

BUDGET RESOLUTION 2015/16

Merseyside Fire and Rescue Authority Budget and Medium Term Financial Plan Resolution 2015/2016 - 2019/20

1. Merseyside Fire and Rescue Authority (the Authority) has suffered the largest cut in Government grant of any Fire and Rescue service in the country – over 35% since 2010.
2. The Authority has planned prudently to minimise the impact on frontline services. The Authority has made significant efficiency savings, cut management costs and reduced support services.
3. However, as a direct consequence of the scale of Government cuts there has been an inevitable impact on frontline services and already the Authority has seen the number of fire appliances in Merseyside reduce from 42 to only 28 which equates to 33% overall reduction in appliance availability since 2010.
4. The Authority had already planned prudently to deal with the cuts and established a two year financial plan which despite identifying £2.9m from support and technical savings still required an unavoidable reduction of £3.4m from the operational front line
5. The Government has confirmed the level of grant cut for 2015/16 as £3.7m in a single year.
6. The Authority is therefore extremely saddened to have to continue with its current financial plan which is based upon:-
 - (i) The loss of a further 90 firefighter posts
 - (ii) Leading to the loss of 4 immediately available fire appliances
 - (iii) Delivered by a programme of station mergers and closures.
 - (iv) Further reductions in support services to the detriment of the service
7. In order to minimise the impact on the Fire & Rescue Service the Authority has agreed a council tax increase of 2%.
8. The effect of the budget on council tax will be a **Band D Council Tax of £71.47, an increase of less than 3p per week, which equates to a total of £1.37 per week** towards the Fire & Rescue Service.
9. Most people in Merseyside will pay **Band A Council Tax of £47.65 or 92p per week towards their Fire & Rescue Service.**
10. The Authority recognises that any future Government are likely to apply further cuts to the Fire and Rescue Service beyond 2015/16 although it is extremely difficult to assess at this time the scale of those financial challenges. The Authority will continue to lobby the Government against such a position and highlight the consequences that further cuts will have on effectively delivering an emergency service. It is recognised further cuts to funding will mean additional

station closures, reductions in front line Firefighter's posts, fire appliances and cuts to its support services. The Authority will prepare plans for meeting these financial challenges during 2015/16 and beyond.

11. The Authority recognises that the Fire & Rescue Service is emergency risk based and not demand led. During this period of austerity we would urge this Government to reflect on the impact these cuts are having on the Fire & Rescue Service and properly review all risks facing the country in the light of emerging risks (for example a heightened terrorist threat or responding to increased flooding events through climate change) and would hope that resources are located in a way that allow Merseyside to continue to respond effectively to local and national threats.

The Financial Plan

12. The Authority has previously approved the financial plan as outlined in CFO/014/15 (*summarised in the attached Appendix A to this resolution*) and endorses the recommendations a. to j. in that report. The plan has a two year strategy for delivering a balanced budget over the 2014/15 – 2015/16 period and contains a package of £6.3m savings.

13. The Authority notes the progress in consulting with its communities delivering mergers of:-

- (i) Huyton/Whiston at Prescot
- (ii) Upton/West Kirby at Saughall Massie Road
- (iii) Eccleston/St Helens at St Helens town centre

And the outright closure of Allerton.

14. The Authority requests that the Chief Fire Officer continue to bring back individual reports, including equality impact assessment, as soon as possible on specific business cases for mergers as detailed information and costs become available.

15. The Authority notes that to deliver any savings in Firefighter posts requires a reduction in the number of staff. The Authority is committed to seeking to try and avoid compulsory redundancy. It notes that to deliver the required reduction in Firefighter posts will take until 2016/17 based on natural retirement rates. The Authority has established a cost smoothing reserve to be used to avoid redundancy.

16. The Authority is committed to reducing its own costs as a consequence of government cuts and what that means for local services. The Authority has already made reductions in its member allowances of £24,000 as part of a four year target of reducing costs by 10%. Whilst that review is ongoing the Authority will in any case freeze all member allowances for the seventh consecutive year.

