

GREATER MANCHESTER FIRE AND RESCUE AUTHORITY

POLICY, RESOURCES & PERFORMANCE COMMITTEE

2 FEBRUARY 2012

Subject: BUDGET STRATEGY 2012/13 AND MEDIUM TERM FORECAST 2012/13-2014/15

Report of the Treasurer in consultation with the County Fire Officer & Chief Executive

SUMMARY

The purpose of this report (prepared in consultation with the County Fire Officer & Chief Executive) is to set out the 2012/13 revenue estimates for the Fire and Rescue Service and to consider the Medium Term Forecast 2012/13 – 2014/15.

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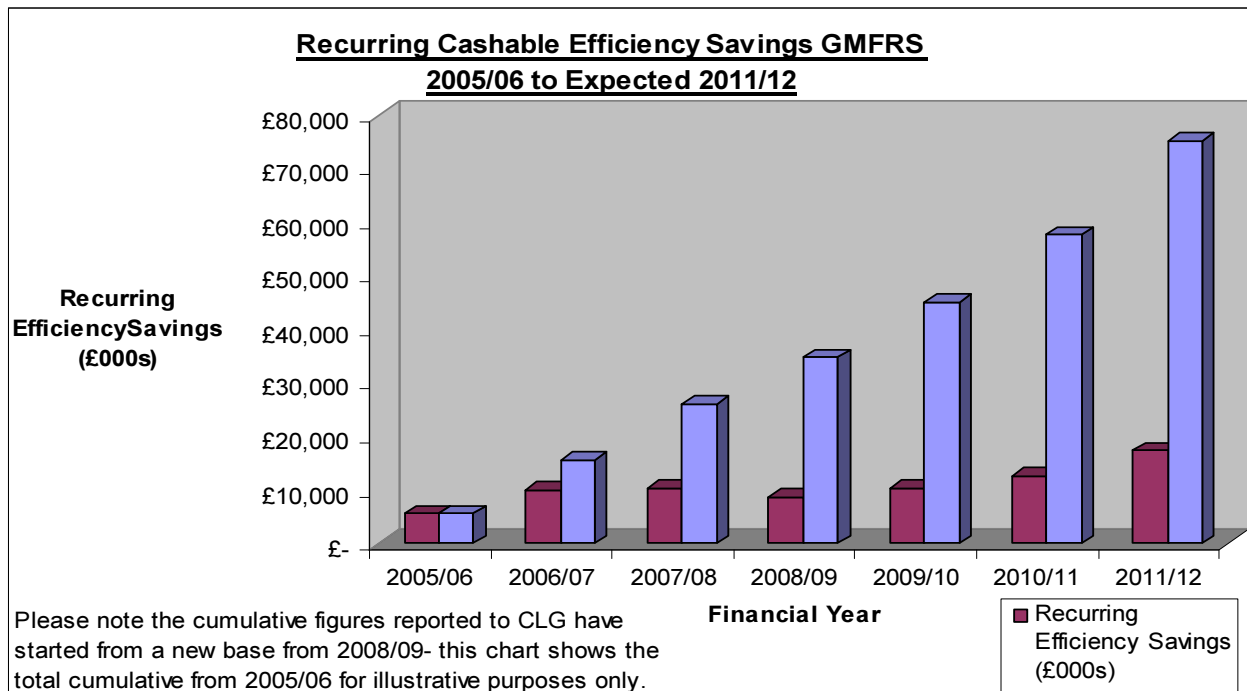
Background

1. The report sets out the draft Authority budget requirements for 2012/13 with a medium term projection through to 2014/2015. The report includes a range of key issues and sets out three potential financial models which illustrate significant reductions in Central government grant and the impact on the overall financial position of the Authority.
2. The scale of the financial challenges the Authority faces are unprecedented and requires careful consideration when assessing the competing priorities of setting a legal balanced budget which is sustainable over the medium term whilst striving to deliver a range of statutory duties in a more cost effective way. This is being enabled through the Operational Strategy which is currently under discussion through a wide ranging consultation process.
3. Senior Members and Officers will continue to make the Government aware of the potential implications of such significant budget cuts but it is equally important for Members to understand the financial prospects of the Authority over the medium term using realistic figures based on the best information currently available.
4. The Authority has made significant back office and management savings in recent years and is on track to meet the savings set out in last years budget report. Further savings from back office areas of expenditure are set out later in the report in addition to those savings forecast to be delivered by the implementation of the new 4 watch rostering system and other associated phased changes such as riding 4's on most two pump stations and updating the deployment of appliances linked to the latest response times and risk model.
5. There are a number of national policy areas which still remain unclear and are set out later in the report, but what is clear in terms of a Government policy shift in CLG is a distinct move away from direct delivery of the fire and rescue service agenda which

may be helpful in some areas of activity but can equally lead to fragmentation of key policy areas which in turn impacts on how the Authority needs to resource its activities.

The Efficiency Agenda

6. Members will be aware of the efficiency savings submitted in the 2011/12 budget in January which total £4.655m and the removal of temporary budgets totalling £1.009m. These savings include the full year effect of the Service Wide Implementation Group (Borough Review), the Star Chamber savings, savings from the catering, control, administration and organisational development reviews and also the removal of temporary budgets in relation to Organisational Development and the HR/Payroll system project.
7. A tracking log is being maintained providing the status of these efficiency savings during 2011/12 in order to continually update Members on progress. This is reported along with the Budget Monitoring for Quarter 3 elsewhere on the agenda.
8. Recent budget updates to the Budget Management Group and the Policy Resources and Performance Committee indicate that the target efficiency savings are on track for 2011/12 with nearly all scheduled efficiencies having been achieved in the early part of the financial year. This approach has been overseen by the Corporate Leadership Team who have had to balance the timing of delivery of the cashable savings, reshaping the organisation and continuing to deliver the core service.
9. Total efficiencies continue to be collated by the Authority in order to track and report achievements. The latest position for backward looking 2010/11 is £5.6m and forward looking 2011/12 of £10.3m. This will result in the cumulative efficiencies achieved for the 4 years from 2008/09 of £20.6m.



This track record of continued delivery should give Members confidence that the further significant cashable savings that are set out in this report are achievable by being well planned and executed through effective management structures.

Latest National Policy Position and Developments

10. Members will be aware of a number of these issues as a series of consultation responses have been considered by various Committees in recent months.

