council Tax capping limit	3.00%	?	0
<b>Total</b>			<b>-666</b>

## RISK AND SENSITIVITY ANALYSIS

26. **Risk Management** - The Authority's risk management is assisted by the process of budget preparation and monitoring already set out in this report. The Authority also has a Corporate Risk Register which is under regular review. Risk Item **21** is concerned with Financial Issues.
27. In terms of financial management a risk analysis has been undertaken and identifies the following risks and appropriate mitigations:

<b>Table 7 Financial Risk Identification and Management</b>	
<b>Item</b>	<b>Mitigation</b>
Higher than budgeted pay awards	Working balance, vacancy management
Increase in employer pension contributions	Reserves and Balances
Impact of LAA's and CAA's and Total Place Initiatives	Partnership working
Higher than budgeted ill health payments	Reserves and Balances, Occupational Health
Legislation e.g. DDA	Prioritisation of R&M budgets; review prudential code
Government formula limits Authority to floor grant increase	Use of reserves, IRMP and MTFP
Reduction in Government funding	MTFP
Increased contribution to JTC sinking fund	Accounting treatment, utilisation of JTC
USAR funding incorporated into RSG	Consulation, lobbying
Potential costs associated with Regional Control Project	Reserves, resilience payment
Identified savings not achieved	Reserves and Balances. SMB monitoring
Major / sustained incident	Bellwin Scheme, reserves
ICT demands	Investment in resilience, reserve

28. The non financial risks surround failure to deliver the Authority's future strategies which were outlined in paragraph 13 of this report.

29. **Sensitivity Analysis** – The following analysis has been undertaken to identify the potential impact of a change in the assumptions for a number of significant areas.

<b>Table 8 Sensitivity Analysis</b>		
<b>Item / Risk</b>	<b>Variation of %</b>	<b>Estimated Cost / Saving £'000</b>
Pay awards		
- Uniformed	1%	204
- Other	1%	48
Firefighter Employer contribution rate		
- old scheme	3.1%	575
- new scheme	0.8%	25
Ill Health Retirement		
- Lower Tier (Crew Manger)	1 occurrence	62
- Higher Tier (Crew Manger)	1 occurrence	125
Council Tax Level	0.5%	107
Inflation	1%	92
Reduction in formula grant	1%	248

As can be seen there is potential for significant variations in expenditure to occur over the medium term. These issues have been identified and considered in the reserves adequacy review summarised in Appendix A and incorporated into the medium term plan.

## THE CAPITAL PROGRAMME

30. A draft capital programme has been prepared as follows:

<b>Table 9 Estimated Capital Programme 2011 to 2015</b>				
<b>Investment Area</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Premises	700	560	500	500
Operational Equipment	100	127	100	100
PPE	0	1,000	0	0
Fleet	1,800	1,213	1,800	1,800
IT	100	100	200	200
Community Safety	0	0	0	0
<b>Total</b>	<b>2,700</b>	<b>3,000</b>	<b>2,600</b>	<b>2,600</b>
<b>Funded by</b>				
Supported borrowing	0	0	0	0
Reserves	0	400	0	0
Grant	1,700	1,700	1,700	1,700
Revenue Contribution to capital	300	300	300	300
Prudential Code	700	600	600	600
<b>Total</b>	<b>2,700</b>	<b>3,000</b>	<b>2,600</b>	<b>2,600</b>

### Notes

At this stage figures exclude slippage from the 2010/11 programme

31. **Indicative 4 year capital programme** - is set out above with proposed funding. The revenue effects, including those of prudential borrowing, are included within both the budget and the MTFP. Work is ongoing in updating the asset management and capital strategies as part of the budget and business planning cycle. Appendix B contains the current maintenance programme.
32. **Capital Grant** -
33. **Supported Borrowing**. – withdrawn from 2011/12 and replaced with additional grant
34. **Prudential Borrowing** - The overall level of prudential borrowing has been reduced for 2011/12 and the rest of the MTFP. Further work is ongoing to review the level of prudential borrowings in light of future grant settlements. A list of prudential indicators will be presented with the budget report on 11<sup>th</sup> February 2011.