17. The Authority is also committed to reviewing its overall management structures to identify efficiencies and on an ongoing basis it expects the Chief Fire Officer to

consider the managerial structure and capacity required to manage the Service at a time of such significant change.

18. The Authority notes that the capital programme at present only includes a provision for one station merger proposal, Prescott, as only station mergers that have been approved following public consultation are included in the programme. Whilst it is hoped that the availability of capital receipts, Government grant funding and the potential availability of reserves may assist in funding any building schemes it recognises that if this is not sufficient there may be a need to borrow to build which will impact on capital financing costs.
19. The Authority recognises that the exact timing of new station delivery and firefighter retirements is difficult to forecast and recognises that the Chief Fire Officer will need to continue to manage appliance availability on a dynamic basis using “whole-time retained” crewing where necessary under his delegated powers as the financial plan proceeds to delivery.
20. The Authority recognises that if suitable sites cannot be identified for mergers then station closures would be the next ‘least worst’ option.

IRMP

21. The Authority agrees to reflect this financial plan in its future IRMP and will consult with the local community and stakeholders on the IRMP and the impact current and future Government cuts will have upon them.

Implementation

22. The Authority recognises to fully deliver the savings required will take until the early part of 2016/17 if it wishes to minimise the likelihood of compulsory redundancy. It will reflect this phased approach in its reserve strategy.
23. The Authority requests the Chief Fire Officer to use every available measure and management tool to avoid compulsory redundancy and therefore it grants delegated power to utilise the Voluntary Severance / Voluntary Early Retirement Programme in line with the broad framework agreed by the Authority previously.
24. In relation to Firefighter post reductions the Authority will seek to use natural turnover rates recognising this will take until 2016/17 requiring the use of reserves in the intervening period if compulsory redundancies are to be avoided.
25. The Authority believes that a fully wholetime professionally trained workforce is the most robust and effective way of delivering a Fire & Rescue Service to its communities and is fully committed to maintaining this approach.

Council Tax

26. In identifying a financial deficit of £6.3m the Authority had already assumed a council tax increase at the maximum level allowed by the Government before a referendum of just below 2%.

27. Because of the scale of the financial challenge likely in future the Authority has agreed, with a heavy heart, to stick to this plan and increase council tax in 2015/16 by just below 2% to minimise the impact on the services to Merseyside in the future
28. The impact of the budget on council tax will be a ***Band D Council Tax of £71.47, an increase of less than 3p per week to a total of £1.37 per week*** towards the Fire & Rescue Service.
29. Most people in Merseyside will pay ***Band A Council Tax of £47.65 or 92p per week towards their Fire & Rescue Service.***

Recruitment

30. Despite the need to reduce Firefighter numbers in the short term as part of the budget plan this Authority recognises that over the next decade that without any recruitment Firefighter numbers will reduce to just over 250 due to retirements. The loss of such experience and knowledge will bring major challenges for the Authority and the need to recruit 250-400 firefighters by about 2024. In addition it takes almost a year to train a firefighter across the full range of competencies.
31. In order to meet this challenge in a prudent and structured fashion the Authority has set aside a strategic reserve of £1m to support limited firefighter recruitment to manage effectively succession planning. The Authority looks forward to welcoming the first of those new recruits in the near future.
32. The Authority directs the Chief Fire Officer to explore the opportunities for succession planning including apprenticeship models and more flexible recruitment contracts and to report back to the Authority with proposals for strategic recruitment.

Interoperability with Blue Light Partners

33. This Authority is fully committed to securing efficiency and improvement and to making Merseyside safer by close working with Blue Light colleagues across the county. Many successes have been achieved so far including:-
- (i) The successful delivery of the JCC with the police
 - (ii) Sharing 7 sites with the Ambulance Service including NWAS HART working alongside the Search and Rescue team
 - (iii) Extensive joint planning and exercising
34. The Authority instructs the Chief Fire Officer to continue to build upon this success and in particular to actively seek out opportunities of working with NWAS and Merseyside Police around sharing buildings and other assets and resources.