- The precise impact on the Authority of the final two years of the local government finance settlement in the Comprehensive Spending Review remain unclear (national fire grant cuts of 8.5% and 5% have been confirmed for 2013/14 and 2014/15).
- The Provisional local government finance settlement for 2012/13 was announced on 8th December 2011. This has not changed since the previous announcement last year and the budget models previously reported.
- The Metropolitan Fire & Rescue Authorities suffered a significantly worse grant reduction than the Combined Fire and Rescue Authorities and it is unknown how likely it is for this trend to continue – representations are being made nationally on this issue both politically and professionally to try and influence the final two years of the Spending Review – the detailed outcome is unlikely to be known until December 2012.
- There is a risk that further grant cuts may be made. A written ministerial statement on 8th December 2011 announced further cuts to Government departmental resource allocations for 2013/14 and 2014/15 including CLG Local Government (which includes Fire and Rescue Authorities). It is unknown at this stage how this will be shared within the total. This is in relation to setting an average one per cent public sector pay award for the two years following the pay freeze. CLG will have their budgets reduced by a further £700M in that two year period.
- The outcome of the Capital Grant consultation process has now been shared with the service and has a major influence on the future funding strategy for the capital programme. The consultation confirmed that the grants to be paid over in 2012/13 will be on the same basis as those issued in 2011/12. It is therefore anticipated that a capital grant of £2.88m will be received in 2012/13. The position for future years is still not known. However in future years it is likely that one-off bidding rounds are expected to be required for 2013-15. Detailed guidance is due to be published shortly and Members will be updated in due course and appropriate resources will need to be in place to prepare bids.
- The response to the Local Government Resource Review consultation has been published on 19th December 2011 which has confirmed the intention to localise business rates retention from 2013. The government has decided that all Fire Authorities will be part of this scheme and funded through a share of each billing authority's business rates baseline. They will however be subject to the tariffs and top ups to bring them to their baseline funding based on the 2012/13 formula grant using the spending review control totals for 2013/14. The longer term implications of this fundamental funding change remain unclear.
- A consultation for a new National Framework was launched on 13th December 2011. The Government wishes to build a more localised approach and give Fire

and Rescue authorities more freedom to deliver services meeting local needs and also the continual requirement for National resilience. There is ongoing discussion within the sector about where various statutory duties start and finish and a draft response will be brought to Members as part of the consultation process. The priorities for Fire and Rescue Services set out in the Framework consultation are to:

1. identify and assess the full range of fire and rescue related risks their areas face, make provision for prevention and protection activities and respond to incidents appropriately
2. work in partnership with their communities and a wide range of partners locally and nationally to deliver their service; and
3. be accountable to communities for the service they provide.

Integrated Service Planning Issues

11. The Authority must continue to plan within a longer time horizon and this report contains a Medium Term Forecast for the next three financial years so that Members can appreciate the potential consequences of funding decisions in future years. The Medium Term Financial Strategy 2012/13 - 2014/15 will be updated and published to ensure it remains relevant and up to date but it must be stressed that the figures included in the last two years are best estimates (based on the latest information) as the Government will not give any indication of what these figures will be.
12. In considering the budget for 2012/13 and the precept freeze the Authority meeting on 16 February 2012 will need take account of all these factors. This meeting has the opportunity to look at the issues involved, the assumptions made to date and the strategic thinking of the senior Members and officers in bringing this budget report to you.

Corporate Documents & Framework

13. The Authority's financial strategy as reported to Members at this meeting underpins the Authority's strategic objectives and demonstrates the link between financial strategy and corporate objectives.
14. The financial strategy of the Authority is underpinned by the following documents:
 - Corporate Plan
 - Operational Strategy
 - GMFRS Risk Model
 - Corporate Risk Management Strategy
 - Financial Strategy
 - Capital Programme
 - Asset Management Plan
 - Sustainability Strategy
15. The draft Corporate Plan and Operational Strategy 2012-2015 are currently subject to public consultation which concludes on 23rd January 2012. This was approved by the Authority on 20th October 2011 and includes greater detail of changes proposed to operational activity to deploy resources flexibly to meet the demands of the service to

the communities of Greater Manchester. It also proposes how some of the forthcoming financial pressures may be dealt with. This is available on the Authority's website - www.manchesterfire.gov.uk.

Equality Impact Assessment

16. An Equality Impact Assessment has been undertaken on each of the Reviews that have taken place, and has been used to inform the implementation of the reviews. These will be updated once implementation plans are underway and the Authority's Managing Change Protocols will be applied.

Budget Monitoring 2011/12

17. The projected outturn is currently showing an under spend of £4.296m. A substantial element of this relates to pay, which is in part due to the vacancies held during the year on the implementation of new structures in the establishment. It has been previously agreed that a provision of £5m is made to support further restructuring and organisational changes that may be required going forward. The quarter three budget monitoring report is included elsewhere on this agenda and provides more detailed information.
18. Members should be aware that the final year end position will impact upon the level of balances included within the Medium Term Forecast.

Service Estimates 2012/2013

19. Table 1 below shows the build up of the service estimates of the Authority for 2012/13 based on the Fire Service budgets presented to this Committee.
20. The annual review of the Authority's rents and charges proposes an 8.75% increase to rent charges on the Authority's houses and flats to match with housing inflation and a range of increases on general income. Please refer to Appendix 1 for the details.

Table 1 Analysis of Changes in Service Based Estimates 2012/13

	Total £m
Original budget 2011/12	114.206
Pay & Price Inflation (see a below)	1.125
Investment Decisions (see b below)	-0.045
Service Budget Variations (see c below)	0.586
Unavoidable Cost Pressures (see d below)	0.550
Efficiency Items (see e below)	-6.410
Contribution to Capital (see f below)	1.600
Total Service Budgets 2012/13	111.612

21. It is estimated that there will be a 1% pay award for both Uniformed and Non-Uniformed staff in 2012/13 and 2013/14. General Price and income inflation has been assumed at 2.5% for the majority of non-pay expenditure. Utility inflation has been set at 2.9% and 9.8% for gas and electricity respectively based on the latest information available from providers. Contracted items where it is known the price will not increase

for 2012/13 have been set at 0% and likewise those set at expected RPI have been set accordingly. Further details are in the table below.

