

MERSEYSIDE FIRE AND RESCUE AUTHORITY

BUDGET AUTHORITY MEETING

18TH FEBRUARY 2010

PRESENT: Councillors Tony Newman (Chair), Jimmy Mahon, Ted Grannell, Sharon Sullivan, Dave Hanratty, Denise Roberts, Jack Colbert, Steve Niblock, Eddie Clein, Jimmy Kendrick, Karen Afford, Vera Best, Martyn Barber, Lesley Rennie, Betty Lowe MBE, Gerry Ellis, Andrew Blackburn and Ken Roughley.

Apologies for absence were received from:
Independent Members: Carole Roberts and
Linda Phillips

1. Preliminary Matters

The Authority considered if there were any declarations of interest, matters of urgency or items that may require the exclusion of the press and public because of the possibility of disclosure of exempt information.

- (a) There were no declarations of interest in relation to any items of business on the Agenda.
- (b) There were no additional items of business to be considered as a matter of urgency.
- (c) There were no items of business requiring the exclusion of the press and public because of the disclosure of exempt information.

2. Minutes of Previous Meeting

The Minutes of the last meeting held on 25th January 2010 were approved as a correct record and signed accordingly by the Chair.

3. Financial Review 2009/10 – April To December Review (CFO/012/10)

Members considered Report CFO/012/10 of the Executive Director of Resources, concerning the financial position, both revenue and capital, for the Authority for 2009/10.

Resolved that:

- (a) Members noted the report and approved the 2009/10 budget variations identified within the report.
- (b) Members noted the potential £0.250m revenue saving outlined in the report, and:
- (c) Members instructed the Executive Director of Resources to work with budget holders, to maximise savings in 2009/10 in order to contribute to the current strategy of building up reserves in order to provide a temporary, short-term buffer to balance future budgets.

4. MFRA Budget And Financial Plan 2010/11 – 2014/15
(CFO/013/10)

Members considered report CFO/013/10 of the Executive Director of Resources concerning the medium term financial plan, both capital and revenue.

Members considered the draft resolution.

Councillor Colbert, on behalf of the Liberal Democrat Group, put forward an alternative budget proposal, which was seconded by Councillor Kendrick.

Members agreed to adjourn the meeting in order for Members to give due consideration to and for Officers to provide additional information in relation to the alternative proposal.

Prior to the meeting being reconvened, the Executive Director of Resources provided Members with additional documentation, showing comparisons between the recommended draft resolution and the Liberal Democrat Group alternative budget proposal.

Members were also provided with a document containing full Council Tax calculations in relation to the Liberal Democrats proposal.

Following the reconvening of the meeting, Councillor Rennie requested further information as to the viability of some of the detailed proposals in the amendment. Members then discussed the amended proposal, which then went to the vote:

7 MEMBERS FOR	11 MEMBERS AGAINST
Cllr Jack Colbert Cllr Jimmy Kendrick Cllr Steve Niblock Cllr Eddie Clein Cllr Andrew Blackburn Cllr Vera Best Cllr Karen Afford	Cllr Tony Newman (Chair) Cllr Jimmy Mahon Cllr Dave Hanratty Cllr Sharon Sullivan Cllr Denise Roberts Cllr Ted Grannell Cllr Lesley Rennie Cllr Betty Lowe MBE Cllr Ken Roughley Cllr Gerry Ellis Cllr Martyn Barber

As such, the Liberal Democrat Group amended budget resolution was not carried.

Members then proceeded to vote on the original draft budget resolution:

11 MEMBERS FOR	7 MEMBERS AGAINST
Cllr Tony Newman (Chair) Cllr Jimmy Mahon Cllr Dave Hanratty Cllr Sharon Sullivan Cllr Denise Roberts Cllr Ted Grannell Cllr Lesley Rennie Cllr Betty Lowe MBE Cllr Ken Roughley Cllr Gerry Ellis Cllr Martyn Barber	Cllr Jack Colbert Cllr Jimmy Kendrick Cllr Steve Niblock Cllr Eddie Clein Cllr Andrew Blackburn Cllr Vera Best Cllr Karen Afford

