

TAYSIDE FIRE AND RESCUE BOARD

REPORT BY THE CHIEF FIRE OFFICER AND TREASURER

1 FEBRUARY 2010

TAYSIDE FIRE AND RESCUE –REVENUE BUDGET 2010/11

Abstract

This Report identifies Tayside Fire and Rescue's revenue budget for 2010/11.

1 RECOMMENDATIONS

It is recommended that Members approve the budget for running Tayside Fire and Rescue in 2010/11

2 INTRODUCTION

- 2.1 This Report presents a one year revenue budget based on the best information available at time of preparation. The Report shows in detail the 2010/11 budget. The detailed budget report (FB/10/01 refers) was approved by the Performance Monitoring Sub-Committee at its meeting on 18 January 2010.

There are five main elements to the revenue budget which can be shown as follows:

	2010/11 Revenue Budget £
Staff Costs (excluding Pensions)	19,096,358
Net Pensions Expenditure	300,000
Running Costs	3,904,837
Capital Financing Costs	679,223
CFCR	1,100,000
Income (excluding Pensions)	<u>(297,250)</u>
Net Budgeted Expenditure	<u>24,783,168</u>

- 2.2 A needs based revenue budget was compiled including known cost pressures which the Board will require to address during 2010/11.

In the following section, a general explanation will be given regarding the treatment of the five main elements to the budget within 2010/11 and any assumptions which have been made.

3 BUDGET ASSUMPTIONS 2010/11

In arriving at the provisional 2010/11 revenue budget a number of assumptions were made with regard to future developments and cost pressures. These can be summarised as follows:

3.1 Staff Costs

- i. All operational personnel are assumed to receive a 1.25% pay award.
- ii. All support staff within the Single Status agreement are based on current establishments with uplifts for known 2010/11 increments and a 1.25% increase effective from 1 April 2010.
- iii. All other staff are also based on current establishments with increases for a 1.25% pay award from the effective date.

3.2 Pensions Costs

In July 2008 Cabinet Secretaries agreed to a reform of the financial arrangements for Fire Service pensions in Scotland, similar to those introduced in England and Wales, amended as appropriate to suit circumstances in Scotland. The new arrangements will be effective from April 2010. On 7 October 2008 the Scottish Government (SG) and COSLA (Convention of Scottish Local Authorities) confirmed their agreement to this decision. The decision was also supported by CFOA(S) (Chief Fire Officers Association (Scotland)).

The key drivers behind the changes are to deliver greater robustness and sustainability in fire service pension arrangements and:

- Greater certainty over the pension costs they will be liable for;
- Transferring the risk arising from the inherent variability of pension costs to the SG, where it can be better managed;
- Greater emphasis and accountability incentivising good practice in managing ill-health and injury.

From April 2010, for Fire Authorities throughout Scotland, much like the arrangements already introduced in England and Wales:

- The current funding arrangements in respect of the employer's liabilities for pensions and commutation lump sums, will cease;
- The introduction of a fixed percentage employer's contribution reflecting scheme costs, and based on an agreed percentage of pensionable pay set as a result of regular actuarial valuations of the schemes.
- The employer's contribution will be the pension costs that are charged to the Fire Service's annual budgets, in place of the net pension costs that are charged to the budget at present.
- Pension accounts will be set up by each Service. Statutory provisions will determine what payments shall be made into, and out of, the Pension Account.
- Pension payments and receipts will be charged/credited to the pension accounts in the Service's books. If the account is in deficit, SG will pay a 'top up' grant. If in surplus, SG may require the surplus to be paid back to SG.
- Those amounts held within General Fund reserves for pension liabilities, excluding the Service's pension reserves will be transferred into these Pension Accounts on 1 April 2010. These should include all funding previously received from Scottish Government relating to those eligible to retire prior to 1 April 2010 but who have deferred retirement i.e. legacy retirees but exclude any reserves for ill-health retirement and injury benefit.

The adjustments required to reflect the above changes to the pension scheme have been made to the budget for 2010/11.

3.3 Running Costs

Any future cost pressures which are known about have been included. The recently launched initiative relating to shared services between Tayside Fire and Rescue, Fife Fire and Rescue Service and Central Scotland Fire and Rescue Service will gather momentum during 2010/11. It is forecast that there will require to be an initial cash spend into this initiative before any savings can be realised. There has therefore been included in the budget, a sum amounting to £150,000 which can be categorised under the ethos of invest to save.

3.4 Capital Financed from Current Revenue

A project has been identified within Perth Station which is required by Health and Safety legislation to be commenced as soon as possible. This entails a complete rewiring of the premises. This project was commenced in 2009/10, however it still has some way to go before it is complete. This project has also been subject to a top slice capital bid which was successful and will generate capital funding over the years 2010/11 and 2011/12 of £500,000.