Table 1a Pay and Price Inflation

	%	Total £m
Pay Awards	1.0	0.725
General Expenditure	2.5	0.280
General Income	2.5	-0.028
Rents on Houses & Flats	8.75	-0.010
Gas	2.9	0.014
Electricity	9.8	0.068
PFI	3.5	0.022
Business Rates	4.0	0.048
Recharges	1.0	0.006
Total Estimated Inflation for 2012/13		1.125

22. The removal of the extra resources which were agreed as part of previous year's budget strategy is set out below.

Table 1b Investment Decisions (End of a Temporary Investment Arrangement)

Temporary Budget Ending	£m
Human Resources	-0.045
Total	-0.045

23. Under Human Resources the temporary budget for Equality and Diversity Officers remainder is currently planned to end in November 2012.

Table 1c Other Variations in Service Budgets £0.586m

Major Variations	£m
Additional Bank Holiday –Royal Wedding	-0.100
Additional Bank Holiday- Queen's Jubilee	0.100
Additional Bank Holiday – Good Friday March 2013	0.100
Ill Health Retirements	0.180
Fuel Cost Increases	0.100
Detachment Expenses/Additional Post	0.206
Total Variations	0.586

24. The additional bank holiday announced for 5th June 2012 for the Queen's Jubilee is expected to cost an additional £0.1m to the Authority in additional employee payments. There is also an additional bank holiday due to Good Friday falling in March 2013. In 2013/14 the provision for two additional bank holidays is removed from the budget and

the changes for projected ill-health retirements have been accounted for in the medium term financial strategy.

25. Fuel costs have significantly increased during 2011/12 so an additional budget requirement has been included and detachment expenses also requires additional budget.

(d) Table 1d Unavoidable Cost Pressures £0.550m

	2012/13 £m	2013/14 £m	2014/15
Scheme Sanction Charges	0.100	0.000	0.000
Firefighter Competent Pay	0.300	0.300	0.300
Scale Point Increments	0.150	0.150	0.150
Total	0.550	0.450	0.450

26. As Members have been updated in the quarterly budget monitoring reports there is a risk that the impact of the Scheme Sanction Charge resulting from the revised Commutation factors, which were announced in April 2011, may not be funded from the grant and representations have been made to CLG on this matter. As an example the estimated impact on the Authority for a firefighter retiring on the increased factors is £1,000. Work is ongoing nationally with CLG to resolve this issue but an unavoidable cost pressure has been included in this strategy of £0.100m.
27. Due to the non recruitment of firefighter posts there is also a requirement to budget for the increase to competent pay from development. A value of £0.300m has been added to each year based on the expectations of this increase in skills and achieving competent status. This will ensure that the budget total will account for all fully competent firefighters by 2014/15.
28. Support staff pay scales include a range of scale point increments in each grade which are achieved on an annual basis. A committed cost pressure of £0.150m has been included to allow for this in the budget.

e) Table 1e Efficiency Items

29. The efficiency items set out below are part of an ongoing process including the delivery of the full year effects of last years star chamber savings such as the Administration and station catering reviews etc. In addition further back office and support cost savings of nearly £700,000 are identified in italics below on top of the previously agreed total of £6.8m in back office savings for 2011/12 and 2012/13. Further efficiency reviews are underway including ICT and HR/OD and will be reported back to Members in due course.
30. The major operational efficiency savings associated with the corporate plan are a major part of moving towards a sustainable budget over the medium term and amount to approximately £10m over three years and will result in 283 fewer operational posts on the Authority establishment. There are further work streams which will evolve from the Corporate Plan as development goals which will create the opportunity for further

savings in the medium term and these will be presented to members at the appropriate time.

	2012/13 £m	2013/14 £m	2014/15 £m
Rostering Changes - Corporate Plan	-4.300	-2.470	-3.160
Star Chamber (Appendix 2)	-0.434	-0.088	-0.069
Catering Review	-0.175		
Control Review	-0.265	-0.157	
Administration Review	-0.555		
<i>Corporate Communications Review</i>	-0.067		
<i>Central Catering Review</i>	-0.048		
<i>Post Freeze Commercial Manager</i>	-0.046	0.046	
<i>Interest Charges</i>	-0.200		
<i>Electricity</i>	-0.182	0.032	
<i>Audit Fee</i>	-0.018		
<i>Insurance</i>	-0.120		
Regional Control			-0.884
Total	-6.410	-2.637	-4.113

The Authority's Corporate Plan for 2012-2015 is nearing the conclusion of the public consultation process.. This follows on from the previous year's plan which incorporated fundamental changes to the service including a new risk model and new business model. The draft Corporate Plan proposes key changes resulting from the review of the service's operational strategy.

31. The retirement profile of uniformed staff is continuing to release savings in anticipation of the new staffing and service delivery models set out within the operational strategy of the Corporate Plan. These in year savings are in addition to those set out in the efficiency plan and will probably remove the need for any contribution from revenue balances in 2011/2012. This will assist the Authority when considering the financial challenges ahead and provides scope for preparing the organisation for the next phase of change. The savings in the table above are expected from the rostering changes from roster for duty and currently exclude impacts from the non Roster for Duty stations (Ramsbottom, Horwich, Irlam, Marple, Mossley and Littleborough) which are being looked at in a specific project continuing over the forthcoming months and Members will be updated on the outcome in due course. The rostering for duty savings have been phased across the medium term financial strategy based on the retirement profile of firefighters to anticipate the timing of achieving these savings.
32. As reported to Authority in January 2011 a Star Chamber exercise was completed in October 2010 for officers to identify areas where they can achieve budget savings over the period of the Spending Review and identify 10-30% options for savings of the budgets they control and influence. The decisions as outcomes from this are summarised along with totals from the reviews in Appendix 2. These savings were phased across the medium term according to realistic timescales of achievement. Please note that the Control review has been rephased across the financial years in accordance with the revised timescales for delivery of this change.