Therefore, the original draft budget resolution was agreed, with the inclusion of the following minor amendment to bullet point 6 within the Resolution Summary, as detailed below:

- The Council Tax has been set at £64.77 for a band D Property

To be changed to:

- It is proposed to set the Council Tax at £64.77 for a band D Property

Basic calculations

1. Following consideration of the report of the Executive Director of Resources (CFO/13/10 and CFO/012/10), and having taken into account views expressed in consultations, and all other relevant matters, pursuant to the Local Government Finance Act 1992 (the Act), the Authority determines its budget requirement for the financial year 2010/11 as follows: -
 - 1.1 approves the capital expenditure programme for the financial year 2010/11 for the total of £12.0 million as set out in report CFO/013/10 and the five year programme totalling investment of £36.8m, and in this respect notes the advice of the Executive Director of Resources that the programme is prudent, sustainable and the borrowing affordable.
 - 1.2
 - (a) calculates the expenditure which it estimates it will incur in the financial year 2010/11 in performing its functions and will charge to the revenue account (other than deficits and surpluses on collection funds) under s43 (2) (a) of the Act as £ 73.460 million.
 - (b) calculates the allowance as the Authority estimates will be appropriate for contingencies in relation to expenditure to be charged to the revenue account for 2010/11 under s43(2) (b) of the Act as £ nil.
 - (c) calculates the financial reserves which the Authority estimates will be appropriate to raise in the year for meeting its estimated future expenditure for 2010/11 under s 43 (2) 9(c) of the Act as £ nil
 - (d) 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 that has not already been provided for under s 43(2)(d) of the Act as £ nil
 - 1.3 calculates the aggregate of sums which it estimates will be payable to it for the financial year 2010/11 which are credited to the revenue account (other than revenue support grants, additional grants, relevant special grants, and precepts) and of the amount of financial reserves that the Authority estimates it will use in respect of revenue expenditure and contingencies for the year 2010/11 pursuant to s43 (3) of the Act as £0.134m
 - 1.4 calculates the difference between the aggregate of the sums specified in paragraph 1.2 above (expenditure) and the sums specified in paragraph 1.3 (non grant or precept income) as £ 73.326m pursuant to s43 (4) of the Act and accordingly determines this sum as its budget requirement for the financial year 2009/10
2. The Authority calculates the basic amount of its council tax pursuant to s44 of the Act as £64.77 (i.e. the budget requirement less grant income from central government divided by the aggregate of council tax bases of the constituent district councils)

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

2010/11	Property Band	Increase
£		£
£43.18	For properties in Band A	1.60
£50.38	For properties in Band B	1.87
£57.57	For properties in Band C	2.13
£64.77	For properties in Band D	2.40
£79.16	For properties in Band E	2.93
£93.56	For properties in Band F	3.47
£107.95	For properties in Band G	4.00
£129.54	For properties in Band H	4.80

The Authority calculates the precept amounts payable by each constituent district council pursuant to s48 of the Act as follows: --

PRECEPT		AUTHORITY
£		
8,119,731	Payable by	LIVERPOOL
6,780,962	Payable by	WIRRAL
3,607,790	Payable by	ST. HELENS
6,027,034	Payable by	SEFTON
<u>2,711,478</u>	Payable by	KNOWSLEY
27,246,995		

4. The Authority requests the Executive Director of Resources to arrange for precepts to be issued to the constituent district councils pursuant to s 40 of the Act before 1st March 2010, such sums to be payable by 10 equal instalments on or before the following dates :

21st April 2010,
 28th May 2010,
 6th July 2010,
 11th August 2010,
 17th September 2010
 25th October 2010
 30th November 2010
 7th January 2011
 11th February 2011
 17th March 2011

Budget and Council Tax

5. The Authority notes that:

- (a) The Executive Director of Resources has advised that the 2010/11 budget is based upon robust estimates and that the level of proposed reserves is adequate.
- (b) In 2009/10 the Authority unanimously approved a 2009/10 – 2014/15 medium term financial plan. The Authority has been able to stick to its prudent medium term approach to financing the fire service. The plan remains robust and balanced for the 2010/11 – 2014/15 period in light of the assumptions made. A copy of the plan is attached as Appendix A.