Working with other Partners

35. The Authority will continue to work in partnership with each District Council in order to explore opportunities in which will mutually benefit each Authority in dealing with these and future financial challenges.
36. The Authority will examine the impacts of the devolution agenda and how best we can understand and develop constructive dialogue with the newly constituted Merseyside Combined Authority and requests the Chief Fire Officer and Chair to report back to the Authority when further information and details become available.

Planning for beyond the Election

37. The Authority is seriously concerned that this phase of cuts is likely to be followed by further cuts in 2016/17 and beyond. If any future Government follows through with proposals for public spending cuts (based upon how poorly local government, Fire and Rescue Service's and the Authority have fared in the current CSR) then future years would see further cuts in emergency cover across Merseyside unless council tax payers in Merseyside are willing to pay more for their Fire and Rescue Service.
38. The Authority, whilst continuing with its strong and direct approach to lobbying, recognises that it needs to plan prudently for what it would do if that approach is not successful.

Reserves

39. The Authority has prudently planned to meet its financial challenges over the medium term. The plan the Authority proposes is based upon the key assumptions around changes to grant, pay, tax and pension costs.
40. The Authority recognises that there are substantial risks associated with these assumptions and that, particularly in light of the current economic climate; it is not unreasonable to expect a significant degree of financial uncertainty and risk which will vary across the life of the financial plan. The Authority will therefore set a medium term financial plan based upon these key assumptions recognising that it may need to vary that plan to cope with changes arising.
41. In light of the risks within the financial plan the Authority therefore agrees to maintain the reserves as set out in Appendix B to this resolution and in particular maintain a general revenue reserve of £2.0m.

Capital Programme

42. The Authority approves the Capital Programme as set out in CFO/014/15 which includes a total investment of over £27.268m over 2015/16 – 2019/20 period. The programme for 2015/16 shall be approved as £13.780m.
43. The Authority notes the prudential indicators that this programme produces and recognises that the proposed capital investment programme is prudent, sustainable and the borrowing affordable. This programme makes use of the

freedoms available to the Authority under the prudential regime and proposes 'prudential' borrowing of £10.405m in 2015/16 as part of a total borrowing of £21.443m across the life of the plan.

44. In the light of the capital programme and the prudential indicators agree the Treasury Management Strategy and the indicators set out in that strategy for:-

- (i) External Debt
- (ii) Operational Boundary for Debt
- (iii) Upper limits on fixed interest rate exposure
- (iv) Upper limits on variable rate exposure
- (v) Limits on the maturity structure of debt
- (vi) Limits on investments for more than 364 days

Basic calculations

45. Following consideration of the report of the Deputy Chief Executive (CFO/005/15 & CFO/014/15) and having taken into account views expressed in consultations, and all other relevant matters, pursuant to the Local Government Finance Act 1992, as amended, (the "Act"), the Authority determines its budget requirement for the financial year 2015/16 as follows.

46. Approves the capital expenditure programme for the financial year 2015/16 for the total of £13.780m as set out in report CFO/014/15 and the five year programme totalling investment of £27.268m, and in this respect notes the advice of the Deputy Chief Executive that the programme is prudent, sustainable and the borrowing affordable.

47. The Authority resolves as follows:

(a) It be noted that on 26th February 2015, the Authority calculated the Council Tax Base 2015/16 for the whole Authority area as 342,548.40 [Item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended (the "Act")].

