

# MERSEYSIDE FIRE AND RESCUE AUTHORITY

## BUDGET AUTHORITY MEETING

THURSDAY 16<sup>th</sup> FEBRUARY 2012

### MINUTES

**PRESENT:** Councillors Tony Newman (Chair), Jimmy Mahon, Robbie Ayres, Violet Bebb, Linda Maloney, Steve Niblock, Leslie Rennie, Ian Lewis, Terry Jones, Andrew Blackburn, Eddie Clein, Colin Strickland, Les Byrom, Sharon Sullivan, Denise Roberts, Barbara Murray, Ted Grannell and Dave Hanratty.

Independent Members: Linda Philips and Carole Roberts.

### **Announcements**

On behalf of the Authority the Chair offered condolences in respect of Ex Serving Officer Tony Wood who has recently passed away. Tony achieved the rank of Senior Divisional Officer in Merseyside before reaching Chief Fire Officer in the Highlands and islands. Where he had since returned from.

Councillor Ian Lewis thanked Members and Officers for covering for him whilst his mother was in Jospice.

### **1. Preliminary Matters**

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

- (a) There were no declarations of interest made by Members in relation to any item of business on the agenda.
- (b) There were no additional items of business which were determined as a matter of urgency.
- (c) Item 7 on the agenda required the exclusion of the press and public due to the disclosure of exempt information.

### **2. Minutes of the Previous Meeting**

The minutes of the previous meeting of the Authority held on 19<sup>th</sup> January 2012 were approved as a correct record and signed accordingly by the Chair.

**3. LGA Subscriptions 2012/13**  
(CFO/024/12)

Members considered report CFO/024/12 of the Deputy Chief Executive concerning the continued Membership of the Local Government Association.

Members resolved that:

- (a) they continue with the Authority's membership of the Local Government Association.
- (b) as a direct result of Lobbying by the Metropolitan Fire Authorities a reduced subscription rate of £10,735 has been offered which includes a 2.5% prompt payment discount to Authorities who pay the annual subscription in full by 30<sup>th</sup> June 2012, compared to £29338 in 2011, be noted.
- (c) the Democratic Services Manager be instructed to make subscription payment.

**4. Post Consultation Report IRMP 2012/15**  
(CFO/028/12)

Members considered report CFO/028/12 of the Deputy Chief Fire Officer concerning the outcomes of a public consultation on the latest IRMP.

Members resolved that:

- (a) the Integrated Risk Management Plan 2012/15 which is to be published on 1<sup>st</sup> April 2012 be approved.
- (b) the responses to consultation are adequately reflected within the Integrated Risk Management Plan 2012/15.

**5. Financial Review 2011/12 April to December**  
(CFO/032/12)

Members considered report CFO/032/12 of the Deputy Chief Executive concerning the financial position both revenue and capital, for the Authority for 2011/12.

Members resolved that:

- (a) the 2011/12 budget variations identified in this report be approved.
- (b) the savings delivery plan is slightly ahead of schedule and the use of the resultant forecast underspend of £0.600m to increase reserves as outlined in the report be approved and
- (c) the Deputy Chief Executive be instructed to continue to work with budget managers to maximize savings in 2011/12.

6. **Merseyside Fire and Rescue Authority Budget and Financial Plan 2012/13 – 2016/17**  
(CFO/033/12)

Members considered report CFO/033/12 of the Deputy Chief Executive concerning the budget for 2012/13.

An amendment to the recommendation was moved by Councillor Newman on behalf of the Labour Group and seconded by Councillor Hanratty.

An amendment to the Labour recommendation was moved by Councillor Rennie on behalf of the Conservative group which was seconded by Councillor Clein, Liberal Democrat Group.

It was requested and agreed that a named vote take place.

The Authority considered and a vote took place in relation to the Conservative Groups Amendment to the Recommendation:

<b>In Favour</b>	<b>Against</b>
Councillor Rennie	Councillor Mahon
Councillor Jones	Councillor Newman
Councillor Lewis	Councillor Hanratty
Councillor Blackburn	Councillor Maloney
Councillor Clein	Councillor Niblock
	Councillor Strickland
	Councillor Byrom
	Councillor Sullivan
	Councillor Roberts
	Councillor Murray
	Councillor Grannell
	Councillor Bebb
	Councillor Ayres
<b>Total – 5</b>	<b>Total – 13</b>

The vote lapsed only 5 for, 13 against and 0 abstentions.

The Authority voted in respect of the Labour Groups Amendment to the recommendation.