- (c) The Authority assumes that for 2010/11 there will be a pay freeze for its entire staff in line with recommendations of the national political leadership and opposition parties. The Authority, however, notes that in the light of probable significant increases in employer's costs, specifically future contributions to both the fire-fighters pension scheme and the Local Government Pension scheme, that it maintains its forecast for the overall pay bill of the Authority to grow at 2% per annum in line with HM treasury expectations for Inflation in the medium term.
- (d) The Authority recognises significant uncertainty exists over some of the key assumptions within the plan. The suspension in announcing the next Comprehensive Spending Review has cast doubt over the level of government grant support beyond 2010/11. In light of the financial pressures facing the economy as a whole it is likely that government support will be reduced in future years. Other significant risks include:-
- The impact of the current economic climate,
 - Inflation and future pay awards ,
 - Increases in the cost of public sector pensions,
 - The future framework for local taxation and council taxes.
- (e) Despite these likely challenges the Authority is keen to keep to its Value For Money principles if at all possible:-
- It is investing in line with its priorities
 - It is investing to maintain or improve services to make Merseyside a safer stronger, healthier community
 - It is committed to controlling council tax levels to below 4% increases despite budget challenges
 - It acknowledges the realities of the budget challenges it faces and plans prudently and strategically
 - It wishes to avoid compulsory redundancy
- (f) The Authority recognises that its ability for delivering further rapid savings if required is limited firstly by the fact that savings from natural turnover rates for most of 2010/11 are already committed to delivering the current financial plan and that natural turnover rates for 2011 – 2014 are low. To cope with this the Authority continues with its agreed strategy of building up its reserves to allow the service time to adapt its financial plan to any changes that do arise
- (g) For planning purposes only the Authority has adopted an efficiency target of £8m by 2015 over and above efficiencies in the current financial plan. It directs the budget working party to begin exploring the options to deliver efficiency.
- (h) The budget represents **a council tax increase of 3.85% for 2010/11**, which is within the Authority's long term ambition to control council tax. This is despite the challenging financial position presented by a grant settlement over 2008/09 – 2010/11 of +1.0%, +0.5% and +0.5%, over the 3 year period, significantly below pay and price inflation.
- (i) The impact of the budget on council tax will be a Band D Council Tax of £64.77, representing an increase of 4.6p per week. Most people in Merseyside will pay Band A Council Tax of £43.18 – an extra 3.1p a week, for fire & rescue services.

Balancing the budget

6. The Authority approved a financial plan in 2009/10 to deliver £5.0million of savings over the 2009/10 – 2011/12 period as set out below:-

	2009/10	2010/11	2011/12
	£'000	£'000	£'000
Approved Efficiency Savings totals:	-3,589	-4,697	-4,989

7. The Authority recognised that over 80% of its cost are people and therefore efficiencies of the scale required meant most of the required saving had to come from staffing efficiencies. The Authority is on track to deliver the 2009/10 – 2011/12 savings target.
8. The Authority anticipates that the savings target will be achieved without any compulsory redundancies and has directed the Chief Fire Officer to flexibly manage staffing arrangements to achieve that aim. Appendix B outlines the Authority's current position on actioning and implementing the approved saving options.
9. The Authority would wish to maintain its existing very high standards of emergency response, as well as its life saving investment in community safety. The proposed changes do not undermine these standards in any way , and maintain the on-going major investment in buildings vehicles and equipment.
10. The Authority's budget also makes significant provision for ongoing recruitment of fire-fighters to continue this year and in each subsequent year , and ensures that the Authority continues to comply with its health and safety duties to its staff and the public.
11. The Authority continues to place high expectations for employee safety and commits to provide appropriate numbers of properly trained and equipped staff to deal with emergency incidents; In particular through the financial plan the Authority remains committed to continuing recruitment and plans for between 12 and 16 recruits per year.
12. The Authority will use reserves to support its financial plan for any short term shortfall in the savings options identified.
13. The Authority wishes to ensure that its fire cover continues to be best distributed to keep Merseyside safe and to reflect ever changing risks and therefore requests the Chief Fire Officer undertake a review of the geographical distribution of second pumps within Merseyside and to report back on how whilst maintaining the current number they might be better allocated.
14. The Authority will continue with a lobbying campaign to seek further funding from Government. In particular ensuring that work is ongoing in relation to the comprehensive spending review, the review of grant formula and the government actuarial review of pensions.
15. The Authority urges the Secretary of State to undertake the planned review of the current grant regime at the earliest opportunity.