33. A further £0.180m has been achieved from the administration review. A prudent approach was taken in the strategy for 2011/12 on delivery and implementation of the new structures. This restructure has now been completed and the further saving reported accordingly.
34. Further savings have been made in the Corporate Communications department and £0.067m can be taken from the budget in accordance with the new structure approved by Members at the Human Resources Committee on 28 April 2011. A decision has also been made to freeze the post of Commercial Manager for the next 12 months. This creates a one year saving of £0.046m for 2012/13.
35. The review of Central Catering has taken place and has resulted in a number of changes to the service provided, including the removal of the breakfast service at FSHQ, a reduction in the choice of meals provided and a price increase across the three sites. As a result of these changes three posts have been removed, 1 from each of the three sites, and the affected staff took Voluntary Redundancy. This has resulted in a saving of £0.048m which is included as a budget saving in this report. Changes are also underway looking at improving management information across the three sites through streamlining working practices. This is being facilitated by the introduction of new tills with funding identified in 2011/12. Further savings emerging from this review will be factored into future budget reviews, and the ongoing performance of the three sites will be undertaken at Directorate level (DPOD, DFTS) to ensure the sites continue to be run effectively.
36. Interest charge budgets can be reduced by £0.200m due to the maturing of one of the Authority's loans on 19/01/2012 and savings on annual repayments can therefore be made.
37. As reported elsewhere on the agenda in the 3rd Quarter Budget Monitoring there are underspends on utility costs which have been contributed to by the sustainability initiatives put into place. £0.150m has therefore been added as a saving to the budget for 2012/13 onwards.
38. The Audit Fee charged by the Audit Commission has reduced by £0.018m with the confirmed reductions in the Annual Audit Fee Letter reported to members of the Audit and Scrutiny Committee on 28/09/2011.
39. There has been an evaluation of our self-insurance contribution to the insurance fund and this has released a saving to the budget of £0.120m.
40. Maintaining high levels of service delivery to the public during the Authority's significant change program remains a high priority but becomes increasingly challenging as management and back office support capacity is reduced as part of the efficiency plan.
41. This has been a deliberate strategy to maximise cashable efficiency savings before revisiting front line services which is the core of the efficiency strategy over the medium term, as this is where the greatest level of Authority resource is deployed.
42. There is a risk to the Authority of the timing, delivery and completion of implementation of reviews which also have redundancy and redeployment impacts. The figures used in this report are therefore best estimates for the delivery of the proposed savings over the next two years, with any timing issues being managed through the use of balances.

43. Members are also asked to note the ongoing consultation process with representative bodies and relevant stakeholders.

(f) Contribution to Capital

44. A contribution of £1.6m is proposed for 2012/13 to provide the necessary funds to support the ongoing capital programme. This contribution is for one year only.

Interest On Revenue Balances

45. The bank base rate began the year at 0.50% and has stayed at this level throughout the year. This low interest rate adversely affects the income from cash balances that are available to the Authority. However the average interest earned on cash balances during this financial year to date is 0.95%.

Firefighters Pension Account

46. Members may recall the recent consultation on uniformed pension contribution rates for 2012/2013 arising from the Hutton Report. The confirmation from CLG of the final contribution rate changes with effect from April 2012 are awaited. Discussions are also continuing between the Government and the representative bodies with a Government deadline of 20th January 2012 to agree a preliminary document which will form the basis of further detailed discussion. No assumptions on employee rate contribution changes have been assumed within the Pensions forecast at this stage. If the employee's percentage rates are to increase this would have no impact on the revenue account and would merely increase the contribution to the Pension Account and reduce the top-up grant received from CLG. However, if there are any increases in the employer's contribution rates this will be a key budget risk that has not been built into the Estimate report.
47. For information Appendix 3 gives details of the movements and the position on the Pension Account for 2012/13. This is consistent with the pension estimate submitted to CLG in October 2011 which forms part of their annual national pension forecasting exercise and is the basis of the top up grant calculation which is paid to the Authority in 2012/13.

Strategic Risks

48. The following is a list of known changes which may impact upon the medium term financial strategy but which cannot be quantified with any precision at the present.
49. Slippage, phasing and delivery of change in the implementation of the proposed efficiency savings identified in reviews in the medium term budget for 2012/13 to 2014/15 and transitional costs. There are some aspects of the reviews that may require negotiation and therefore current implementation plans are best estimates. The Strategic CMM is overseeing any establishment related issues arising from all views to ensure a balanced approach between recruitment into the organisation, any exit related issues arising from reviews and uniformed retirements. Members will be aware of the recent response to the Pensions Amendment order consultation which supported the introduction of a new scheme rule allowing firefighters aged 50 with 25 years service to access their pension on better terms than are currently available. If the law changes and the Authority needs to use this option to resize the workforce significant

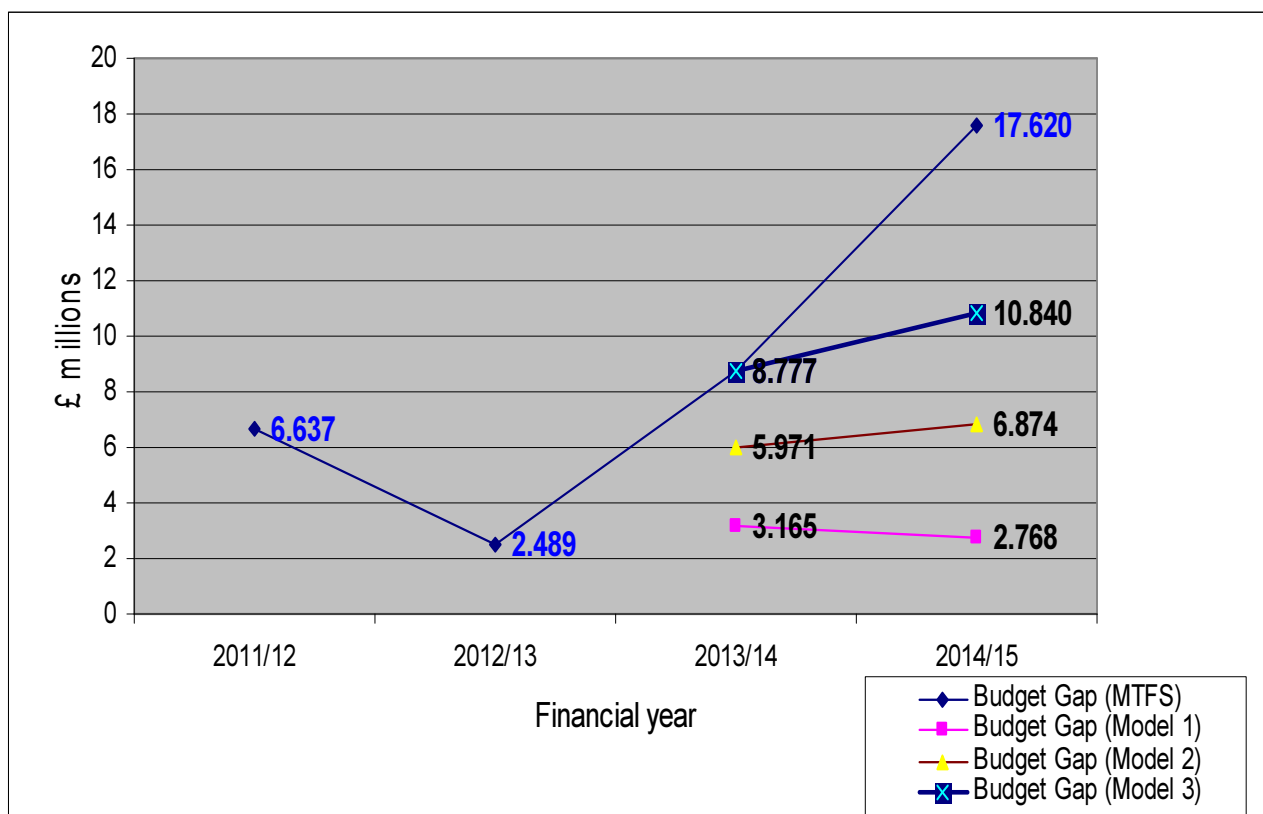
restructuring funds will be required and this has created the proposal to a £5m restructuring provision.

