

DERBYSHIRE FIRE AUTHORITY**24 February 2011****Report of the Chief Fire Officer/Chief Executive and Treasurer****REVENUE BUDGET 2011-12****1 Purpose of the Report**

- 1.1 This report presents the outcome of the budget setting process for the 2011/12 financial year. It follows the report to Resources Committee on 14 January 2011 which set out the expected commitments over the next four years and the potential resources to finance those commitments. It outlines the component parts of the budget and how they fit together. From this Members can determine the budget requirement and propose a precept from which will derive a Council Tax figure. Indicative budgets for 2012/13, 2013/14 and 2014/15 are also shown.
- 1.2 Also presented in a separate report is the Authority's proposed capital programme for 2011/12 and 2012/13. In previous years, this has been included in the March report to the Fire Authority and will still be subject to formal approval in March when the Authority considers the full report on the Prudential Code for Capital Finance and Treasury Management. By bringing this report alongside the revenue budget it gives Members a complete picture of the financial implications of the programme on the revenue budget.

Executive summary

This report proposes a total gross budget requirement for 2011/12 of £41.118m. It outlines the options available to Members to meet the budget requirements, the development items considered by the Finance Liaison Group (FLG) and the options in respect of the precept. It seeks to authorise the Treasurer to raise the precept and enter into such loans as are appropriate to fund the capital spending of the Authority. It seeks approval to the draft 2011/2013 Capital Programme. It proposes the use of £0.692m of the unallocated reserves to support the 2011/12 Annual Budget.

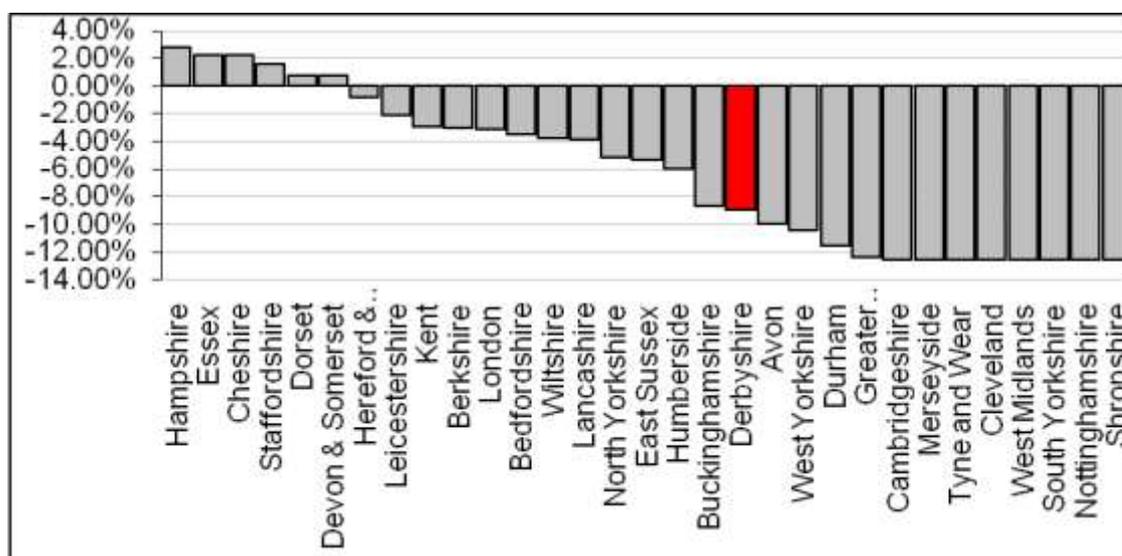
In addition, Members are asked to note the medium term financial position for 2012/13 to 2014/15 and the significant financial pressures that already exist. It also highlights those pressures which may subsequently occur following the 2010 Comprehensive Spending Review, the proposed review of Formula Grant in 2012/13 and the possible changes in the redistribution of business rates and specific grants in 2013/2014.

2 Local Government Finance Settlement 2011/12

Formula Grant (Revenue Support Grant and Redistributed Business Rates) 2011/12

- 2.1 'Formula grant' comes with no strings attached and authorities can spend it as they see fit. Formula grant is mainly made up of the business rates that Councils collect from their local businesses as their contribution to the cost of local public services. This is paid into a central pool and redistributed by Central Government in the Finance Settlement. Formula grant also includes funding from Central Government, known as 'Revenue Support Grant'.
- 2.2 The final settlement for 2011/12 and 2012/13 was announced on 31 January 2011 and, as expected for Derbyshire Fire Authority it showed no change from the provisional settlement that was reported to the Resources Committee on 14 January 2010. This represents a reduction in formula grant of £1.648m for 2011/12 with a net reduction of £1.098m if council tax is frozen and grant equivalent to £0.55m is received. Analysis of average settlements suggest that only 6.5% of the 25% cut in government grant has come in the first two years leaving a potential 18.5% for the last two years. Given our share of grant reduction was around 8.5%, this could suggest that our share of the reduction could be nearer 27%. However, there are some indications, as yet unsubstantiated; that the cut in funding may only be 18.5% in cash terms and 25% is a real terms figure. If true, this would mean that more grant would be paid in cash to offset inflation, thereby reducing the Authority's projected deficit.
- 2.3 Figure 1 shows a comparison for Combined Fire Authorities nationally giving percentage reductions and indeed, some increases in grant for 2011/12. It is worth noting that although the Metropolitan Authorities have the highest percentage reduction in grant, their funding per head of population is still higher than average.

Figure 1 – National Formula Grant Position



- 2.4 According to the latest Value for Money (VFM) profiles from the Audit Commission for 2009/10, Derbyshire Fire Authority is still in the bottom

quartile on cost per thousand population based on the latest published figures (£36,432 for 2009/10 compared to an average of £41,717).

Government capping and the Council Tax Freeze 2011/12

- 2.5 The Government has announced a proposed 3.5% cap on council tax increases. This is the Government's view on the maximum council tax increase they will allow. The proposed Council Tax freeze, whilst not mandated, provides a very strong steer on the government's position on Council Tax increases. Indeed, as part of the announcement on 31 January 2011, the Parliamentary Under Secretary of State, Bob Neill outlined the Government's position on Council Tax increases:

'The Government anticipates that authorities will choose to take up the freeze. However, where authorities opt to increase their council tax instead the Government is prepared to take capping action against excessive increases'.