## **PROVISIONS, RESERVES AND BALANCES**

35. **Working Balance** – the Authority has decided that a balance of £1.5m or 3% of net expenditure should be maintained.
36. **Reserves** - Appendix A to this report, details the financial risk assessment which is used to support the estimated level of general and earmarked reserves. As shown reserves are held for identifiable purposes, they are not considered excessive, and there is no particular opportunity cost to holding them.
37. **The Draft Budget** - for 2011/12 identifies the use of £800k of reserves. It is recognised that there will need to be a draw on reserves over the MTFP to facilitate the expected change in the financial climate. Further work on the plan is ongoing and will be available in February.

## **THE GOVERNMENT'S APPROACH TO CAPPING**

38. The minister has indicated that he will set out the capping principles when the House debates the final local government finance report expected to be made on 17 January 2011.

## MEDIUM TERM FINANCIAL PLAN

	Budget			
	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
<b>Council Tax Increase Target</b>	<b>0.00%</b>	<b>2.50%</b>	<b>2.50%</b>	<b>2.50%</b>
Base budget	47,186	46,067	45,888	45,639
Effect of pay and price increases, cost of capital	246	771	1,011	1,006
<b>Current base budget</b>	<b>47,432</b>	<b>46,838</b>	<b>46,899</b>	<b>46,645</b>
Add Pressures / growth	663	78	(11)	(9)
Less Savings	(200)	0	0	0
<b>Initial Budget</b>	<b>47,895</b>	<b>46,916</b>	<b>46,888</b>	<b>46,636</b>
Additional required savings	(1,828)	(1,028)	(1,249)	(2,222)
<b>Revised Budget</b>	<b>46,067</b>	<b>45,888</b>	<b>45,639</b>	<b>44,414</b>
Use of provisions and reserves	(800)	0	(500)	0
<b>Net Budget</b>	<b>45,267</b>	<b>45,888</b>	<b>45,139</b>	<b>44,414</b>
Less Government Support	(22,541)	(22,396)	(20,904)	(19,411)
Council Tax Grant	(556)	(556)	(556)	(556)
Add \ Less effect of Collection Fund (deficits) \ surpluses	46	0	0	0
<b>Net amount chargeable to Council Tax Payers</b>	<b>22,216</b>	<b>22,936</b>	<b>23,679</b>	<b>24,447</b>
<b>Band D Council Tax</b>	<b>£60.38</b>	<b>£61.89</b>	<b>£63.44</b>	<b>£65.03</b>
<b>Budget Increase</b>	<b>(2.37%)</b>	<b>(0.39%)</b>	<b>(0.54%)</b>	<b>(2.68%)</b>
<b>Key Financial Assumptions</b>				
Pay Awards	0.00%	2.00%	2.00%	2.00%
Other Inflation	2.70%	2.40%	2.00%	2.00%
Use of Reserves	(800)	0	(500)	0
Estimated Council Tax base	367,940	370,588	373,249	375,931
Net Collection Fund Positions	(46)	0	0	0
Government Support -Real Terms	(5.82%)	(0.70%)	(6.00%)	(6.00%)

<b>IRMP \ Austerity Reserve</b>				
	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000
Balance 1 April	2,088	1,288	1,288	788
Utilised during year	(800)	0	(500)	0
<b>Balance 31 March</b>	<b>1,288</b>	<b>1,288</b>	<b>788</b>	<b>788</b>