(b) That the following amounts be calculated for the year 2015/16 in accordance with sections 40 to 47 of the Act:

The Authority calculates the aggregate of: (A)

- calculates the expenditure which it estimates it will incur in the financial year 2015/16 in performing its functions and will charge to the revenue account for the year in accordance with proper practices under S42A (2) (a) of the Act as £69.593m,
- calculates the allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charged or credited to the revenue account for the year 2015/16 in accordance with proper practices under S42A (2) (b) of the Act as £0.000m,

- calculates the financial reserves which the Authority estimates it will be appropriate to raise in the year for meeting its estimated future expenditure for 2015/16 under S42A (2) (c) of the Act as £0.074m,
- calculates the financial reserves as are sufficient to meet so much of the amount estimated by the Authority to be a revenue account deficit for any earlier financial year as has not been already provided for under S42A (2) (d) of the Act as £0.000m.

The Authority must also calculate the aggregate of: (B)

- the income which it estimates will accrue to it in the year 2015/16 and which it will credit to a revenue account for the year in accordance with proper practices, other than income which it estimates will accrue to it in respect of any precept issued by it under S42A (3) (a) of the Act as £45.185m,
- The amount of the financial reserves which the Authority estimates that it will use in order to provide for the items mentioned in S42 (2) (a and b) under S42A (3) (a) of the Act as £1.303m.

If the aggregate calculated under A above exceeds that calculated under B above, the Authority must calculate the amount equal to the difference; and the amount so calculated is to be its council tax requirement for the year under S42A (4) (Item R in the formula in S42B of the Act).

The Authority calculates the basic amount of its council tax by dividing the aggregate amount of S42A (4) (item R) divided by the council tax base (item T) above. The council tax requirement for 2015/16 is £24,481,934 and the council tax base is 342,548.40, which is equal to £71.47 precept for a Band D property. This calculation meets the requirements under S42B of the Act.

48. The Authority calculates the council tax sums pursuant to s 47 of the Act as follows:

2015/16	Property Band		Increase
£			£
£47.65	For properties in Band	A	0.94
£55.59	For properties in Band	B	1.09
£63.53	For properties in Band	C	1.25
£71.47	For properties in Band	D	1.40
£87.35	For properties in Band	E	1.71
£103.23	For properties in Band	F	2.02
£119.12	For properties in Band	G	2.34
£142.94	For properties in Band	H	2.80

49. The Authority calculates the precept amounts payable by each constituent district council pursuant to S48 of the Act as follows:-

PRECEPT		AUTHORITY
£		
6,751,020	Payable by	LIVERPOOL
6,385,480	Payable by	WIRRAL
3,416,838	Payable by	ST.HELENS
5,597,459	Payable by	SEFTON
2,331,137	Payable by	KNOWSLEY
24,481,934		

50. The Authority requests the Deputy Chief Executive to arrange for precepts to be issued to the constituent district councils pursuant to S40 of the Act before 1st March 2015, such sums to be payable by 10 equal instalments on or before the following dates:

21st April 2015
29th May 2015
6th July 2015
11th August 2015
17th September 2015
23rd October 2015
30th November 2015
8th January 2016
15th February 2016
17th March 2016

51. The Authority notes that The Deputy Chief Executive has advised that the 2015/16 budget is based upon robust estimates.