- 2.6 The settlement indicates that the grant available for 'freezing' Council Tax for is available for the next four years (£2.2m in total over four years for Derbyshire). This can create a potential problem for the Authority once the grant ceases as a grant of this kind will not be built into the Council Tax Base and will not be available to spend in all future budgets. There is a risk that the Authority will be in the position of having to make the decision in 2015/16 of either increasing council tax to make up the shortfall or identify further savings of around £2.2m in that year.
- 2.7 Through the Localism Bill, the Government also plans to introduce a power for residents to veto excessive council tax increases through a referendum. Concerns have been expressed over the costs of conducting such a referendum with estimates suggesting costs could of a referendum could be around 2.5% of Council Tax. Enquiries of comparable fire authorities suggest most authorities are proposing accepting the grant for a Council Tax freeze.

Specific Grants 2011/12

- 2.8 The Government announced the specific grants due to the Service on 31 January 2011. This allocated £0.238m in 2011/12 and £0.220m in 2012/13.

New Dimension

- 2.9 The actual grant for 2010/11 of £0.081m of was only announced by the DCLG on the 23rd December 2010 in a letter to the Chief Fire and Rescue Officer and Chief Executive. A grant of £0.081m has also been announced for 2011/12.

Fire Control

- 2.10 The Authority will be aware that the Fire Minister, Bob Neill MP, made a written statement to Parliament on the 20th December 2010 announcing

that the main FireControl contract had been terminated and the project will close down. The DCLG has stopped funding implementation activity on the project, although they recognise that, to ensure an orderly closure of the project, some activities are still needed and these will be funded for the closedown period. This means that this grant of £0.421m will no longer be received in its current format in the new financial year. The full impact of this will lead to a number of compulsory redundancies that will be funded through DCLG transitional funding (£20k). At the moment, there is a monthly cost to the Authority of around £0.051m and is being met from the Modernisation Reserves - RCC.

Firelink

- 2.11 The introduction of Firelink has introduced a net new burden for the CFA. The net new burden has been calculated by comparing the difference between the Airwave service costs and the operational costs of legacy wide area radio systems based on cost returns submitted by FRAs which were subject to a separate verification check during 2007/08. Net New Burdens will be paid by a Section 31 Local Government Act 2003 grant for the remainder of this Comprehensive Spending Review period. It is expected that this method of payment will continue until the costs of the fire and resilience programme stabilize when consideration may be given to an alternative approach. The grant is £0.137m in 2011/12 and 2012/13. Costs for the Authority are expected to rise to £0.242m from 2011/12 onwards.

Capital Grant 2011/12

- 2.12 The Fire Capital Grant confirmation for 2011/12 was also published on 31 January 2011 and has allocated £1.419m to Derbyshire Fire Authority. There is no indication that this is ring fenced for any specific purpose. Budget proposals reflect the allocation and the expected impact of reducing borrowing costs by around £0.126m (including £0.07m interest) but there are no indications as to whether this grant will continue beyond 2012/13. Indeed, CLG are looking to consult with the Fire Service on the best way to calculate the grant in the future.

3. Budget Requirement 2011/12

- 3.1 The 2011/12 budget has undergone a thorough challenge during the budget process. The detailed budget is included as Appendix A. Budget managers were asked to consider their budgets and identify savings that could be made. In addition to this, all budgets have undergone further scrutiny by the accountancy team with a view to identifying realistic budgets for the forthcoming year. Furthermore, inflation has only been added when considered necessary and if possible budgets have been maintained at current price levels.
- 3.2 The new finance system is due to go live in April 2011. In preparing for the new system and through the development of cost centre reporting, we

have been able to review areas of spend in a lot more detail and capture spending patterns more effectively through more detailed analysis.

3.3 Internal procedures and accounting methods either have been or are in the process of being reviewed to ensure that all potential efficiencies are identified and acted upon. Examples of this include reviewing investment strategies, re-profiling borrowing requirements, reviewing service level agreements for services provided by Derbyshire County Council and reviewing leasing/purchase options for vehicles.

3.4 Using the 2010/11 budgets as a start point, the 2011/12 budget has been determined by:

- Removing items that were funded as 'one offs' in 2010/11 to reflect only recurring expenditure;
- Applying increases to reflect the impact of inflation and price increases;
- Applying decreases to reflect changes in service activity;
- Including ongoing implications of previously agreed growth and savings; and
- Including new service pressures and development identified through the budget process and approved by FLG.

3.5 Details of the changes are shown in Appendix A and summarised in Table 1 below. This represents a 1.61% reduction in the base budget, equivalent to a £0.671m reduction. This leaves a shortfall of £0.277m against resources available with a 0% increase in Council Tax, before any savings from the effectiveness programme are taken into account. This is an improvement on the position reported to the Resources Committee in January where we projected a shortfall of £0.65m after the projected effectiveness programme savings in 2011/12 and reflects the work done in challenging the budget for 2011/12 and progress on some of the effectiveness programme projects.

Table 1 – 2011/12 Base Budget Requirement

	£m
Base budget 2010/11	41.789
Increases:	
Price increases	0.049
One off items 2010/11	0.038
Pressures on the base budget	0.497
Reductions:	
Remove one off funded items from 2010/11	(1.028)
Identified developments	(0.227)
Base budget requirement 2011/12	41.118

Price increases

- 3.6 This assumes no national pay award for staff (uniformed and support staff) in 2011/12. It also assumes 2.5% general inflation, 5% utility and 0% building related inflation.

'One off' funded items 2010/11

- 3.7 These are items for which funding was provided in 2010/11. This is funding that is no longer required in 2011/12. This is predominantly funding for building work and adaptations, and the provision for the Retained Firefighters equal pay claim.

Pressures on the base budget

- 3.8 This includes provision for an additional £0.173m contribution to the Local Government Pension Scheme over the next 19 years to reflect the latest triennial revaluation. Increases in National Insurance rates and pension rates are included here as well as the costs of financing the capital programme (£0.130m).

Service Developments and significant budget pressures

- 3.9 Given the current financial climate, a different approach to development bids was undertaken this year. After the budget challenge sessions, budget managers have only submitted bids which are service critical to the FLG. In fact, only one significant recurring bid was considered by FLG. This was to increase the ongoing budget for Fire Prevention by a further £0.083m to give a total revenue budget of £0.136m. This brings together all the Community safety activity under one budget and gives the Community Safety team more flexibility to deliver its prevention projects.
- 3.10 Included within service developments (£0.227m) is use of balances from the 'Invest to Save Reserve' for fitness equipment, cohesion posts and lease commitments of £0.225m. There is also projected funding from the RCC Reserve to reflect the work required in providing alternative control facilities of £0.387m. This is offset by partnership income and the specific government grants referred to in 2.8 to 2.11.