<b>In Favour</b>	<b>Against</b>
Councillor Mahon	Councillor Rennie
Councillor Ayres	Councillor Jones
Councillor Bebb	Councillor Lewis
Councillor Maloney	Councillor Blackburn
Councillor Niblock	Councillor Clein
Councillor Strickland	
Councillor Byrom	
Councillor Sullivan	
Councillor Roberts	
Councillor Murray	
Councillor Grannell	
Councillor Hanratty	
Councillor Newman	
<b>Total – 13</b>	<b>Total – 5</b>

The Labour resolution stands 13 for, 5 against, 0 abstentions.

The Authority resolved that:

**LABOUR BUDGET AMENDMENT RESOLUTION 2012/13  
EMBARGOED UNTIL 16.02.2012**

**Merseyside Fire and Rescue Authority Budget and Medium Term Financial Plan  
Resolution 2012/2013- 2014/15**

**Resolution**

**Resolution Summary**

Despite its excellent performance Merseyside Fire and Rescue Authority has received the worst grant cut from central government in the country – a reduction of 13% between 2011/12 and 2012/13.

The grant settlement seems inequitable and sees some Fire Authorities actually receiving grant increases in the next two years.

These drastic cuts from central government mean that the Authority has to make tough choices.

The Authority set last year a financial plan that delivers the £9.0m cut required by government over the two year period .

It has had to reduce staff numbers by 173.

- Firefighter reductions will be achieved by natural retirements
- It is hoped that voluntary severance and other means will allow the avoidance of compulsory redundancy amongst non-uniform staff

The reduction in management and support staff numbers is much higher at 20% than in front line areas (10% reduction in those areas)

The Authority has a financial plan that as far as possible maintains the front line response and service to the people of Merseyside.

Despite the severe cuts from government the Authority recognises the pressures on the communities of Merseyside and has with a heavy heart and after careful consideration kept to its financial plan and increased council tax by £2.59 for a band D property (5p per week). This is in order to minimise the long term impact of government cuts on the services to the Merseyside Community.

Most taxpayers in Merseyside are in Band A and will see an increase of only £1.73 for their Fire and Rescue Service ( or 3p per week )

The Authority remains seriously concerned about the Government's announcement that the reduction in the Authority's grant funding for 2011/13 is only the first phase of its planned spending cuts and it represents only one third of grant cut for Fire and Rescue Services anticipated in the 2010 Comprehensive Spending Review. If Government follows through with this announcement (based upon how poorly the Authority has done in 2011/12 and 2012/13) then 2013/14 and 2014/15 of the spending review would see savage cuts in fire cover across Merseyside unless government awards grants more fairly or council tax payers in Merseyside are willing to pay more for their Fire and Rescue Service.

## **Resolution**

1. The Authority has for many years maintained a robust financial plan and stuck to its value for money principles and in particular controlled council tax levels despite (in the last ten years) having to make major savings and structural changes because of government grant cuts.
2. Despite the financial pressures that have led it to (by some way) making the most efficiencies of any Fire and Rescue Service in the country, the Authority has managed to significantly improve the safety of the community of Merseyside and achieve more for less. It has significantly reduced Death and Injury from fire.
3. Despite this excellent performance the Authority has received the worst grant cut from central government in the country – a reduction of 13% over two years (2011/12 – 2012/13). The Authority is saddened by the inequity of the settlement.
4. Because of the dramatic efficiencies required to date the Authority has already:-
  - Cut management costs
  - Reduced support services
  - Reduced firefighter numbers from over 1500 to 880

This means the Authority's room for manoeuvre in dealing with further financial challenge is limited.

5. These drastic cuts from central government mean that the Authority has already had to make tough choices.
6. The Authority also notes that the financial cuts for Fire and Rescue Services for years 2013/14 and 2014/15 are expected to be twice as high as those applied in the previous two year. Even if the Authority does as well as the national average in 2013/15 the cuts will be very severe – currently forecast on a best case scenario to be £8.5m at least unless additional funding can be found. If the Authority does as badly in 2013/15 as it has in 2011/13 compared to the national average it will be worse still.
7. 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 increases of 4% or below despite budget challenges
  - It acknowledges the realities of the budget challenges it faces and plans prudently and strategically so as avoid compulsory redundancy wherever possible

## Dealing with the Government Cuts – A Two Phase Approach

8. The Authority has adopted a two phase approach to the cuts that are required with the following strategy:-

a) **Phase 1: 2011 – 2013, Years 1 & 2**

Developed a robust savings plan for 2011/12 and 2012/13 which will balance the budget for those years by making cuts totalling £9.2m

b) **Phase 2: 2013 – 2015, Years 3 & 4**

Adopt a lobbying strategy for 2013/14 and 2014/15 (in conjunction with other Metropolitan Fire and Rescue Services) with a view to minimising the level of grant cuts noting that the Government is conducting a “Resource Review” which will examine how local authorities are funded.

Depending upon the success of that lobby the Authority would face a stark choice between substantial service reductions or large-scale local taxation increases.

The Authority is concerned that Phase two of the cuts might be that severe that public safety may be compromised and that legislative review of the impacts may be required.

