



Report

Report to: **The Board of Strathclyde Fire & Rescue**
Date of Meeting: **20 January 2011**
Report by: **Chief Officer and Treasurer**

Subject: **Revenue Budget 2011/12**

1 Purpose of Report

1.1 The purpose of the report is to:-

- ◆ outline the revenue budget and funding proposals for 2011/12, and
- ◆ seek authorisation for the proposed precept to be apportioned between the constituent authorities.

2 Recommendations

2.1 The Board is asked to approve the following recommendations:-

- (1) That the budget and funding proposals for 2011/12 as outlined in Appendices A and B be approved, and
- (2) That the constituent authority contributions as outlined in Appendix C be approved, and
- (3) That the principle of budget flexibility be continued, to ensure that the outturn is at or around the overall total budget, and
- (4) That the Budget Scrutiny Forum continues to meet throughout 2011/12 to monitor progress on this budget and to develop indicative figures for future budgets.

3 Background

- 3.1 The UK Government announced its Spending Review on 20 October 2010, which resulted in an overall reduction in the Scottish Government's budget of £1.3 billion.
- 3.2 The Scottish Government on 17 November announced its budget proposals for 2011/12 in which it proposed an average 2.6% reduction in revenue funding to Local Government, in return for a number of spending commitments. Unprotected areas of government spending are faced with a funding reduction of 6.4%.

- 3.3 Local Government Finance Circular 14/2010 details the proposed funding allocations for each Council. While the average Scottish reduction is 2.6%, the average reduction for SFR's constituent authorities is 2.8%.
- 3.4 SFR recognises its position within the Local Government family, and as such understands it will require to take its fair share of the funding reduction. The Board, in its Medium Term Financial Strategy, agreed at its meeting on 14 October, reaffirmed the previously agreed principle of the equal application to SFR of generic changes in local government funding.

4 Key Principles of Managing Budget Reduction

- 4.1 In recognition of the financial climate currently facing all public sector bodies, the Board has previously agreed 5 key principles that will be adopted to manage the impact of reducing budgets. These are as follows:
- Protect service delivery
 - Ensure firefighter safety
 - Maximise efficiency in back office
 - Aim to avoid compulsory redundancies
 - Consider requests for voluntary severance.

5 Reserve Strategy

- 5.1 As outlined within the Medium Term Financial Strategy, the Board's reserve balances are limited by the provisions of the Police and Fire Services (Finance) (Scotland) Act 2001 to a cumulative balance that does not exceed 5% of constituent authority precepts, with no more than 3% of precepts being added to balances during any one year.
- 5.2 The Board's reserve policy sets a lower limit of 1.5% of constituent authority precepts.
- 5.3 At 31 March 2010 Strathclyde Fire & Rescue's closing balance on Fund Balances and Reserves totalled £7.298m. It is currently anticipated that, due to pay awards being lower than budgeted, as well as action taken around vacancy management and structural change, there will be an underspend in 2010/11 of £3.5million. Taken together the resulting balance would exceed the 5% cumulative limit.
- 5.4 An application has been made for ministerial consent to maintain the reserve balance at 31 March 2010 and add up to 3% this financial year, to be used over the Spending Review period, to smooth the transition to reduced funding. Formal approval is still awaited. It is understood that Police Boards have made a similar approach.
- 5.5 If approval is granted this would enable SFR to maintain its policy minimum of 1.5% of constituent authority precepts and make available up to £8million to augment precepts over the Spending Review period.
- 5.6 It is proposed that £1million be utilised in 2011/12.

6 Proposed Budget

- 6.1 As highlighted at the Members' Seminar in September 2010, the Board has made a number of key decisions in the past 12 months that will deliver cost reductions in excess of £2million going forward. These include management restructuring both at corporate level and within the Glasgow area, the merger of Parkhead and Cambuslang Fire Stations into a new station at Clydesmill, and overtime saving arising from the implementation of a new 5 Group Duty System for rostering operational station-based personnel.
- 6.2 Further cost reduction measures were approved by the Board at its meeting in October 2010, and a further update is contained within a report to be considered by the Board at their rescheduled meeting on 20 January 2011. These include the removal of 45 uniformed posts on full implementation of the 5 Group Duty System in January 2011, restructuring in Community Safety, and the offer of enhanced voluntary severance to support staff for a limited period.
- 6.3 Implementation of these measures, alongside non-employee cost savings of £1.5million and the reserve strategy outlined in section 5, will enable SFR to deliver a balanced budget in 2011/12 of £137.505million, funded by £123.445m from constituent authorities, which represents a 2.8% reduction in precept; £1million from reserves; and continued funding of employers pension contributions for the firefighters pension schemes from Scottish Government amounting to £13.060million.
- 6.4 The proposed budget movement from 2010/11 to 2011/12 is shown in Appendix A and the resulting budget for 2011/12 is detailed in Appendix B.
- 6.5 Appendix C details the individual constituent authority contributions.