39. **Development of the MTFP** - The 2012/13 financial year is the last year of relative certainty with regards to the level of the formula grant settlement. Further significant reductions are anticipated for 2013/14 and 2014/15 in line with the Governments announcement of the back loading of reductions in formula grant for Fire Authorities.
40. **Prudential Borrowing for capital expenditure** – the strategy to limit revenue effect to maximum of 5% continues.
41. **Revenue Contributions to Capital** – The Authority makes a revenue contribution to capital of £300k per annum.
42. **Treasury Management** – The Authority continues to delay long term borrowing by utilizing available reserves and balances until the gap between short term and long term rates narrows.
43. **Variables** - There are many other variables that may have an impact on the level of financial resources available to this Authority, such as the impact of pay inflation, the extent to which the required savings can be achieved. The Medium Term plan has assumed that there will continue to be low increases in general inflation and pay awards, resulting in relatively low cost increases. The medium Term Plan also incorporates the effect of continuing with the level of capital programme as identified in paragraph 30.
44. **Pensions and National Insurance:-** The MTFP includes an increase in national insurance contributions of 1% from 2011/12 and employers contributions to the fire fighters scheme remain unchanged.
45. **Other Grant Funding** – New dimensions and Fire Link grant remains ring fenced, not reduced or mainstreamed with RSG.
46. **Council Tax increases** – Council Tax increases of 2.5% per annum have been used.
47. **Future Savings** – Based on the assumptions included within the MTFP the Authority will need to identify savings in the region of £6.3m over the four year period 2011/12 – 2014/15. The Service Management Board will be working closely with Members to identify and deliver the necessary changes.

## **SECTION 25 REPORT**

48. Members need to be aware that Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Authority on the robustness of the estimates including the budget and the adequacy of the reserves for which the budget provides.

External scrutiny – regional, members working group, implementation group regular reporting.

This will be included in the report to the Authority on the 11<sup>th</sup> February 2011.

## **CONSULTATION**

49. **Consultation** - As a precepting Authority, Avon is required to consult over its budget proposals. The purpose of this is to gauge the level of public support for its overarching strategy to the budget so that this may be considered when drafting the final budget proposals. By law the Authority is required to consult person or bodies appearing to it to be representative of persons subject to non-domestic rates about its proposals for expenditure (including capital expenditure) in the next financial year. In this respect, it is suggested that this report is made available to:

- Unitary Authorities
- Local MP's
- Business West
- The Authority's website
- The Authority's intranet
- At Community Safety Centre's

## **IMPLICATIONS**

50. There are no specific issues arising from the content of this report. As the details of any proposals for change are developed, such as for those included within the IRMP, due regard will be given to the potential impact on the organisation, its staff, and external agencies. The current and future forecasts set out above will need careful managing over the medium term.

## **FINANCIAL**

51. The financial impact of the budget for 2010/11 and the MTFP on council taxpayers is assessed to ensure that proposals are both affordable and sustainable. Consideration will be given to the outcome of the budget consultation exercise in developing the final budget.

## **LEGAL**

52. The Authority must budget within its means.

## **DIVERSITY**

53. The budget supports a range of Equalities work and initiatives

## **CORPORATE RISK ASSESSMENT**

54. There are many risks associated with budgets, resources and expenditures. These are set out within the report.

## **ENVIRONMENTAL/SUSTAINABILITY**

55. The budget supports a range of Environmental and Health and Safety works and initiatives

**HEALTH AND SAFETY**

56. The budget supports a range of Health and Safety works and initiatives

<b>List of background documents:</b> Held within the Finance Director's department
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<b>Report Contact(s):</b> James Dack, Treasurer to the Fire Authority (ext. 235#)
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Reserves Adequacy Analysis

Reserve	Purpose	31/3/2011 £'000	Likelihood	Impact	31/3/2011 £'000
<b>Budget Pressures and Pensions Reserve</b>					
- Medical Intervention	To support staff to return to work	20	Medium	Low	0
- Rolling Budgets	To enable roll forward of planned underspend and encourage prudent local financial management	30	Medium	Low	0
- Station Smart	For locally managed Station Improvement initiatives	30	Medium	Low	0
- PPE Replacement	To financially support move to ICP PPE contract	300	High	High	400
- Training	To support development of SWCDC	100	Medium	Medium	0
- IS/IT Critical Works	To fund emergency IS works	200	Medium	Medium	0
- RCC / Fire Link	To fund additional setup costs associated with RCC and Firelink Costs	400	High	Medium	400
- Premises / H&S Reserve critical works	To funds critical Premises / H&S works	200	Medium	Medium	100
- Pensions Reserve	To fund fluctuations in ill health retirements	850	High	Medium	500
- Legal Fees Reserve	Finance unexpected Legal Costs	50	Medium	Medium	50
<b>USAR Reserve</b>	Carry forward of USAR funds, support exceptional usar costs	100	High	Medium	0
<b>Nova way Relocation</b>	To fund costs associated with the Nova Way relocation	45	Medium	Low	0
<b>SWCDC Reserve</b>	To support development of SWCDC	37	Medium	Low	0
<b>IRMP Reserve</b>	To support implementation of new procedures / ways of working	676	High	High	0
<b>Austerity Reserve</b>		0	High	High	2,088
<b>Total Earmarked Reserves</b>		<b>3,038</b>			<b>3,538</b>
Working Balance		1,500			1,500