APPENDIX A

2015/16 - 2019/20 DRAFT MTFP

	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
2014/15 Approved Financial Plan	61,113	62,889	64,589	66,089	67,589
2015/16 Issues					
Increase in Sec 31 Grant for restricted NNDR increase	-77	-77	-77	-77	-77
New Sec 31 Grant to cover 2014/15 other NNDR adjustments (NNDR1 Part 1C In 25-29)increase in Autumn	-190				
Adjust Planned Drawdown from smoothing Reserve?	1,323				
Minimum Revenue Provision (MRP) & Interest Payable on loans			250	500	750
2015/16 Financial Plan Net Expenditure Forecast	62,169	62,812	64,762	66,512	68,262
FUNDING					
Government Funding					
Baseline Funding					
Council Tax Benefit Grant					
Top Up Grant (Post 15/16 uplift by previous yr change)	-13,765	-14,027	-14,294	-14,566	-14,843
CLG Estimate of Local Business Rate Share (Post 15/16 uplift by previous yr change)	-4,228	-4,310	-4,394	-4,480	-4,568
Allocation Within Baseline Funding Level	-17,993	-18,337	-18,688	-19,046	-19,411
2011/12 Ctax Freeze Grant uplift by previous yr change	-282	-287	-292	-297	-302
Total Baseline Funding Level	-18,275	-18,624	-18,980	-19,343	-19,713
RSG					
2013/14 - 2015/16 RSG Grant	-18,336				
2016/17-2018/19 uplift by previous yr change (-17.5%)		-15,073	-12,391	-10,186	-8,373
2011/12 Ctax Freeze Grant uplift by previous yr change	-393	-385	-377	-369	-361
	-18,729	-15,458	-12,768	-10,555	-8,734
Settlement Funding Assessment	-37,004	-34,082	-31,748	-29,898	-28,447
Adjustment for Business Rate income forecast from Districts	95	0	0	0	0
NNDR Collection Fund (surplus)/deficit	235	0	0	0	0
Council Tax -					
Base Precept Income	-23,430	-24,482	-24,972	-25,471	-25,980
Council Tax Base (increase) / decrease	-572	0	0	0	0
Assume 2% rise 2013/14 to 2015/16	-480				
Assume 2% rise 2016/17 to 2019/20		-490	-499	-509	-520
Precept Income yield, rounding adjustment					
Council Tax Collection Fund (surplus)/deficit	-1,013				
Forecast Council Tax Income	-25,495	-24,972	-25,471	-25,980	-26,500
Updated Income Forecast	-62,169	-59,054	-57,219	-55,878	-54,947
Potential Future Saving Requirement	0	3,758	7,543	10,634	13,315

Appendix B- Reserves

FORECAST USE OF RESERVES							
	EXPECTED USE						
	Estimate Balance 31.03.15	2015/16		2016/17	2017/18	Future Years	Balance
		Used in 2015/16 Budget	Forecast in year Use				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Emergency Related Reserves</u>							
Bellwin Reserve	147					-147	0
Insurance Reserve	370					-370	0
Emergency Planning	75					-75	0
Catastrophe Reserve	500					-500	0
<u>Modernisation Challenge</u>							
Smoothing Reserve	1,695	-372	-1,323	646		-646	0
Severance Reserve	600		-600				0
Ill Health Penalty Reserve	440		-220	-220			0
Recruitment Reserve	1,000		-400	-600			0
Capital Investment Reserve	10,786	-882	176	-4,500		-5,580	0
PFI Annuity Reserve	2,225	-49	-51	-100	-100	-1,925	0
Equality / DDA Investment	285		-285				0
Firefighter Safety Investment	800		-800				0
<u>Specific Projects</u>							
Community Sponsorship	4		-4				0
Equipment Reserve	111		-111				0
Contestable Research Fund	25		-25				0
FSD Reserve	6		-6				0
Healthy Living	35		-35				0
Water Rescue Reserve	1		-1				0
Inflation Reserve	500	0	572	0	0	-1,072	0
<u>Ringfenced Reserves</u>							
F.R.E.E. Reserve	41					-41	0
Princes Trust Reserve	279					-279	0
Community Youth Team	53					-53	0
Beacon Peer Project	50					-50	0
Innovation Fund Reserve	170					-170	0
Regional Control Reserve	0					0	0
Energy Reserve	84	74				-158	0
St Helens District Reserve	6					-6	0
New Dimensions Reserve	793					-793	0
Total Earmarked Reserves	21,081	-1,229	-3,113	-4,774	-100	-11,865	0
General Revenue Reserve	2,000	0	0	0	0	0	2,000
Total Reserves	23,081	-1,229	-3,113	-4,774	-100	-11,865	2,000