Reserves

16. 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.
17. The Authority recognises that there are significant risks associated with these assumptions and that, particularly in light of the significant economic turmoil, it is not unreasonable to expect all of these expectations to vary across the life of the financial plan. The Authority will therefore plan to 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.
 - In light of the risks within the financial plan the Authority therefore agrees to maintain the reserves as set out in Appendix C to this resolution and in particular maintain a general revenue reserve of £2.5million
 - So that the Authority can manage its resources prudently and continue to avoid compulsory redundancy it instructs the Executive Director of Resources to look for opportunities to increase the Authority's reserves in 2009/10 and 2010/11 so that it can use such sums as part of prudent medium term strategy should further efficiencies be required to fund any of the above risks – this will allow the time for permanent changes to be effected with a reduced risk of redundancy. If any such sums set aside are subsequently no longer required they will be reinvested in the service at the earliest opportunity
 - In particular the Authority is aware that it may have to go further than the efficiencies proposed in this financial plan. The Authority is concerned that if that were the case it is likely that it would have to vary the cover and response levels to communities of Merseyside on a risk basis and would face significantly more challenging decisions in maintaining an excellent service to Merseyside

Capital Programme

18. The Authority approves the Capital programme as set out in CFO/013/09 which includes a total investment of over £33.8 million over 2010/11 – 2014/15 period. The programme for 2010/11 shall be approved as £12.0million. Noting that this capital programme includes:-
 - Major investment in the buildings structure of the Authority (in addition to the PFI programme) which will give the Merseyside real community fire stations.
 - The development of a new fire station in the high risk area of Kensington
 - Spending on vehicles and equipment to ensure Merseyside's fire-fighters continue to work with high quality well maintained equipment.
 - Significant allowances for communications to maintain high standards of service delivery to the people of Merseyside
 - Investment to maintain the Authority's good record in Health and Safety issues
 - Resource allocation for IT to allow the Authority to continue its good work in taking a lead in e-government initiatives.
 - Major investment in the resources available for the inshore rescue services to reflect the renaissance of the Merseyside waterfront
 - Provision for the exciting Fire world development

19. The Authority looks forward to the development of fire stations in the Northwest through the PFI initiative. The project being led by Merseyside which will deliver 16 new fire stations worth £45m across Merseyside, Lancashire and Cumbria.
20. 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 £6.868m part of a total borrowing of £23.767m across the life of the plan.
21. 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

Proposed 2010/11 – 2014/15 Financial Plan

2010/11 - 2014/15 APPROVED FINANCIAL PLAN

	2010/11	2011/12	2012/13	2013/14	2014/15
	£'000	£'000	£'000	£'000	£'000
Approved Base Expenditure	73,767	76,055	77,926	79,754	82,019
Planned (Use) / Contribution to Cost Smoothing Reserve	-125	-392	-182	137	85
Approved 2009/10 5 Year Budget Financial Plan	73,642	75,663	77,744	79,891	82,104
Approved Amendments & Technical adjustments:					
Impact of lower 2009/10 pay awards	-450	-450	-450	-450	-450
Directors growth	143	145	145	145	145
Committee Approved Changes	0	53	53	15	15
Anticipated impact on Investment Income due to lower interest rates	0	50	0	0	0
Increase in NI rates by a further +0.5% from 2011/12 PBR		250	250	250	250
Ajustment to Planned (Use) / Contribution to Cost Smoothing Reserve	-9	-143	-96	-63	-67
Updated MTFP for 2010/11 Budget Report	73,326	75,568	77,646	79,788	81,997
Forecast Income					
Government Grant increase, +0.5% in 2010/11 then +2% thereafter	-46,304	-47,230	-48,175	-49,139	-50,122
Council Tax Increase assumed 4%	-27,336	-28,429	-29,566	-30,749	-31,979
Reduction if precept increase set at <u>3.85%</u> 10/11, 4% thereafter	39	40	42	45	47
Reduction in Council Tax Base	49	51	53	55	57
Collection fund deficit	226	0	0	0	0
Forecast Income in Financial Plan	-73,326	-75,568	-77,646	-79,788	-81,997
Forecast position (surplus) / deficit	0	0	-0	0	0