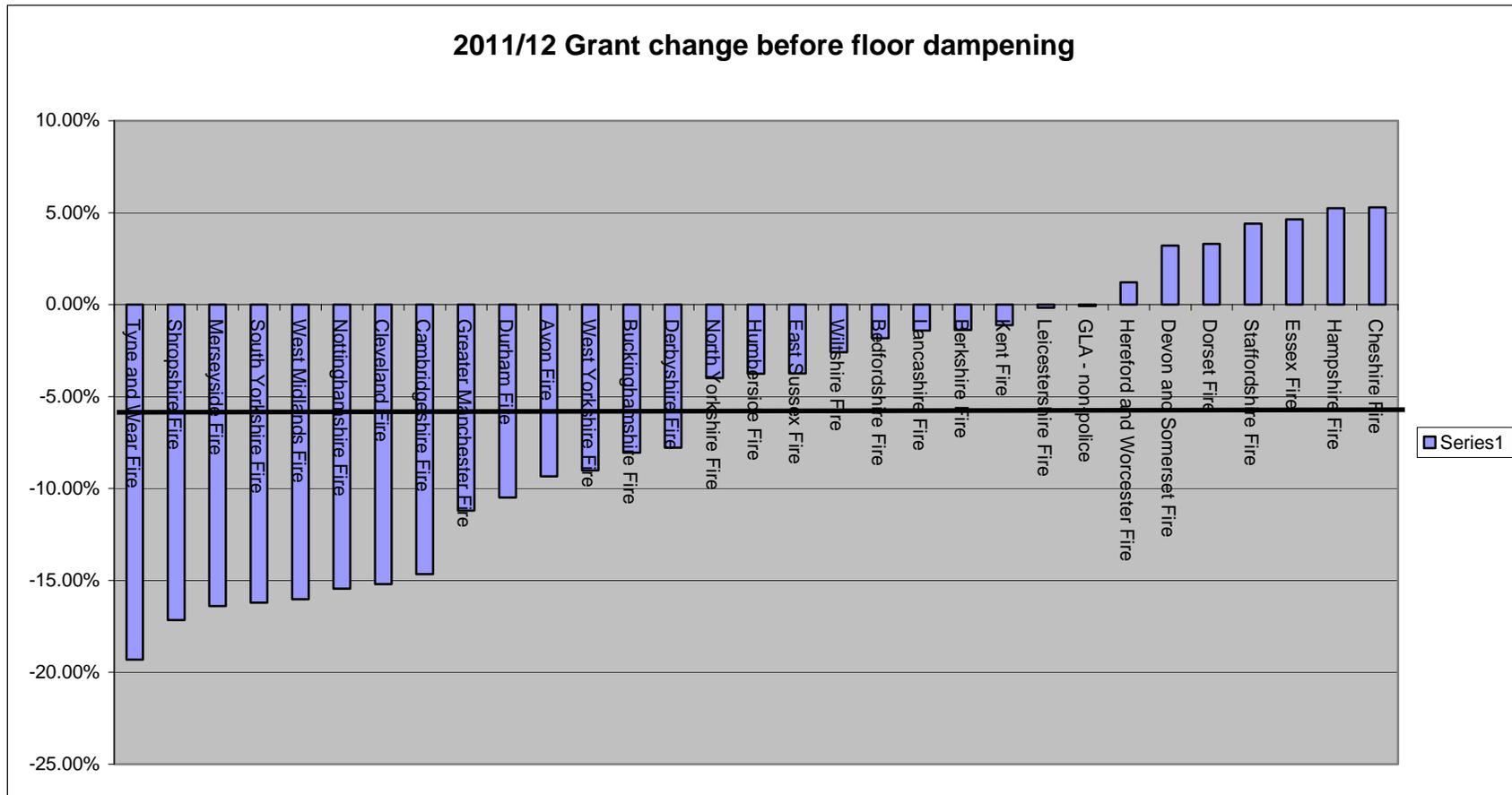
# AVON FIRE AND RESCUE AUTHORITY

## Appendix B

### Outline Maintenance Programme

Station	Building/ Infrastruct ure £	Mech and Elec Estimates £
Blagdon	10,000	15,000
Paulton	10,000	10,000
Chew Magna	20,000	10,000
Radstock	12,000	8,000
Winscombe	20,000	18,000
Weston super Mare	95,000	80,000
Yatton	10,000	8,000
Bedminster	55,000	20,000
Temple Back	350,000	550,000
Nailsea	0	0
Keynsham	10,000	4,000
Pill	10,000	3,000
Bath / Bath Office	80,000	175,000
Avonmouth	70,000	65,000
Portishead	45,000	8,000
Thornbury	25,000	5,000
Patchway	36,000	65,000
Kingswood	90,000	80,000
Brislington	40,000	70,000
Clevedon	30,000	40,000
Southmead	40,000	80,000
Speedwell	40,000	20,000
Lansdown	30,000	20,000
Yate	40,000	40,000
Tech Centre, Avonmouth	0	0
<b>Total</b>	<b><u>1,168,000</u></b>	<b><u>1,394,000</u></b>
Revenue - repairs and maintenance budget capital		<b><u>530,000</u></b>