The Authority will in conjunction with the community choose its strategy regarding the balance between taxation and cuts for Phase 2.

9. The Authority agrees to update its IRMP to reflect this financial plan.

## Council Tax

10. The Authority has already adopted a Comprehensive financial plan, and this is set out in Appendix A.

11. 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 2012/13 by 4% to minimise the impact on the services to Merseyside in the future

12. The impact of the budget on council tax will be a ***Band D Council Tax of £67.36, an increase of 5p per week to a total of £1.30 per week*** towards the fire and rescue service

Most people in Merseyside will pay ***Band A Council Tax of £44.91 or 86p per week towards their fire and rescue service.***

## **Planning for Phase Two**

The Authority is seriously concerned about the announcement that this first phase of cuts represents only one third of cuts for Fire and Rescue Services. If Government follows through with this announcement (based upon how poorly the Authority has done in years 1 and 2) then years 3 and 4 of the spending review would see savage cuts in fire cover across Merseyside unless government awards grants more fairly or council tax payers in Merseyside are willing to pay more for their Fire and Rescue Service.

Merseyside FRS is the lead agency on over a quarter of all risks identified within the Merseyside Community Risk Register.

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. It therefore directs:-

- a) The CFO to jointly with the representative bodies to conclude a fundamental review of fire cover
- b) The CFO to review the standards of fire cover appropriate for the county based upon risk
- c) The CFO and management team to report back on what savings can be delivered from a fundamental review of cuts achievable in support services.
- d) The Deputy Chief Executive to review the reserves strategy, the debt portfolio, alternative financing methods and the capital programme to identify any possible savings in the costs of debt servicing for the Authority
- e) The Deputy Chief Executive to review in detail all technical assumptions in the base budget to assist the Authority to consider if there is any flexibility in those assumptions
- f) The CFO to consult with the community of Merseyside on their view as to the potential consequences on the community of Merseyside of the potential cuts and whether they would be supportive of paying relatively small amounts of additional council tax to safeguard their Fire and Rescue Service
- g) Grants delegated power to the CFO to continue to use VER/VS to reduce staff numbers where a business case exists to do so in line with the policies and procedures previously agreed by the Authority.
- h) The CFO to review the current Home Fire Safety Check strategy with a view to ensuring that the investment offers the best returns in community safety.

## **Reserves**

13. 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.
14. The Authority recognises that there are substantial risks associated with these assumptions and that, particularly in light of the significant economic turmoil; 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.
15. 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 £4.7million.



## **Capital Programme**

16. The Authority approves the Capital programme as set out in CFO/132/12 which includes a total investment of over £30.272million over 2012/13 – 2016/17 period. The programme for 2012/13 shall be approved as £10.604million;
17. 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 £8.571million in 2012/13 as part of a total borrowing of £23.464million across the life of the plan.
18. 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**

19. Following consideration of the report of the Deputy Chief Executive (CFO/132/12 & CFO/033/12) 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 2012/13 as follows.
20. Approves the capital expenditure programme for the financial year 2012/13 for the total of £10.604m as set out in report CFO/033/12 and the five year programme totalling investment of £30.272m, and in this respect notes the advice of the Deputy Chief Executive that the programme is prudent, sustainable and the borrowing affordable.
21. The Authority is recommended to resolve as follows:
  - It be noted that on 16 February, 2012 the Authority calculated the Council Tax Base 2012/13 for the whole Authority area as 422,814.6. [Item T in the formula in Section 42B of the Local Government Finance Act 1992, as amended (the "Act")]
  - That the following amounts be calculated for the year 2012/13 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 2012/13 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 £72.595m,
    - calculates the allowance as the Authority estimates will be appropriate for contingencies in relation to amounts to be charges or credited to the revenue

account for the year 2012/13 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 2012/13 under S42A (2) (c) of the Act as £0.060m,
  - 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 2012/13 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 £43.623m,
    - 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 £0.551m.
  - 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 2012/13 is £28,480,791 and the council tax base is 422,815, which is equal to £67.36 precept for a Band D property. This calculation meets the requirements under S42B of the Act.