50. Pensions – the implications of the wider reform of the firefighters pension schemes which are currently being discussed at a national level are not known. The Government intention is to introduce the reforms from April 2015 but the practicalities of how the new scheme will work and be funded is unclear. The LGA position, based on the findings of the Hutton Report is that the new scheme should as a worst case costing fire authorities no more than the current arrangements. Officers are involved at a national level to assist and advise the LGA on financial matters associated with the proposed changes.
51. Demands on FRS following firefighter fatalities / HSE inspection. A number of inquests remain outstanding and the implications for GMFRS are yet unknown as to issues that may be identified. A range of contemporary issues such as hot fire training and incident command are currently being dealt with but other learning may yet emerge.
52. Potential fall out of external and partnership income following local spending decisions made from the results of the Comprehensive Spending Review. There may be significant financial pressure on resources for partners that have invested in Community Safety activities.
53. Four North-West Fire authorities (Greater Manchester, Lancashire, Cumbria & Cheshire) have agreed to continue with a North-West solution for Fire Control. This project is to deliver a control room with agreement for Manchester scheduled to transfer from 2014. A risk needs to be recognised that the current control system needs to remain operational until this goes live and any slippage in the project delivery would have an impact.
54. FireBuy and National Functions: It has now been confirmed that Firebuy's framework contracts have been formally transferred to Wiltshire County Council and authorities have been encouraged to continue using these contracts to maintain the benefits of collaborative procurement. The Authority will need to consider appropriate routes to market on a case by case basis.
55. New Duty systems and changes proposed in the Operational Strategy are being considered and may require significant capital investment such as day crewing plus facilities to enable the transition to new crewing arrangements.
56. Pay awards of 1% have been anticipated in the budgets for the next 2 financial years so any agreement above this is a risk to balances.
57. Carbon Reduction Commitment: A full carbon emission disclosure has been made to the Environment Agency and there should be no funding requirements until 2013/14. The Authority is currently below the threshold for participation in the scheme however the White Paper on the CRC simplification suggests that the level of the threshold may be revisited. The Authority should be prepared for the threshold to be lowered and following Government consultation in early 2012 may be required to participate in the scheme. This means that the Authority would qualify in 2012/13 for full participation in 2013/14.
58. Long term actuarial strain on the pension fund as the staff composition changes.

59. Potential additional costs may accrue if there is a need to implement large scale Business Continuity Management arrangements (including strike action).
60. The Local Government Resource Review has concluded its consultation period. This involves risks to the Authority as the funding method could change from 2013/14 onwards to move to a locally funded solution through Business Rates retention from each of the district authorities. There will be top-up grants or tariffs charged on authorities to keep within the current level of funding as per the spending review and a level of local growth or decline in rates received will be shared with the authorities. It has been confirmed that Fire Authorities will be included in the first stage of this change with effect from 2013 and funded through a percentage share of each Borough Council's billing authority business rates baseline.
61. The Local Government Resource review also includes a section on localising support for Council Tax. Grant cuts will be made to all Local Authority's council tax benefits and the conclusion of the consultation has confirmed that any risks can be shared with the preceptors. Consultation with the preceptors will be required in order for them to influence the design of the schemes.
62. Future capital grants from CLG: - a consultation has recently closed which suggests a bidding route through CLG for Capital funding for years 2013/14 onwards. From this period, it is unclear as to the level of fixed grant funding and the allocation which will need to be bid for.
63. The Treasury has announced in a written ministerial statement in December 2011 that departmental budgets will be adjusted in respect of the 1% pay award average for public sector following the end of the current pay freeze. This includes a reduction of £240m in 2013/14 and £497m in 2014/15 in the total Local Government allocation including Fire and Rescue Authorities. It is currently unclear as to the distribution of this below the total.
64. Risks highlighted on the Corporate Risk Register.
65. The Local Government Act 2003 requires me, as the Authority's chief finance officer, to make a report to the Authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions.
66. The Authority has traditionally maintained its balances at or about 5% of net budget requirement for many years and this has proved to be appropriate in the light of many challenges the Authority has faced.
67. The budget strategy will be reviewed as part of the ongoing financial management arrangements of the Authority at least annually. I shall of course take into account any observations of the external auditors in their review of financial management arrangements and management letters.

Medium Term Forecast

68. Before finalising the recommendations Members will want to take a view on the likely budget position for 2012/13 to 2014/15. Appendices 4 to 6 demonstrate the scale of the budget and funding resources for the next 3 years.
69. This forecast sets out the overall shape of the Authority's budget by establishing how available resources should be allocated to meet corporate objectives. It provides the framework for the preparation of annual budgets and is developed to meet the corporate risks and priorities of the Authority.
70. The forecast demonstrates the likely scale of the budget and funding resources and the impact upon precept requirements for the next three years. Members have been provided with three appendices (4-6) which illustrate the budget projection for 2012/13 - 2014/15. These are based upon three scenarios for the Authority's Revenue Support Grant settlement for the latter two years. The scenarios are based upon best estimate in light of the unknown profile of cuts for 2013/14 and 2014/15.
71. The following chart shows the Modelling that has been completed and illustrates graphically the shape of the financial deficit over the medium term. All the models are based on the same assumptions other than the level of Government grant.