4. Capital Programme 2011/12- 2012/13

- 4.1 A report on the Capital Programme is also included on the agenda. The proposed Capital Programme is included. This incorporates known changes to the previously approved programme. These changes relate mostly to the reprofiling of expenditure between years. Provision has been made in the revenue base budget for the capital financing charges arising from the current capital programme totalling £2.66m.
- 4.2 Capital financing charges now represent 4.9% of the Authority's revenue budget which is considered within prudent limits. This will be updated

when the report on the Prudential Code for Capital Finance is considered at the March Fire Authority. In light of the projected underspend, we look for opportunities to reduce our borrowing requirement to give the Authority more flexibility in the future and realise ongoing revenue savings through reductions in debt charges. We will review the opportunity to reduce the debt when the year end position is confirmed as this can deliver approximately £80k of ongoing revenue savings for every million pounds of reduced debt. This will allow us increased flexibility in managing revenue pressures which will increase significantly from 2012/13 onwards.

5. Funding Requirement 2011/12

Council Tax and Precept Position

Council Tax surpluses

- 5.1 The Authority is entitled to a proportionate share of any surplus Council Tax income from the City and Districts Council Tax Collection Funds. For 2011/12 this is estimated to be a surplus of £0.046m. This is a reduction on the 2010/11 figure of £0.09m with 6 districts estimating surplus and 4 projecting deficits. Full details are shown in Appendix B.

Council Taxbase/ Band D Equivalent Properties

- 5.2 The Council Taxbase, the number of taxable properties in Derbyshire, has increased by 0.9% from 2010/11, equivalent to £0.191m. The Government projected an increase in the taxbase of 1.8% in 2011/12. Full details are shown in Appendix B.

6. Implications

- 6.1 The impact of all the changes above is to reduce the base budget for 2011/12 by £0.671m (1.61%). Assuming the grant for a Council Tax freeze is accepted and the development item presented to FLG is approved, this leaves a net shortfall of £0.277m. The effectiveness programme is currently projected to deliver in excess of this in 2011/12 and this could be supported by a contribution from reserves in the event of these savings not materialising. To give Members the complete picture, it is worth considering the following options:

Option 1 – To freeze Council Tax for a Band D property in 2011/12 at the same level as 2010/11

- 6.2 This would mean no increase in the Band D Council Tax and the Authority would receive the Grant of £0.55m in 2011/12. As highlighted in para 2.6, this could create risks to the Authority if the grant is accepted over the period of the four year settlement as the Authority would be in the position of having to make the decision in 2015/16 of either increasing council tax to make up the shortfall or identify further savings of around £2.2m in that year to reflect the fact that the Council Taxbase had not been increased.

Option 2 – To increase Council Tax for a Band D property in 2011/12 by 2.5% over 2010/11

6.3 This would increase Council Tax from its current level of £67.17 to £68.85, representing an increase of £1.68. The advantage of this option is to build the impact of the precept increase into the Council Tax base and ensure it is available to spend in future budgets.

Option 3 – To increase Council Tax by more than 2.5% for a Band D property in 2011/12

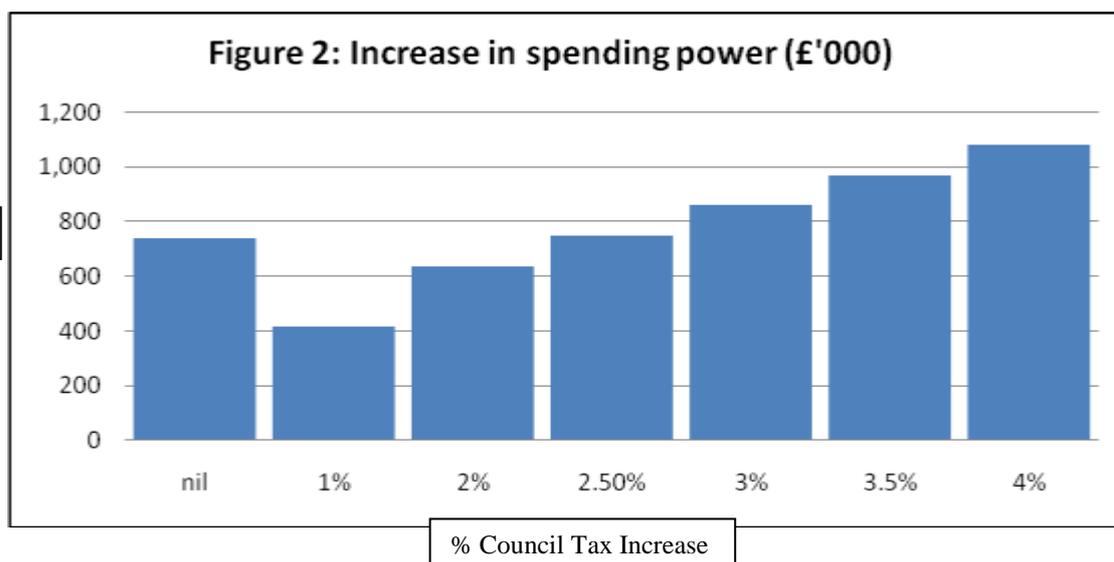
This option carries risks with it as a 3.5% increase will be used as a benchmark for capping decisions and the Authority has the flexibility to meet any short falls in the short term through the effectiveness programme and reserves if necessary.

6.4 To give Members the full picture, Table 2 below sets out below what different increases in precept will deliver and the impact of the Council Tax Grant on the net spending power:

Table 2 – Additional Precept Value (including council tax surplus)

Increase in Council Tax	Additional Precept Raised	Tax Base Growth	Council Tax Grant	Net increase in spending power
%	£	£	£	£
0	-	191,068	550,000	741,068
1	223,596	191,068	-	414,664
2	445,774	191,068	-	636,843
2.5	556,864	191,068	-	747,932
3	667,953	191,068	-	859,021
3.5	779,042	191,068	-	970,110
4	890,131	191,068	-	1,081,200

6.5 This is shown graphically below in Figure 2:



7. Consultation Results

- 7.1 A full report on the consultation process precedes this report. The specific issues pertinent to the 2011/12 budget are highlighted below.