Appendix C



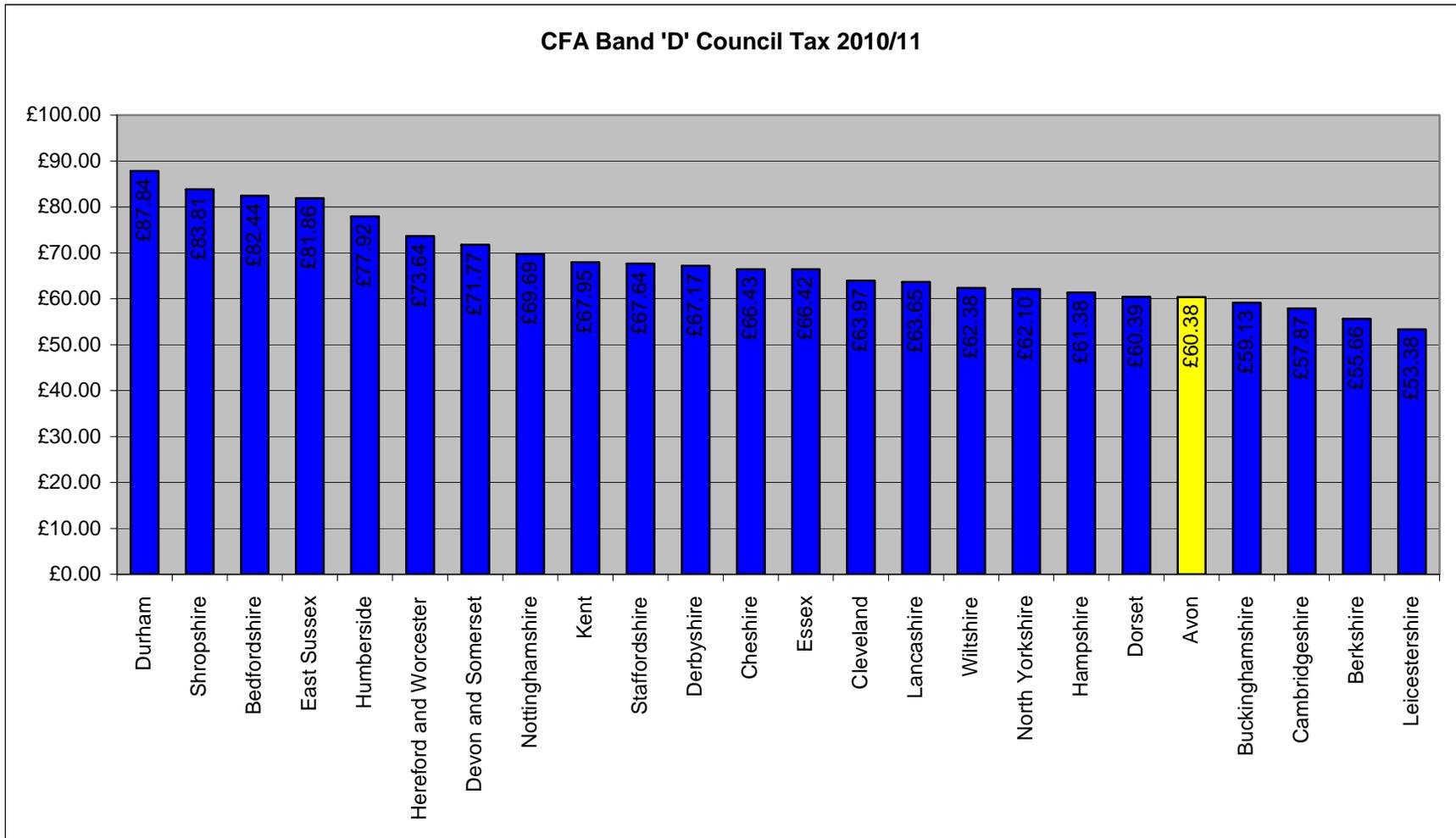
## Appendix D – Developing the Budget

### DEVELOPING THE 2011/12 BUDGET

57. **Budget Build** - As in previous years, the Authority's budget is being developed using an incremental approach with the current year's budget being adjusted to reflect any anticipated changes in the cost of services for the following year. These adjustments include the addition of unavoidable pay and price increases, growth for pressures and service improvements and the removal of anticipated savings. The proposed budget also considers previous years spending pressures, consistent areas of under spends and trends in performance and activity which underpin costs. The budget is then further amended to reflect planned transfers to and from reserves, grant funded expenditure and other funding arrangements so that a gross expenditure figure and the amount to be funded from formula grant and council tax is identified.
58. **Zero base budget approach** – A number of items are also undergoing a Zero based approach to budgeting, the aim is to build the budget up from scratch ensuring that all expenditure is still valid and contributes to corporate objectives.
59. **Inflationary Pressures** - In October the Government's Office of Budget Responsibility estimated inflation as measured by the Consumer Price Index (CPI) to be 2.7% for 2010 and 2.4% for 2011.