72. It is clear that significant savings will be required over the medium term. The draft Corporate Plan includes an Operational Strategy which sets out how the future frontline service could operate and is expected to achieve savings in the region of £10m.
73. The plan moves towards a more flexible, responsive, efficient and targeted approach tailored to the risk profiles (based on the new risk model) facing each area of Greater Manchester. The Corporate Plan presents a summary of changes that are proposed to

crewing/rostering patterns and types of Station which will be needed to deliver a high quality emergency response service at a lower cost.

74. Special appliances are also being reviewed to ensure the future specialist fleet meets the future operational demands on the emergency response service. There are development goals within the current corporate strategy to research and deliver the changes within the service over the coming years.
75. The proposals within the Operational Strategy will reduce the Uniformed frontline establishment by approximately 283 posts over the next three years. These reductions may be achieved by natural wastage but if the last two years of the Spending Review are worse than the national average it may be necessary to accelerate the transition process to ensure the Authority has a sustainable Medium Term Financial Strategy. This was the basis of creating the Restructuring fund (c£5m) if the proposed pensions amendment order for uniformed staff is introduced in April 2012.
76. It is clear that the Model 1 and Model 2 presented above as the medium position will require a fundamental change to the current service delivery model. If the worst case scenario came to fruition a further major change programme would be required with the likelihood of another Operational Strategy being required for 2013/14 onwards.
77. The Corporate Plan and Operational Strategy will require capital investment to release revenue budget savings (spend to save) as well as the ongoing need to maintain a high degree of operational readiness throughout the Authority asset base.
78. On the 20th October 2011 the Authority confirmed that it wished to proceed with a shared service solution for the Control function with Cheshire FRA, Lancashire FRA and Cumbria County Council. There are significant cashable savings (c£700,000-£800,000 p.a.) associated with this project along with a range of non cashable benefits. These savings will be factored into the Authority's Medium Term Financial Strategy in addition to those savings anticipated through the introduction of a new duty system in the existing control facility.
79. As Members will know the Government and Audit Commission rightly placed great emphasis upon the level of balances. It can be argued that excessive balances are an opportunity cost to the taxpayer – either more spending on services could have taken place or Council Tax increases could have been less. Conversely balances earn interest and provide an internal funding source for the capital programme and a safety net. Given the scale of the budget reductions that will be required over the next three years balances play an important part of managing the transition from where we are now to where we need to be at the end of the four year period, whilst recognising the significant uncertainty surrounding years 3 and 4 of the budget forecast.
80. The following table shows the potential impact on the medium term forecast for a range of scenarios for the grant settlement and various implications on different outcomes of assumptions used.

Table 2- Scenario and Sensitivity Analysis

Scenario Analysis Reduced RSG & NNDR (% on previous year)	2013/14 £m	2014/15 £m
-10%	-6.6	-5.9
-15%	- 9.9	- 8.4
-20%	-13.2	-10.6
Non-recurring Freeze Grant	-1.27	-1.27
Assumptions:-		
Precept	2.5%	2.5%
Pay awards	1%	1%

Sensitivity Analysis 2013- 15

1% - Pay award = £0.750
 1% - Precept = £0.420
 1% - RSG/NNDR = £0.660

Capital expenditure and financing

81. The resourcing arrangements for the capital programme are considered in detail in a further report elsewhere on this agenda. However the position on the capital programme is an integral part of the budget setting process and therefore any financial implications have been included in the proposed 2012/13 budget. Please see attached appendix 7 showing the Capital Programme.
82. As a result of the changes to the capital programme the forecast revised capital spending for 2012/13 is £5.843m which is £0.360m more than the previous programme reported to Committee on 10 November 2011. Details of the changes in respect of 2012/13 are given in the table below:

	£m
Bury/Rochdale Fire Station Builds Rephasing Spend from 2011/12	0.100
Day Crewing Plus – Rephasing of Spend	-1.000
Asset Strategy Group Budget	0.250
Incident Command Unit IT – Rephasing of Spend from 2011/12	0.175
Training Schemes – Rephasing Spend from 2011/12	0.600
Sustainability – rephasing spend from 2011/12	0.125
Community Safety Vehicles – rephasing spend from 2011/12	0.065
Diversity – rephasing spend from 2011/12	0.045
Total	0.360

83. A capital programme from 2013/14 to 2016-17 is also attached. Key aspects of this programme include:
- Fire Station Replacement £2m per annum
 - Land Purchase £0.500m per annum from 2014/15 onwards
 - Asset Strategy Group £0.350m per annum
 - Minor Works (Estates) £0.1m per annum
 - Practical Training Facility £1.0m (2013/14)
 - IT Renewal £0.150m per annum
 - Operational Vehicles. The capital programme includes the costs of new appliances based on the current replacement programme
 - General Vehicles £0.075m per annum
 - Operational Equipment £0.100m per annum
 - Sustainability £0.250m
84. The above amounts are indicative at this stage and will be refreshed when the precise details of the requirements of the new risk model and rostering changes are known.
85. Each year an assessment of the level of depreciation is undertaken. The revised estimate for 2012/13 shows an increase of £0.991m. This does not impact on balances.

Reserves & Balances

86. The Authority holds reserves that have been built up during the previous and current financial periods. It is anticipated that these reserves will be utilised over the coming years to provide the necessary funding for specific schemes and also to provide funds to meet any potential timing issues around the delivery of the efficiencies now proposed.
87. The table below shows the estimated level of reserves and balances maintained by the Authority for the period of the budget forecast i.e. 2012/13 to 2014/15. The position in future years is based upon scenario 1 as detailed in Appendix 4.

Table 3 Analysis of Balances and Reserves

	Estimated Balance As at 31/3/12	Estimated Balance As at 31/3/13	Estimated Balance As at 31/3/14	Estimated Balance As at 31/3/15
General Balances	10.575	10.575	7.410	4.642
Earmarked Reserves				
Partnership /CYP	1.233	1.233	1.233	1.233
Restructuring	5.000	5.000	5.000	5.000
Project	0.578	0.289	0.000	0.000
Insurance	4.040	4.040	4.040	4.040
Capital	6.513	6.456	0	0

- Estimated general balances as at the 31 March 2012 are £10.575. This does not take into account any impact from the 2011/12 outturn. Members will notice that balances continue to reduce over the duration of the forecast as they are required to support the budget strategy.
- The Partnership reserve provides the necessary funding for future partnership and innovation schemes and to support children's and young people's initiatives.
- The Restructuring reserve has been created from available balances to give the Authority the scope to respond to the potential budget risks identified in this report in particular the acceleration of uniformed leavers through the proposed pension amendment order. At this stage the phasing and timing of costs against this reserve is unknown and depends on the outcome of the final two year's settlement in the spending review.
- The Project reserve was been created to specifically support project work within the Authority for the future arrangements of delivering the Control Room function.
- The Authority also retains an Insurance Reserve of £4.040m. The reserve provides a prudent contingency against unforeseen future claims, including the MMI Scheme of Arrangement. It also provides a prudent hedge against changes in the insurance market which may require premium increases.
- The Capital Reserve will be utilised in accordance with the Medium Term Forecast to support the Capital Programme over the next two years.