Council Tax Increase to DFRS	Level of Support (%)
Nil – Grant only	28.3
3.5% increase	29.7
4.5% increase	11.6
5.5% increase	30.4

- 7.2 Service Delivery was ranked as the highest priority, closely followed by Employees. This is consistent with previous years responses. The results of the survey were very positive with support for all areas. The Authority should consider the consultation response in the budget determination.
- 7.3 Efficiency information is no longer required on Council Tax bills issued for periods after the 1st April 2011 and the Authority is no longer required to produce an annual efficiency statement as in previous years. However, the focus on the effectiveness programme and the requirement and the Service's commitment to consult on any changes to service delivery will ensure the public are kept fully informed of the Authority's progress in delivering the expected efficiency savings.

8 Settlements for 2012/13 and beyond

- 8.1 The position for 2012/13 and beyond is still unclear, with significant uncertainty in the years 2013/14 and 2014/15. The review of the funding formula for 2013/14, including the proposals for retention of local business rates and inclusion of specific grants within the fire formula, could have a significant impact on individual authority's settlements.
- 8.2 Other factors that are likely to have a significant impact or pressures on the Fire Authority in the medium term are:

Pay – The Government have made it quite clear that pay restraint is vital to supporting front line service delivery and ensuring medium term financial stability. The Government has imposed a 0% cap on pay awards across the public sector for 2011/12 and 2012/13, following on from a uniform pay freeze in 2010/11. It is worth noting again, that a 0.1% increase on the pay bill equates to around £30,000.

Pensions – The increased cost of pensions arising from an ageing population, higher pension ages and the reform of ill health benefits are having a significant impact on the ongoing cost of pensions payments. Government plans to review the contribution by employers and the liability on the taxpayer, along with an expectation of increased contributions from higher earners, are likely to have a significant impact on the service in the future.

Firelink - From 2013/14, it is intended by the DCLG that Fire Revenue Grant will be incorporated within Formula Grant, subject to further discussion with the sector. This will introduce further pressures on the budget and it remains to be seen how the grant will be incorporated into the funding formula.

Fire Control – ongoing costs - The DCLG are now consulting the Fire and Rescue community on the future for control services, making use of FiReControl assets, and how they can best support FRAs with their preferences. These arrangements should go some way towards achieving the aims of efficiency, enhanced technology and resilience. However, the DCLG will not be imposing any solution.

Retained Firefighters rights - This relates to the financial and organisational impact of the Retained Firefighters and Part-time Workers Case. The final Tribunal in this matter determined that the Retained workforce had been treated less favourably in breach of the Part-time Workers (Prevention of Less Favourable Treatment) Regulations 2000 (“the Regulations”). This has currently only focused on the exclusion of retained duty system firefighters from the Firefighters Pension Scheme (FPS) and their sick pay arrangements. National Joint Council (NJC) negotiations are still on-going. The Authority is still waiting for a final decision on the financial settlement, including the extent of any back pay. This is difficult to quantify but the proposed budget for 2011/12 includes reserves to provide some capacity to respond to any future liability that may fall on the Authority.

Training – the Service has significant Training commitments and continues to address the need for further training on core competencies and for retained duty personnel. This is likely to increase the demands on the training budget as proposals come forward on the required training programme.

8.3 These have been highlighted through previous meetings of the FLG and highlighted at previous Committee meetings.

9. Four Year Financial Plan 2011/12 – 2014/15

9.1 The table below provides indicative budgets for the next four years. They assume no increase in Council Tax base, scenarios of reductions in government funding based on best case, likely case and worst case scenarios and no Collection Fund surpluses. It also assumes that the Council Tax Grant will be accepted in each of the four years of the settlement. This is consistent with the models discussed at FLG and presented to Resources Committee in January.

Table 3: Updated projected four year financial plan – ‘likely case’ 25% cut in Government Grant

	2011/12	2012/13	2013/14	2014/15
	£	£	£	£
Approved Budget from previous year	41,789,672	41,118,070	41,269,099	42,052,223
Remove one-off Development Items	(1,027,855)	(52,600)	0	0
Inflation/Price Increases	48,319	391,596	839,124	642,838
Volume Changes	497,327	(187,967)	(56,000)	(56,000)
Total Standstill Budget	41,307,463	41,269,099	42,052,223	42,639,061
One off Changes	37,600			
Development Items	(226,993)			
Proposed Net Budget	41,118,070	41,269,099	42,052,223	42,639,061
Revenue Support Grant/ NNDR	(18,025,831)	(17,911,213)	(16,478,000)	(15,160,000)
Council Tax Precept	(22,265,158)	(22,216,444)	(22,216,444)	(22,216,444)
Council Tax Grant	(549,900)	(549,900)	(549,900)	(549,900)
Total Funding	(40,840,889)	(40,677,557)	(39,244,344)	(37,926,344)
(Surplus) / Deficit before effectiveness programme	277,181	591,542	2,807,879	4,712,717

9.2 The likely case of a 25% reduction in government grant, leaves a deficit of £4.7m at the end of four years. If the ‘best case’ is applied (an 18.5% cash cut in government grant) this leaves a shortfall of £3.96m over four years and the worst case (a 30% cash cut in government grant) leaves a shortfall of £6.26m, based on the assumptions above. Projections for 2013/14 and 2014/15 are very indicative at this stage given the impending review of business grants distribution through the Local Government Resource Review and the other potential changes to the funding formula.

9.3 The table clearly illustrates the real pressures that occur over the next four years as current commitments flow through and funding is reduced. This highlights the importance of delivering the required savings through the effectiveness programme.

The Effectiveness Programme

9.4 The Authority’s effectiveness programme aim is designed ‘*To make the Service structurally fit for purpose and financially viable to deliver its vision of excellence*’

It will improve the Service’s effectiveness and address the funding challenges through:

- Changing the way we work;
- Reviewing how we respond to emergencies; and
- Making the best use of our resources

9.5 The detailed analysis of the budget for 2011/12 has already reduced the budget requirement by £0.67m and reports have already been received on the future of Water Rescue provision and Industrial Training. Reviews continue of the Officer Car Scheme, Agency Costs and the Authority’s Fire Cover.