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

<b>2012/13</b>	<b>Property Band</b>	<b>Increase</b>
<b>£</b>		<b>£</b>
£44.91	For properties in Band A	1.73
£52.39	For properties in Band B	2.01
£59.88	For properties in Band C	2.31
£67.36	For properties in Band D	2.59
£82.33	For properties in Band E	3.17
£97.30	For properties in Band F	3.74
£112.27	For properties in Band G	4.32
£134.72	For properties in Band H	5.18

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

PRECEPT		AUTHORITY
£		
8,436,773	Payable by	LIVERPOOL
7,144,067	Payable by	WIRRAL
3,781,254	Payable by	ST.HELENS
6,272,535	Payable by	SEFTON
2,846,162	Payable by	KNOWSLEY
<b>28,480,791</b>		

24. The Authority requests the Deputy Chief Executive to arrange for precepts to be issued to the constituent district councils pursuant to s 40 of the Act before 1<sup>st</sup> March 2012, such sums to be payable by 10 equal instalments on or before the following dates:

20th April 2012  
29th May 2012  
6th July 2012  
13th August 2012  
19th September 2012  
25th October 2012  
30th November 2012  
8th January 2013  
11th February 2013  
15th March 2013

25. The Authority notes that:

The Deputy Chief Executive has advised that the 2012/13 budget is based upon robust estimates.

APPENDIX A

**2012/13 - 2016/17 Financial Plan**

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
<b><u>EXPENDITURE</u></b>					
<b>2011/12 Expenditure Forecast:</b>					
Forecast Expenditure	78,824	80,719	83,219	85,074	86,684
2011/121 Approved Saving Proposals	-8,525	-9,200	-9,200	-9,200	-9,200
Planned Use of Cost Smoothing Reserve	-805	0	0	0	0
<b>MTFP for 2011/12 Budget Report</b>	<b>69,494</b>	<b>71,519</b>	<b>74,019</b>	<b>75,874</b>	<b>77,484</b>
<b>2012/13 - 2016/17 Expenditure Changes:</b>					
Capital Prog MRP/Interest for new year 2016/17					200
Adjust Smoothing Reserve drawdown in 2012/13 to bring net position to balance	254				
<b>Updated Expenditure Forecast</b>	<b>69,748</b>	<b>71,519</b>	<b>74,019</b>	<b>75,874</b>	<b>77,684</b>
<b><u>FUNDING</u></b>					
<b>Government Grant</b>					
Forecast Grant:					
a) Reductions in Grant anticipated:					
2012/13 Base less -8.5%		-37,040			
2012/13 Base less -8.5% & - 5.0%			-35,016		
2015/16 +2% of 2014/15 grant				-35,717	
2016/17 +2% of 2015/16 grant					-36,431
2017/18 + 2% of 2016/17 grant					
c) Reductions in Grant due to further Govt spending reductions to cover future pay <b>(-1.0% &amp; -1.0)</b>					
		405	810	826	843
d)2011/12 Ctax Freeze Grant built into base grant from 2012/13					
	-681	-681	-681	-681	-695
<b>Total Government Formula Grant Forecast</b>	<b>-41,162</b>	<b>-37,316</b>	<b>-34,887</b>	<b>-35,572</b>	<b>-36,283</b>
<b>Council Tax - 4% increase p.a</b>					
Collection fund deficit / (surplus)	-105				
Anticipated Reduction in Coll Fund rates due to impact of benefit change 13/14		200	200	200	200
<b>Updated Income Forecast</b>	<b>-69,748</b>	<b>-66,736</b>	<b>-65,492</b>	<b>-67,409</b>	<b>-69,401</b>
<b>Forecast Net Position (surplus) / deficit</b>					
	<b>0</b>	<b>4,783</b>	<b>8,527</b>	<b>8,465</b>	<b>8,283</b>

## Strategic Reserve Forecast for 2011/12 to 2016/17

	2011/12 Closing Balance	2012/13 Opening Balance	Planned / Potential Use	Forecast Bal 31.03.13	Est Bal 31.03.14	Est Bal 31.03.15	Est Bal 31.03.16	Est Bal 31.03.17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>Earmarked Reserves</u></b>								
Cost Smoothing Reserve	2,046	2,046	-553	1,493	1,493	1,241	1,241	1,241
Capital Investment Reserve	3,000	3,000	-500	2,500	2,500	2,200	2,200	2,200
Severance Reserve	2,420	2,420	-1000	1,420	1,420	1,420	1,420	1,420
Inflation Reserve	2,000	2,000		2,000	2,000	2,000	2,000	2,000
<b>Total Earmarked Reserves</b>	<b>9,466</b>	<b>9,466</b>	<b>-2,053</b>	<b>7,413</b>	<b>7,413</b>	<b>6,861</b>	<b>6,861</b>	<b>6,861</b>
General Revenue Reserve	4,684	4,684	0	4,684	4,684	4,684	4,684	4,684
<b>Total Reserves</b>	<b>14,150</b>	<b>14,150</b>	<b>-2,053</b>	<b>12,097</b>	<b>12,097</b>	<b>11,545</b>	<b>11,545</b>	<b>11,545</b>

7. **Minutes of the Previous Meeting - Part 2 EXEMPT**

The minutes of the previous meeting held on 19<sup>th</sup> January 2012 were approved as a correct record and signed accordingly by the Chair.

Close

Date of the Next Meeting: Thursday 17<sup>th</sup> May 2012