Significant Partnerships

Regional Control Company

88. The Authority holds a 25% share in the joint venture company NW Fire Control Ltd along with the other 3 North West Fire and Rescue Authorities now newly re-established for the Regional Control project. The Authority has been receiving New Burdens grants for expenditure relating to the move to the Regional Control Centre and has received a significant further investment to continue this project in the North-West. These payments have been on behalf of the company in its capacity as lead Authority.

Sustainability

89. The Annual Sustainability Update was reported to Authority on 08/09/2011 showing the latest position against the 5 year sustainability strategy endorsed by Members in October 2010. This reported the economic and carbon savings delivered and key projects in place for 2011/12 to continue this development.

Consultation – Budget/Corporate Plan

90. In terms of budgets and precept implications earlier indicative figures and reports have been submitted to the Association of Greater Manchester Authorities (AGMA) Executive. In addition, a separate budget scrutiny session has been held with AGMA Treasurers where the budgets have been scrutinised so that they also are more fully informed of the financial management issues with feedback to AGMA executive on 27th January 2012. All relevant reports have been sent to the Chamber of Commerce and an invitation to discuss these has been extended to their representatives.
91. Members will be aware that extensive public consultation on the Corporate Plan concluded on 23rd January 2012. Feedback from that exercise will be fed back to Members at the Extraordinary Meeting of the Authority scheduled for Thursday 15th March 2012 for full consideration ahead of finalising the Corporate Plan for 2012/2013. It should be noted that in light of the proposal to accept the Council Tax freeze grant, the Authority is in effect operating within a fixed budget envelope but will have the necessary latitude to take account of feedback from the consultation exercise and financial flexibility using alternative savings or balances to deliver the Corporate Plan.
92. All the representative bodies have been advised of the provisional budget position and have been asked to contribute any positive initiatives which would improve our budgetary position and service performance.
93. The figures in this report are based on the Revenue Support Grant settlement for 2012/13.

Council Tax and Collection Fund balances

94. The Authority needs to secure a stable funding base from its major taxation sources, national and local, in order to discharge its statutory responsibilities. Please refer to the table later in the report under the Medium Term Financial Strategy for the values. The values in later years are best estimates as these figures are not yet available.
95. Information on the tax base and surpluses on the collection is still incomplete; therefore it may be necessary to make some minor adjustments to the precept increase and/or use of balances to complete the precept resolutions.

Council Tax and Capping

96. The Government announced on 3rd October 2011 that it had set aside further funding for those authorities that would freeze or reduce their council tax in 2012/13. The grants receivable by police and fire authorities will be 3% rather than the 2.5% offered to councils. A letter from CLG addressed to all Chief Executives confirmed the terms for the scheme and stated that the 3% was “to reflect the government’s commitment to these frontline emergency services”. **This scheme has been stated to be voluntary and will be a one off payment unlike the repeated grant received for 2011/12.**
97. The Government has announced in the Localism Bill published during 2010/11 the provision to abolish council tax capping and instead give the public the power to approve or veto excessive council tax rises. This has now been laid in a

commencement order and council tax referendums will be in place by 1st April 2012. The Government published on 8th December 2011 council tax principles that it is proposing. What this means in practice is that if a Fire and Rescue Authority increased its council tax above 4% it would trigger a local referendum. This would mean that the local electorate would be able to vote against the increase and the Authority would be required to revert to a compliant council tax level.

98. The Authority will need to consider the above policy considerations when making its final decision on the budget and the precept level, and also be mindful of the implications of the one nature of the freeze grant on the underlying resource base in future years.
99. The freeze grant equates to £1.276m on a one off basis unlike last years grant which is recurring and built in to future years income budgets. The budget for the 2012/13 financial year has been constructed on the basis of the acceptance of the Council Tax freeze grant based on feedback from Members. Therefore it is proposed that there will be no precept increase for 2012/13.

CONCLUSIONS

100. The Authority's strategy remains to deliver affordable precept rises in future years whilst seeking to deliver the significant changes in the way we deliver our service as set out within the draft Corporate Plan for the benefit of the residents of Greater Manchester. The Corporate Plan effectively creates the organisational blue-print to deal with the significant financial challenges which place an even greater emphasis on delivering the efficiencies set out in this report.
101. Setting this budget for the Authority has been a particularly challenging exercise for 2012/13 due to the cuts in Government Funding. As the scenarios show in Appendices 4-6 the position in future years could be even more challenging as the figures for years three and four of the settlement have not yet been issued by CLG and it is anticipated that the cuts in funding will be 'back-loaded'.
102. The current economic climate has had, and will continue to have, an impact upon the Authority and its financial position. It has been indicated by the Government in recent announcements that public finances in the future will be significantly tighter. The detailed implications of the Autumn statement on public sector resources are still unclear but do represent a clear signal from the Government that the period of financial constraint will continue for some time.
103. The Authority's medium term strategy needs to be able to withstand the events that lie ahead and revenue balances and reserves remain an important feature of enabling phased change to take place in a managed way. The timing and delivery of changes, particularly those where negotiations with representative bodies are required will mean that retaining a degree of flexibility is prudent, with any timing issues being handled through the appropriate use of reserves and balances if required.
104. The Authority has already started to plan ahead with the recently approved creation of a £5m Restructuring Reserve and this forward looking approach needs to be maintained over the medium term if the Authority is to deal successfully with the financial challenges that lie ahead.