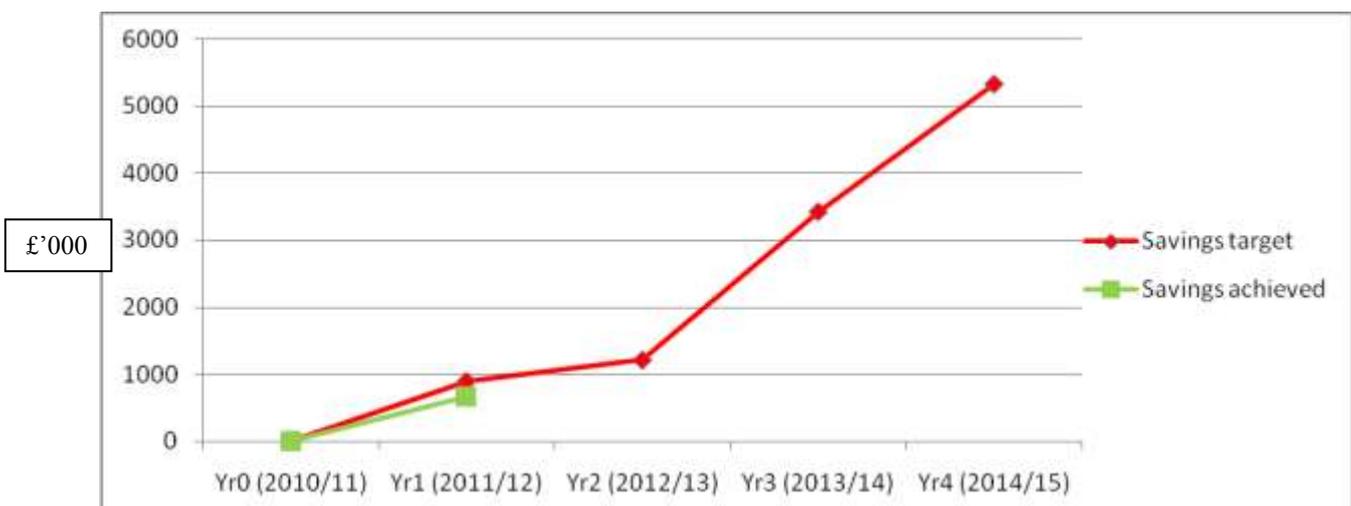
9.6 The 'Effectiveness Programme' needs to deliver against its targets which is a real challenge. The target of £5m by the end of 2014/15 is driven by the 14 projects on the effectiveness programme. These are shown in Table 4 and target savings, along with savings achieved to date, are shown alongside. The implementation costs will be identified as the detailed proposals develop but experience of other large scale change programmes suggest it is not unusual for costs, including ongoing costs to be up to 20% of projected savings.

Table 4: Target savings from the effectiveness programme 2011/12-2014/15

No		Target £	Achieved £	(Remaining) Surplus £
1	Crewing	100,000	-	(100,000)
2	Response	114,000	-	(114,000)
3	Budget challenge	280,000	561,500	281,500
4	Prevention	61,000	-	(61,000)
5	Fire cover	468,000	-	(468,000)
6	Restructure (non uniformed)	1,100,000	-	(1,100,000)
6	Restructure (uniformed)	602,000	-	(602,000)
6	Admin review	198,000	-	(198,000)
7	Agency/consultancy	400,000	-	(400,000)
8	Water Rescue	938,000	-	(938,000)
9	Industrial Training	12,000	-	(12,000)
10	Hostel review	80,000	20,500	(59,500)
11	Training and conf.	202,000	90,000	(112,000)
12	Car scheme	600,000	-	(600,000)
13	Term. of leases	167,000	-	(167,000)
14	Equip Replacement	20,000	-	(20,000)
	Total	5,342,000	672,000	(4,670,000)

9.7 The summary position is also shown graphically in Figure 4. A more detailed description of the projects developed to meet the targets is shown in Appendix C.

Figure 4: Profile of the Savings Target and Savings achieved to date



9.8 Detailed analysis is still being undertaken on a number of the effectiveness projects and all opportunities are being explored to ensure the projects deliver the intended benefits as early as possible.

10. Robustness of Estimates and Reserves

10.1 There is a statutory requirement for the Treasurer to confirm the robustness of the estimates and the adequacy of reserves. The Authority must take these matters into account when setting a precept.

10.2 The process involved in producing the estimates has taken into account all known financial impacts on the Authority's budget. Inflation has been added based on best estimates and the base budget has been vigorously scrutinised and changes made where necessary.

10.3 The Authority continued to fund a level of development in the current year. The challenging position in respect of government funding allows the Authority to only accommodate essential service development dependent on the level of increase in the precept and the use of reserves. An analysis of reserves has been undertaken as part of the 2011/12 budget process to identify any that could be set aside to support schemes which will deliver savings and to help fund any short term deficit. The current level of this 'Invest to Save' reserve is £0.814m. Expenditure in 2010/11 has been monitored tightly in an attempt to free up funds to add to this reserve. In the budget monitoring report for the end of January, a £2.6m planned underspend is projected as a result of savings in 2010/11 and the Authority will need to decide how best to apply this taking all factors and pressures into consideration. Reserves will provide the Authority with a buffer against shortfalls in the forthcoming years but it is a finite fund and cannot be relied on indefinitely.

10.4 A summary of the level of reserves at 31 March 2010 is included below along with projected balances at 31 March 2011 (excluding any underspend for 2010/11).