60. **Pay headings** - The Authority currently employs staff under two main Schemes of Conditions and Service, uniformed and service support staff. Each of these has a different pay scale that is negotiated nationally. . The operational pay award for 2010/11 was settled at 0% and the Admin Professional Technical and Clerical (APTC) pay award has now been agreed at 0%. Given the current economic climate, there is a suggestion that future years local government pay settlements will be low, with a further pay freeze in 2011/12. The budget for 2011/12 is currently being modelled, assuming a 0% settlement for all employee groups.
61. **Inflationary increases on supplies and services** - Many of the supplies and services purchased by the Authority are done so under contract, or are otherwise unavoidable, such as utility charges and business rates. The budget model currently assumes a general price increase of 2.7%, across most of the supplies and services headings, with exceptions for fuel, and energy which are included at 7%.
62. **Pension Commitments** – A review of all Public Sector pension schemes is currently being undertaken by the Government. At this stage no increases in the employer contribution rates have been 2011/12 budget or MTFP. The Authority's contribution to the Firefighters Pension scheme is approximately £4.1m per annum.

In terms of the Local Government Pension scheme, the triennial review by the actuary was completed in March 2010 and as a result an additional £20k has been added to the 2011/12 budget.

## Appendix E – Council Tax Levels



## **Appendix F – Savings Options – Cash Flow**

Radical review of all non-employee costs, including non renewal of contracts.

Recruitment Freeze (non RDS + risk critical)

Non renewal of temporary contracts (risk assessed).

Change contracts of abated staff to part time.

Offer all staff sabbaticals.