It is also intended to allocate a sum of £400,000 CFCR to this project, which is the same allocation as in 2009/10. In addition it is proposed that further invest to save initiatives are undertaken to prepare for probable funding constraints which may face the Service in future years. These include the purchase of Flood Management Personal Protective Equipment amounting to £200,000; the implementation of the recommendations contained in a recent carbon trust audit carried out which will improve the Service's carbon footprint and reduce energy consumption, and which will amount to £150,000 and the commissioning of an additional Aerial Rescue Pump which will replace an Aerial Ladder Platform and a Rescue Pump currently in use, and will have a net cost of £350,000. The replacement of these appliances will have the potential of utilising 8 less firefighters posts with a possible recurring cashable saving of £250,000 per annum. It should be noted that this expenditure may not be incurred, in totality, during the course of 2010/11 and may therefore require to be managed through the Board's reserves.

3.5 Capital Financing Costs,

As a result of estimates received from the Treasury Management Team within Perth and Kinross Council, adjustments have been made to the costs incurred within this category.

3.6 Income

Both the Pensions Contributions elements and the Interest Receivable element have been adjusted to reflect any predicted future events.

4 **SUMMARY OF THE BUDGET**

The above assumptions and anticipated cost pressures for 2010/11 result in a summarised budget as follows:

	£
Net Budgeted Expenditure	24,783,168
Capital Financing Costs	679,223
Interest Receivable	7,000
Budget expressed as GAE	24,110,945

5 FUNDING STRATEGY

It is generally recognised that there will be savings required for setting future revenue budgets which will be subject to the agreement of the Board when the provisional and final revenue budgets are presented at the respective meetings. It is forecast that the greatest savings will be required to be applied in the 3 years following the setting of the 2010/11 revenue budget. This is subject to a separate report on the agenda for this Board meeting.

With regard to 2010/11 if the provisional revenue budget is approved, the following table represents the financial position Tayside Fire and Rescue would find itself in for that year:

	£
Budget expressed as GAE	24,110,945
Notional GAE Assessment	25,124,000
Variance from GAE	(1,013,055)

It is proposed that the variance from GAE as noted above be re-distributed to the constituent Councils in the currently agreed funding ratios. This would result in the following values contained within the Fire GAE being retained by the Councils:

Council	%Age	£
Angus Council	19	192,480
Dundee City Council	52	526,789
Perth & Kinross Council	29	293,786
Total		1,013,055

6 RESERVES BALANCE

It should be noted that an agreed funding strategy and Reserves Strategy already exists and that an updated strategy is included in the agenda to this Board meeting. The projected balance of uncommitted reserves for the year 2009/10 can be illustrated as follows:

	£
General Fund Balance as at 1 April 2009	1,852,685
Earmarked Reserve Utilised 2009/10	(772,780)
Projected Deficit for 2009/10	(181,388)
Projected General Fund Balance Carried Forward	898,517
Projected Uncommitted Balance as a % of 2010/2011 Provisional Revenue Budget	3.6%

7 CONSULTATION

The Clerk has been consulted in the preparation of this report

8 CONCLUSION

In accordance with the agreement reached by the Performance Monitoring Sub-Committee, a budget has been developed which, after adjustments, would result in the following requisitions to the Board's constituent Councils:

	<u>£</u>
Angus Council	4,708,802
Dundee City Council	12,887,247
Perth & Kinross Council	7,187,119
Total	<u>24,783,168</u>

A detailed breakdown of the budget is shown in Appendix A.

S Hunter
Chief Fire Officer

J Symon
Treasurer

Background Papers

No background papers, as defined in section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

Fire and Rescue Headquarters
DUNDEE

APPENDIX A

TAYSIDE FIRE AND RESCUE - FINAL REVENUE BUDGET

	2009/10 Approved Revenue Budget <u>£'000</u>	2010/11 Approved Revenue Budget <u>£'000</u>	Movement <u>£'000</u>
Staff Costs	19,338,843	19,096,358	(242,485)
Pension Costs	7,227,033	3,011,112	(4,215,921)
Property Costs	1,283,287	1,284,143	856
Supplies and Services	1,606,679	1,848,930	242,251
Transport Costs	777,289	766,964	(10,325)
Third Party Payments	3,554	4,800	1,246
Capital Financed from Current Revenue	400,000	1,100,000	700,000
Capital Financing Costs	747,726	679,223	(68,503)
Gross Budgeted Expenditure	31,384,411	27,791,530	-3,592,881
Income	2,151,764	3,008,362	856,598
Net Budgeted Expenditure	29,232,647	24,783,168	-4,449,479