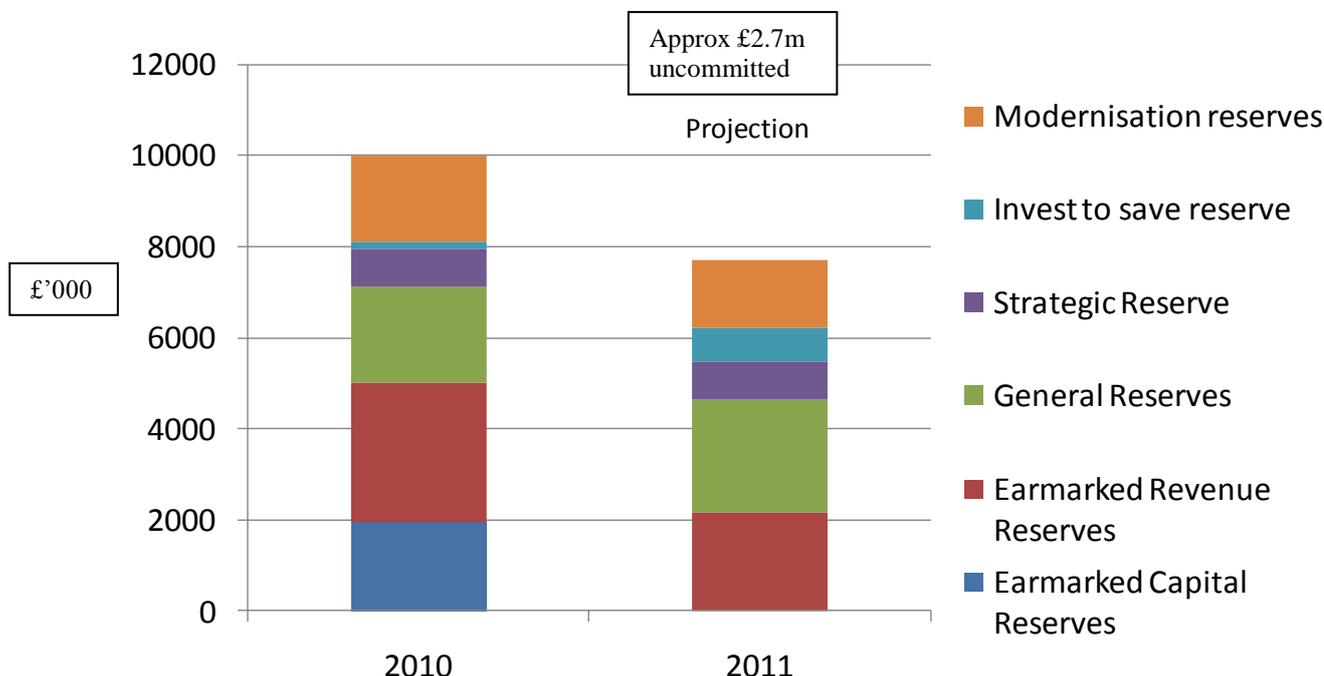
	Projected	
	2010	2011
	£'000	£'000
Revenue Earmarked Reserves	3,080	2,158
Capital Earmarked Reserve	1,948	0
Modernisation Reserves	1,879	1,493
Strategic Reserve	850	850
General Fund Balance	2,090	2,479
Invest to Save Reserve	<u>139</u>	<u>719</u>
	<u>9,986</u>	<u>7,699</u>

10.5 Of the earmarked reserves held, approximately £2.7m in 2010/11 is uncommitted, consisting of £1.13m capital financing deferral reserve, £0.65m provision for redundancy costs and with the remainder consisting

of the Strategic Reserve and 'Invest to Save' Reserve. General Reserves are maintained at 6% of net expenditure in line with the financial strategy and reserves are essential in giving the Authority time to deliver the effectiveness programme and achieving savings through holding vacancies and retirements wherever possible.

10.6 This is shown graphically in Figure 5:

Figure 5: Reserves 2010 and Projected position for 2011



The figures above assume a contribution from the Modernisation Reserve of £0.387m, part of the £1.5m previously approved to fund RCC/Firelink. It also assumes a further contribution of £0.225m from the 'Invest to Save Reserve' to reflect one off developments. Funds held in reserves to cover any future expenditure relating to the RCC are critical and will need to be considered again when the options for future provision are assessed.

10.7 There is no statutory requirement on the level of reserves that must be maintained. However, we are expected to undertake a risk assessment of the key reserves. This is included below.

Strategic reserve

Purpose: To meet significant pressures, major incidents including environmental and large scale incidents and new government business continuity and security implications

Activity: Volatile - such events are unpredictable but need to be provided for.

Impact: Significant – such a reserve can provide the Authority with capacity to maintain operations in the event of significant one off large scale incidents/pressures.

Modernisation reserves (including RCC)

Purpose: To provide for the uncertainty around the RCC/Firelink and New Dimensions requirements. To build capacity to provide alternative mobilising systems if required and meet other national resilience proposals.

Activity: Volatile – uncertainty in government funding and diminishing opportunities to claim for new burdens funding

Impact: Significant – limited notice of changes in government policy and material sums of money are involved.

'Invest to save' reserve

Purpose: To provide funding to deliver structural change and pump prime projects which require investment to deliver savings in the longer term.

To provide temporary funding from reserves to cover delays or shortfalls in delivering the effectiveness programme and provide an unallocated reserve to cushion the impact of funding cuts

Activity: Uncertain – uncertainty in government funding in 2013/14 and 2014/15

Impact: Significant – limited notice of changes in government policy and material sums of money are involved.

Capital financing deferral

Purpose: To offset future borrowing costs or fund future capital programme schemes.

Activity: Uncertain – Uncertainty over capital grant in the future and costs of borrowing highlight the importance of this reserve in funding any future capital programme.

Impact: Significant – limited notice of changes in government policy and material sums of money are involved.

10.8 Monitoring throughout the current year always considers opportunities to reprioritise expenditure and this means there is unlikely to be significant sums of uncommitted funds to be added back to reserves. For earmarked reserves it is a matter of judgement based on individual circumstances but once again, given the significant pressures, it is essential to maintain a sound level of balances.

10.9 Working balances are also maintained to cover timing of borrowing, turnouts/attendance; pensions account payments and payment of government grant.

11. Impact of Council Tax Increases

- 11.1 Identified in the table below is the impact the percentage increase in council tax will have on the range of council tax bands from A to H and the subsequent increase in council tax payable in pence per week.

Table 5 – Cash increase in Council Tax Bands

Increase in Council Tax	Value of Council Tax Band per Annum (Range from band A to H)	Increase in Council Tax Band per Annum (Range from Band A to H)
%	£	£/p
1	45.23 to 135.68	45p to £1.34
2	45.68 to 137.03	90p to £2.69
2.5	45.90 to 137.70	£1.12 to £3.36
3	46.12 to 138.37	£1.34 to £4.03
3.5	46.35 to 139.04	£1.57 to £4.70
4	46.57 to 139.71	£1.79 to £5.37

12. Conclusions

- 12.1 For 2011/12, the shortfall of £0.277m needs to be met. This could be achieved through the proposed savings from the effectiveness programme, funding from reserves or a precept increase.
- 12.2 The impact of not accepting the government grant for 'freezing' council tax needs to be considered. Projections in the report are based on accepting the grant available in 2011/12.
- 12.3 A Council Tax Freeze would mean no increase in the Band D Council Tax (£67.17) and the Authority would receive the Government Grant of £0.55m in 2011/12.
- 12.4 An increase Council Tax for a Band D property in 2011/12 by 2.5% over 2010/11 would increase Band D Council Tax from its current level of £67.17 to £68.85, representing an increase of £1.68.
- 12.5 The Government has announced its cap on Council Tax increases at 3.5%. Council tax increases announced so far appear to be frozen.

13. Legal Considerations

- 13.1 The Authority has a statutory duty to notify its precepts to Billing Authorities by 1 March 2011 and has no power to issue a supplementary precept.