7 Planning Assumptions for Future Years

- 7.1 It is recognised that beyond 2011/12 the economic environment remains challenging and uncertain. It is not anticipated that any further clarity will emerge until after the Scottish Parliament elections in May 2011. In the absence of that clarity SFR has at this stage retained CoSLA's previous planning assumption of 1.7% cash reduction per annum for the remainder of the Spending Review.
- 7.2 Work has been ongoing at Scottish level through the Chief Fire Officers Association (CFOA) and Fire Conveners to develop proposals among the 8 fire and rescue services around shared services and joint working which are intended to deliver cost savings in the medium term (eg years 3 and 4 of the Spending Review). This work is at an early stage and as such no cost reductions have yet been assumed from these plans.
- 7.3 It is also acknowledged that serious consideration is currently being given, at political and official level, to the concept of structural change within the fire and rescue service in Scotland. While these discussions remain ongoing, current planning assumptions are based on the status quo being maintained.
- 7.4 It is assumed that there will be a further pay freeze in 2012/13, followed by pay awards at 2% per annum for all categories of staff.

7.5 Based on these assumptions and the reserve strategy outlined, it is currently anticipated that SFR would face a funding gap of £9.2million by the end of the Spending Review. Going forward, the Board will continue to review all possible options with the aim of closing that gap.

8 Employee Implications

8.1 The employee implications of the proposed budget for 2011/12 have been separately detailed to the Board and representative bodies have been made aware of these.

9 Financial Implications

9.1 The Board is asked to approve a revenue budget that results in a 2.8% reduction in constituent authority precepts and utilises £1million from reserves.

9.2 The proposed budget is considered to be prudent and affordable within the overall resources available.

10 Consultation

10.1 The 2011/12 budget proposals have been presented to and supported by the Budget Scrutiny Forum.

10.2 Consultation has also taken place with the Directors of Finance of the 12 Constituent Councils, as well as the representative bodies.



BP Sweeney
Chief Officer
Strathclyde Fire & Rescue

5 January 2011

Treasurer
The Board of Strathclyde Fire & Rescue

5 January 2011

Link to Corporate Priorities



Previous References

- Medium Term Financial Strategy, October 2010

List of Background Papers

- Budget Scrutiny Forum papers – Revenue Budget 2011/12.

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

Sarah O'Donnell, Head of Finance

Ext: 2261 (Tel: 01698 402261)

E-mail: sarah.o'donnell@strathclydefire.org

THE BOARD OF STRATHCLYDE FIRE & RESCUE
REVENUE BUDGET 2011/12

	<u>£000</u>	<u>£000</u>
2010/11 Base Budget excluding Employer's Pension Contribution		126,610
add pension injury payment adjustment *	385	
Revised Base Budget 2010/11		126,995
<u>Add Adjustments considered by Budget Scrutiny Forum</u>		
<i>Increased expenditure :</i>		
Loan Charges	451	
Revenue Consequences of Capital	191	
Contractual Commitments	486	
External Environment	285	
Policy Issues	530	
Voluntary Severance Funding	200	
Asset Management Strategy	2,000	
		4,143
<i>Reduced expenditure :</i>		
Pay award overprovision 2010-11	1,333	
Non-employee costs	1,469	
Restructuring - management and support staff	896	
Parkhead/Cambuslang Merger	988	
5GDS Full Implementation and removal of 45 posts	2,007	
		6,693
2011/12 Budget Excluding Employers Pension Contribution		124,445
Employer's Pension Contribution		13,060
Total Budget 2011/12		137,505

* Local Government Finance Circular 14/2010 includes within the Redeterminations of Revenue Funding for 2010/11 an adjustment in relation to Fire Pensions - Injury Payments due to a classification error between the Pensions Account and the Local Government Settlement.

THE BOARD OF STRATHCLYDE FIRE & RESCUE
REVENUE BUDGET 2011/12

2010/11 Approved Estimate Outturn Prices	Narrative	2011/12 Estimate Outturn Prices
<u>£000</u>		<u>£000</u>
119,127	Employee Costs	113,129
6,659	Property Costs	6,802
5,031	Supplies and Services	5,077
1,548	Administration Costs	1,516
2,320	Transport Costs	2,442
1,151	Third Party Payments	1,431
5,949	Loan Charges	6,400
-	Revenue Contribution to Capital	2,000
141,785	Gross Expenditure	138,797
1,290	Income	1,292
140,495	NET EXPENDITURE	137,505
	<i>Funded By :</i>	
126,995	Constituent Authority Contributions	123,445
-	Reserves	1,000
13,500	SG - Employers Pension Contribution Grant - estimated	13,060
140,495	TOTAL	137,505

THE BOARD OF STRATHCLYDE FIRE & RESCUE
REVENUE BUDGET 2011/12

CONSTITUENT AUTHORITY CONTRIBUTIONS

Authority	Share	Original Precept £000	2010/11 Pension Adjustment * £000	Revised Precept £000	2011/12 Precept £000
	%				
Argyll & Bute Council	3.92%	4,969	15	4,984	4,839
East Ayrshire Council	4.80%	6,075	18	6,093	5,925
East Dunbartonshire Council	4.02%	5,086	15	5,101	4,962
East Renfrewshire Council	2.81%	3,554	11	3,565	3,469
Glasgow City Council	33.50%	42,428	131	42,559	41,354
Inverclyde Council	5.04%	6,378	19	6,397	6,222
North Ayrshire Council	6.51%	8,241	25	8,266	8,036
North Lanarkshire Council	10.77%	13,630	41	13,671	13,295
Renfrewshire Council	6.82%	8,633	26	8,659	8,419
South Ayrshire Council	4.78%	6,053	18	6,071	5,901
South Lanarkshire Council	10.54%	13,344	41	13,385	13,011
West Dunbartonshire Council	6.49%	8,219	25	8,244	8,012
TOTAL	100.00%	126,610	385	126,995	123,445

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