Outline of 2009/10 Financial Plan Approved Savings & Financial Plan

The Authority has implemented the following budget options:-

- Managed ill-health retirements to deliver savings of £0.200m, rising to £0.350m p.a by 2010/11.
- Reviewed the already lean management structures within the Authority to deliver net savings from management costs of £0.400m p.a.
- Implemented a review of staffing arrangements of special appliances to save £0.280mp.a.
- Implemented changes to the type of staff employed in technical roles, and where it was appropriate used personnel with the relevant technical skill, but who did not have an operational fire fighting role and released savings of £0.250m p.a.
- Reviewed the staffing of the resilience and reinforcement team posts to release efficiencies of £1.732m p.a.
- During 2009/10 1 further LLAR station was created at Ecclestone saving £0.300m p.a.
- Effective procurement techniques allowed the Authority to control costs near base budgets and allow savings in inflation provisions of £0.200 m p.a.
- Reviewing the efficiency of support services and exploit new technologies has delivered savings of £0.150m p.a.

The Authority is in the process of formally implementing the following approved savings:

- Offer staff the flexibility of self rostering on a voluntary basis and will assume that between geographic pilots and role based implementation that self rostering will reduce sickness levels sufficiently to allow savings of £0.360m p.a.
- Utilise retirement and reengagement across the organisation where appropriate to maintain skills and deliver short term savings. This is expected to save £0.175million by 2010/11.
- Build upon the success of the World Fire-fighters Games in attracting external income through the unique fire service brand and a reputation for excellence. It is therefore exploring the opportunities afforded by creating a social enterprise with a view to increasing income to the Authority by £0.175million p.a by 2010/11.
- Complete its Engineering Centre of Excellence and deliver, between staff efficiencies and additional income, savings of £0.150m p.a.

Analysis of Forecast Reserves over 20010/15 Period

	31.03.10	31.03.11	31.03.12	31.03.13	31.03.14	31.03.15
	£'000	£'000	£'000	£'000	£'000	£'000
SPATE / Other Emergencies						
Bellwin Reserve	147	147	147	147	147	147
Insurance Reserve	220	220	220	220	220	220
Emergency planning	75	75	75	75	75	75
Modernisation Challenge						
FB Modernisation Reserve	581	581	581	581	581	581
Smoothing Reserve	2,391	2,257	1,722	1,444	1,518	1,536
Capital Investment						
PFI/Capital Reserve	695	695	695	695	695	695
Capital expenditure Reserve	8					
TDA Refurbishment Reserve	68					
Specific Projects						
Job Evaluation Reserve	430					
Regional Reserve	100	100	100	100	100	100
Information Systems Reserve	60					
Contestable Research Fund	15					
Equipment Reserve	30					
Training Reserve	195	195	195	195	195	195
Pre Retirement reserve	143					
FSN Reserve	0					
FSD Reserve	0					
Healthy Living/Olympic Legacy	260					
Inflation						
Inflation Reserve	858	858	858	858	858	858
Ringfenced Reserves						
F.R.E.E. Reserve	17					
Princes Trust Reserve	113					
Community Youth Team	43					
Beacon Peer Project Reserve	165					
Innovation Fund Reserve	148					
Concept Knowsley	18					
Regional Control Reserve	177					
Energy Reseve	66					
St Helens District Reserve	0					
New Dimensions Reserve	75					
Total Earmarked Reserves	7,098	5,128	4,593	4,315	4,389	4,407
General revenue Reserve	2,543	2,543	2,543	2,543	2,543	2,543
Total reserves	9,641	7,671	7,136	6,858	6,932	6,950