14. Equality and Human Rights

- 14.1 The Authority is facing unprecedented financial challenges over the next four years. The Authority is committed to meeting these financial challenges and the need to make savings, whilst at the same time ensuring it constitutes to fulfil its statutory obligations.
- 14.2 In considering the budget Members are under a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to race, disability and gender, including gender reassignment, as well as to promote good race relations. From April 2011 this equality duty will be extended to cover age, sexual orientation, pregnancy, maternity and religious belief.
- 14.3 This report is asking Members to consider the strategic financial direction of the Authority. Members will need to take account of the broad, corporate issues addressed in the report. However whenever there is a proposed change to service delivery or a new policy is introduced, it will be subject to an appropriate and proportionate assessment of any equality implications.

15. Other Considerations

- 15.1 In preparing this report the relevance of the following factors has been considered: service delivery, health and safety, personnel, asset management, corporate risk and efficiency.

16. OFFICER RECOMMENDATION

- 16.1 It is recommended that the Authority determine the budget requirement and the precepts to be notified to the Billing Authorities.
- 16.2 It is recommended that members formally approve the proposed budget developments approved within delegated powers (para 3.9).

SEAN FRAYNE
CHIEF FIRE OFFICER
AND CHIEF EXECUTIVE

RICHARD APPLEBY
TREASURER

24 February 2011

Appendix C – The Effectiveness Programme for 2011 - 2014

Following the Spending Challenge Review the Service have generated fourteen projects, known as the Effectiveness Programme, to meet the funding challenges. These projects can be seen below with outline savings and expected benefits and outcomes for the Service.

No: 1 Project Title: Review of Flexi-duty system provision

Implementation Year: Year 2 (2011/12)

Summary Project Description:

A review of the flexi-duty provision, including the numbers of officers required, cover provided, skill sets, the type of system used and the way the incident command system is supported.

This project impacts on the following Service Priority / Priorities :

- Service Delivery

Expected Revenue Savings:

A more cost effective FDS rota and more potential to maintain competence operationally.

Project Start Date: 1st June 2010

Project Implementation Date: 1st August 2011

No: 1 Project Title: Review of current ridership on watches

Implementation Year: Year 2 (2011/12)

Summary Project Description:

To look at methods of providing a more effective service delivery working pattern for whole time watches.

This project supports the following key Service Priority:

- Service Delivery

Expected benefits and outcome:

The benefits are a more effective shift system without the inefficiencies that December and January traditionally bring, ownership of providing appropriate cover down to watch level and the potential revenue savings associated with a different system.

Expected Revenue Savings: £100,000

Project Start Date: 1st June 2010

Project Implementation Date: 28th July 2011

No: 2 Project Title: Review of Incident Response including UWFS
Implementation Year: Year 2 (2011/12)
Summary Project Description: To review the incidents that the Service responds to and evaluate different response models whilst maintaining safe communities and our legal obligations.
This project supports the following key Service Priority: ➤ Service Delivery
Expected benefits and outcome: Reduce financial implications on the Service and to identify different response models to assist with smaller incidents.
Expected Revenue Savings: £114,000
Project Start Date: 1 st June 2010
Project Implementation Date: 17 April 2011

No: 4 Project Title: Risk Based Community Safety Management
Implementation Year: Year 2 (2011/12)
Summary Project Description: Adopt a risk based approach to review the provision and management of Community Safety activities.
This project supports the following key Service Priority: ➤ Service Delivery
Expected benefits and outcome: ➤ Cost effective application of limited resources Targeted meaningful activities Evaluated activities
Expected Revenue Savings: £61,000
Project Start Date: 1 st June 2010
Project Implementation Date: 31 st August 2011

No: 5 Project Title: Emergency Cover Review
Implementation Year: Year 1 (2010/11)
Summary Project Description: A full review of station locations and appliance deployment to ensure efficient and effective response cover across the service.
This project supports the following key Service Priority: ➤ Service Delivery
Expected benefits and outcome: Efficient and effective emergency response arrangements.
Expected Revenue Savings: £468,000
Project Start Date: 1 st June 2010
Project Implementation Date: 10 th March 2011

No: 6 Project Title: Service Restructure
Implementation Year: Year 2 – 4 (2011- 2015)
Summary Project Description: A review of the structure of the service in line with agreed priorities and through an assessment of VFM. This includes a review of Administration.
This project supports the following key Service Priority: ➤ Employees
Expected benefits and outcome: Cost effective service delivery and a fit for purpose structure.
Expected Revenue Savings: £1.9m
Project Start Date: 10 March 2011
Project Implementation Date: 31 March 2015

No 7: Project Title: Review agency and consultancy provision
Implementation Year: Year 1 (2010/11)
Summary Project Description: Review agency and consultancy provision within the service, taking into consideration the financial implications and opportunities for alternative and more cost effective ways to procure such provisions.
This project supports the following key Service Priority: ➤ Employees
Expected benefits and outcome: There will be a level of control over the use of agency workers and the spending in line with this, making clear efficiency savings for DFRS. This will

also allow a more flexible approach for managers to ensure there is no detriment to service delivery. The use of an external organisation could also increase savings and reduce workloads within DFRS. The implementation of this process sitting with HR Services is more appropriate for business continuity and consistency.

Expected Revenue Savings: £400,000

Project Start Date: 1st June 2010

Project Implementation Date: 31 December 2010

No: 8 Project Title: Review Water Rescue Strategy

Implementation Year: Year 1 (2010/11)

Summary Project Description:

To review the current water rescue strategy that is planned, and assess its suitability. To identify financial savings relating to water rescue provision.

This project supports the following key Service Priority:

- Service Delivery

Expected benefits and outcome:

The benefits to the organisation, dependent upon the outcome of the review, are that there could potentially be the release of up to 12 posts from the establishment whilst providing a more effective water rescue capability than we currently have.

Expected Revenue Savings: £930,000

Project Start Date: 1st June 2010

Project Implementation Date: 1st March 2011

No 9: Project Title: Review the Industrial training provision

Implementation Year: Year 1 (2010/11)

Summary Project Description:

To review the current provision of industrial training, taking into consideration the legal implications and financial viability of the unit.

This project supports the following key Service Priority:

- Service Delivery

Expected benefits and outcome: Reduced liability for the service and removal of subsidized service provision.

Expected Revenue Savings: £12,000

Project Start Date: 1st June 2010

Project Implementation Date: 10th December 2010

No: 10 Project Title: Review residential courses including accommodation and catering

Implementation Year: Year 1 (2010/11)

Summary Project Description:

To establish the cost savings associated with the removal of residential accommodations for training courses.