Offer all staff part time working opportunities

Management re-structure

Offer all staff voluntary redundancy (risk assessed)

Make future abatement requests conditional on part-time and flexible working

Compulsory redundancy – support staff

**AVON FIRE AUTHORITY**

<b>MEETING:</b>	AVON FIRE AUTHORITY
<b>MEETING DATE:</b>	5 January 2011
<b>REPORT OF:</b>	Chief Fire Officer/Chief Executive
<b>SUBJECT:</b>	Regional Fire Control Project

**SUMMARY**

To advise Members of a written Ministerial statement from Bob Neill MP in relation to the FireControl Project. The statement was made on 20 December 2010.

**RECOMMENDATION**

- i) That Members note the position regarding the FireControl Project.
- 

**BACKGROUND**

The Ministerial Statement is attached to this report.

**CONTRIBUTION TO KEY POLICY PRIORITIES****FINANCIAL IMPLICATION**

None.

**LEGAL IMPLICATIONS**

None.

**DIVERSITY IMPLICATIONS**

None.

**CORPORATE RISK ASSESSMENT**

None.

**ENVIRONMENTAL/SUSTAINABILITY IMPLICATIONS**

None.

**HEALTH & SAFETY IMPLICATIONS**

None

<b>List of background documents:</b>
Report Contact: Kevin Pearson, Chief Fire Officer/Chief Executive (Extension 233#)

## WRITTEN MINISTERIAL STATEMENT

**From Bob Neill MP/ Baroness Hanham**

20 December 2010

**Fire and Rescue Service**

I would like to inform the House about recent developments on the FiReControl Project.

This is the third part of the last Government's resilience programme and set out to replace the standalone control rooms in England's Fire and Rescue Services with a national network of nine control centres. The aim was to improve national resilience, interoperability and efficiency as well as to enhance the technology available to the Fire and Rescue Service.

Many Hon Members will be aware that, for some time, the project has experienced delays and delivery problems.

The progress of the project has caused serious concern, and so in June this year I made it clear to the main FiReControl contractor, Cassidian (formerly EADS Defence & Security), that the main IT system must now be delivered to time, cost and quality. At this point, we activated a key milestone in their contract requiring the main IT system to be completed in three control centres by mid-2011.

We told Cassidian that no additional taxpayers' money could be invested in this project, nor would delivery of a system of reduced quality or functionality be acceptable.

Following extensive discussion with Cassidian, we have jointly concluded, with regret, that the requirements of the project cannot be delivered to an acceptable timeframe. Therefore the best outcome for the taxpayer and the fire and rescue community is for the contract to be terminated with immediate effect. Cassidian and the Department for Communities and Local Government have reached an acceptable settlement over this although the details will remain commercially confidential.

I know many people in the Fire and Rescue Service and in Fire and Rescue Authorities have devoted considerable time and expertise to this project, especially those who have served on governance and working groups, directors of the local authority controlled companies, advisers from the Chief Fire Officers' Association, Fire and Rescue Service secondees to the project and other staff involved from the fire and rescue community, and many technical and resilience experts. I would like to take this opportunity of thanking all these people for their contribution.

Over the next few weeks we intend to identify the extent to which any legacy assets from the project, including the control centre buildings, can be used for the benefit of the Fire and Rescue Service and local communities in future. We will also be making arrangements for maintaining products already delivered.

The Department will cease funding activities directly associated with the project as quickly as is compatible with organising an orderly closing down of the project. We recognise that Fire and Rescue Authorities will now wish to review their control arrangements in the light of today's decision. This Government does not intend to impose any solution for the future of control room services.

We will, however, start to consult the fire and rescue sector soon on how best the Government can support them, if at all, in developing their alternative plans based on the principles of localism, ensuring public safety, building up national resilience and delivering value for taxpayers' money. These continue to be our overriding priorities.

I know that the uncertainty around the future of this project has been frustrating and unsettling for the fire and rescue community and those closely concerned with their interests. My objective has been to deliver operational certainty for the Fire and Rescue Service and financial certainty for the taxpayer. Today's decision will deliver that objective and I will continue to keep the House informed of progress.