This project supports the following key Service Priority :

- Improvement

Expected benefits and outcome:

Efficiency Savings

Expected Revenue Savings: £80,000

Project Start Date: 1st June 2010

Project Implementation Date: 31st December 2010

No:11 Project Title: Review all external training requirements and conference attendance.

Implementation Year: Year 1 (2010/11)

Summary Project Description:

The project will be looking to review the finances associated with external training courses and conferences, concentrating on providing the same training at a reduced costs.

This project supports the following key Service Priority:

- Employees

Expected benefits and outcome:

Providing the same training at a reduced cost.

Expected Revenue Savings: £202,000

Project Start Date: 1st June 2010

Project Implementation Date: 31st December 2010

No: 12 Project Title: Review Officer car scheme
Implementation Year: Year 1 (2010/2011)
Summary Project Description: To look at the provision of provided vehicles for officers on the car scheme and reduce the number of cars, cost to the Service and reduce carbon emissions.
This project supports the following key Service Priority: ➤ Assets
Expected benefits and outcome: To generate financial efficiencies and protect the environment.
Expected Revenue Savings: £600,000
Project Start Date: 1 st June 2010
Project Implementation Date: 1 July 2011

No 14: Project Title: Equipment Replacement Programme
Implementation Year: Year 2 (2011/12)
Summary Project Description: To pre-plan the replacement of operational equipment and provide capital funding for the life cycle. To provide a clear and concise framework for capital investment, ensuring that the life cycle costs are taken into account and that the equipment is used to its optimum capacity.
This project supports the following key Service Priority: ➤ Assets
Expected benefits and outcome: A structured approach to procurement activity realising timely replacement and cost benefits from optimising the life of the equipment.
Expected Revenue Savings: £20,000
Project Start Date: 1 st June 2010
Project Implementation Date: 30 th April 2011

Derbyshire Fire and Rescue Service
Proposed Budget 2011/12

Appendix A

Variance between 2009/10 Budget and 2011/12 Proposed Budget

Key Variances	2010/11 Approved Budget £	2011/12 Remove One-off Development Items £	2011/12 Inflation/Price Increases £	2011/12 Volume Changes £	2011/12 Code Movements £	2011/12 Total Standstill Budget £	2011/12 One off Changes £	2011/12 Development Items £	2011/12 Proposed Budget £	Variance (11/12 Proposed to 10/11 budget) £	Variance (11/12 Proposed to 10/11 budget) (%)
Employee Expenses	30,144,164	(1,028,816)	0	368,455	(15,610)	29,468,193	0	136,503	29,604,696	(539,468)	(1.79)
Indirect Employee Expenses	842,933	(8,650)	467	(4,389)	31,630	861,991	0	0	861,991	19,058	2.26
Pensions	627,199	0	11,748	(4,947)	0	634,000	0	0	634,000	6,801	1.08
Premises Costs	2,709,905	(440,600)	20,547	(10,604)	17,000	2,296,248	0	0	2,296,248	(413,657)	(15.26)
Transport Related Expenses	3,086,036	(50,351)	5,333	(100,294)	(13,908)	2,926,816	0	100,000	3,026,816	(59,220)	(1.92)
Supplies and Services	3,707,484	(215,842)	9,182	(107,189)	(5,342)	3,388,293	42,000	459,663	3,889,956	182,472	4.92
Third Party Payments	16,000	0	0	0	0	16,000	0	0	16,000	0	0.00
External Services	231,127	0	1,361	6,948	(13,770)	225,666	0	(26,536)	199,130	(31,997)	(13.84)
Capital Financing Costs	1,936,762	0	0	130,063	0	2,066,825	0	0	2,066,825	130,063	6.72
Capital Expenditure Charged to Revenue	25,000	(25,000)	0	0	0	0	80,000	0	80,000	55,000	220.00
Total Expenditure	43,326,609	(1,769,259)	48,639	278,043	0	41,884,032	122,000	669,630	42,675,662	(650,947)	(1.50)
Income	(1,728,258)	932,724	(320)	219,284	0	(576,570)	(4,400)	(284,623)	(865,593)	862,665	(49.92)
Use of Balances	191,320	(191,320)	0	0	0	0	(80,000)	(612,000)	(692,000)	(883,320)	(461.70)
Net Expenditure	41,789,672	(1,027,855)	48,319	497,327	0	41,307,463	37,600	(226,993)	41,118,070	(671,602)	(1.61)

Funding											
Revenue Support Grant / NNDR	(19,674,148)								(18,025,831)	1,648,317	(8.38)
Council Tax Precept	(22,115,524)								(22,265,158)	(149,633)	0.68
Council Tax Grant	0								(549,900)	(549,900)	
Total Funding	(41,789,672)								(40,840,889)	948,784	(2.27)

Total Deficit	0								277,181		
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Derbyshire Fire Authority

Council Tax Precept Values 2011/12

	<u>Taxbase</u>	<u>Amount Due in</u>	<u>Collection Fund -</u>		<u>Amount</u>
	<u>(Band D -</u> <u>Equivalent</u> <u>Properties)</u>	<u>Council Tax in</u> <u>2011/12</u>	<u>Surplus</u>	<u>Deficits</u>	<u>Due in</u> <u>Total</u>
		£	£	£	£
Precept Required for Service Spend		22,216,444			
Totals	330,770.59	22,216,444	100,633	-51,919	22,265,158
Amber Valley	41,127.28	2,762,343	11,415		2,773,758
Bolsover	22,794.31	1,530,996		(6,155)	1,524,841
Chesterfield	32,439.18	2,178,801		(9,324)	2,169,477
Derby City	72,278.83	4,854,659	24,728		4,879,387
Derbyshire Dales	29,878.63	2,006,820		(34,722)	1,972,098
Erewash	35,405.40	2,378,029	3,952		2,381,981
High Peak	31,999.10	2,149,242	7,807	(1,718)	2,155,332
North East Derbyshire	32,992.86	2,215,989	11,731		2,227,720
South Derbyshire	31,855.00	2,139,564	41,000		2,180,564

Council Tax Bands

<u>Band</u>	<u>Council Tax</u> <u>2010/11</u>	<u>Council Tax</u> <u>2011/12</u>	<u>% Increase</u>
	£	£	
A	44.78	44.78	0.0000%
B	52.24	52.24	0.0000%
C	59.71	59.70	-0.0167%
D	67.17	67.17	0.0000%
E	82.10	82.09	-0.0122%
F	97.02	97.02	0.0000%
G	111.95	111.94	-0.0089%
H	134.34	134.33	-0.0074%