RECOMMENDATIONS

105. The Committee is recommended:-

- (i) To note the 2012/13 service budgets set out in this report and approve the investment decisions and efficiencies set out in tables 1b and 1e.
- (ii) To endorse the Treasurer's recommendation on the minimum level of balances for 2012/13 at 5% of net budget requirement and to review the contribution from revenue balances and savings to ensure that this is maintained in future years.
- (iii) To endorse the proposal to accept the one off Council Tax freeze grant for 2012/2013 and make recommendations to the Authority meeting on 16th February 2012 regarding the precept level and the use of reserves.
- (iv) To note the arrangements made to consult the non domestic ratepayers and representative bodies and the extensive consultation arrangements with the District Councils.
- (v) To note that the report on the Prudential Borrowing regime (on this agenda) will also be submitted as part of the Authority's consideration of the budget and precept on 16th February 2012.
- (vi) To endorse the principles in developing the Medium Term Forecast.
- (vii) To approve the draft Medium Term Forecast scenarios in Appendices 4-6 for 2012/13 -2014/2015.
- (viii) To approve the efficiency saving decisions listed in Table 1e of the report and detailed in Appendix 2.
- (ix) To approve the proposal, that rents be increased by 8.75% and other charges as set out in Appendix 1.
- (x) To note and agree the changes which will be made to the VFM Strategy.
- (xi) To approve the Capital Programme as attached at Appendix 7.

PAUL McKEVITT
TREASURER

STEVE McGUIRK
COUNTY FIRE OFFICER
& CHIEF EXECUTIVE

**LIST OF BACKGROUND PAPERS UNDER SECTION 100D
OF THE LOCAL GOVERNMENT ACT 1972**

<u>Document</u>	<u>Date</u>	<u>File or Other Ref.</u>	<u>Place of Inspection</u>
Report to Policy, Resources and Performance Committee	2 February 2012	-	Finance Dept. Civic Centre, Millgate, Wigan. WN1 1DD

Paul McKevitt,
(Proper Officer)
19th January 2012

REVIEW OF RENTS AND CHARGES—2012/13**SUMMARY**

This appendix outlines the current charges levied by the Authority and the proposed charges for the forthcoming year.

PROPOSED CHARGES

1. The level of charges are reviewed on a regular basis and are varied in relation to pay and prices. They are exclusive of VAT, unless stated, and the current and proposed charges are listed below.

OPERATIONAL

2. (i) Interviews with Authority Personnel

	Current	Proposed
Cost for the first two hours or part thereof	£246	£300
Cost per hour thereafter	£123	£150

- (ii) Appliances

This is a standard charge for an appliance and crew. These charges are usually levied in respect of special service calls, in accordance with the current Authority policy.

	Current	Proposed
Charges per hour or part thereof	£320	£400
Pumps and Water tenders	£320	£400
Aerial ladders, turnable ladders and hydraulic platforms	£320	£400
Other vehicles	£320	£400

- (iii) Other Employee Charges

There are occasions when rates per individual rank are required. These charges are per hour or part thereof.

	Current	Proposed
Firefighter	£26	£39
Crew Manager	£29	£43
Watch Manager	£33	£48
Station Manager (A)	£35	£52
Station Manager (B)	£45	£67
Group Manager (A)	£49	£72
Group Manager (B)	£52	£77
Area Manager (A)	£57	£84
Area Manager (B)	£61	£90

TRAINING

3. (i) Courses

Residential (per week)	Current	Proposed
Recruits	£650	£700
Driving (2 people)	£2250	£2400
Non-residential (per day)		
Instructor (own venue)	£550	£600

(ii) Room Hire (Training Centre)

	Current per day	Proposed per day
Syndicate room	£150	£200
Classroom	£150	£200
Command room	£100	£200
Lecture Theatre	£200	£200
Examination Hall (per candidate/day)	£4.60	£5.00 (minimum £400)

It should be noted that there is an ongoing legal agreement with our commercial partner Business Regulation Solutions for discounted classroom rates.

MISCELLANEOUS SERVICES

4.

	Current	Proposed
Copies of extracts from official documents	£100.00	£120
Other services i.e. testing of hose	Materials and labour at specified rates	No change
Miscellaneous reports	£100.00 min.	£150 min
Canvas salvage sheets (per day)	£50.00	£75
Fire Safety Log Books	£10.00	£15
Dry Riser Testing	£220.00	£250
(2 nd and 3 rd risers)	£190.00	£220
Chemical Protection Suits (handling fee)	£150.00	£200
Replacement of CP suit	£600.00	£800

FIRE SAFETY/ENGINEERING

5. These charges reflect the development within the fire safety environment.

(i) Fire Safety/Prevention

	Current	Proposed
Environmental surveys	£100 min	£150
Fire Investigation reports - summary	£150	£200
Fire Investigation reports - full	£250	£300
Fire safety plan survey reports	£100	£150

(ii) Fire Engineering Consultancy

	Current	Proposed
Code compliance reports (per hour)	£100	£150
Fire engineering consultancy (per hour) Variable depending on type of role, basic to complex	£100	£150
Fire Engineering reports	£100	£150

(iii) Water and hydrant services

	Current	Proposed
Surveys, advice and research (per hour) with minimum charge in line with other reports	£100	£150

PETROLEUM/FIREWORKS/EXPLOSIVES LICENCES

PETROLEUM

6. These charges are set by the Health & Safety Executive and laid down by statutory instruments.

(i) The current fees for Petroleum Licences which came into force in April 2011 are subject to further amendment in April 2012 but are not known as yet. Therefore, the existing charges are:

Not exceeding 2500 litres	£43.15
Exceeding 2500 litres but not exceeding 50,000	£59.95
Exceeding 50,000 litres	£124.00

(ii) The transfer of a petroleum spirit licence £8.00

(iii) The charge for a duplicate licence is set by the Authority and it is proposed to keep the charge this year at: £60.00

FIREWORKS/EXPLOSIVES

7. These charges, determined under the Health and Safety (Fees) Regulations 2010 Statutory Instrument, came into effect on April 2010 and are subject to further amendment in April 2012.

The current fees are:

New registration	£105.00
Renewal	£52.00

New licence	£178.00
Renewal	£83.00

Varying a name of licensee or name of site £35.00

Transfer of licence or registration £35.00

Replacement of licence or registration

referred to above if lost

£35.00

SALES

8. (i) Uniform and Personal Equipment

	Current	Proposed
On transfer to other local authorities	60%	No change
On resignation	Between 20% and 60% dependent on age of uniform	No change
On retirement	20% of cost	No change
Cap badges (inc. postage, packing & VAT)	£7.00	£10.00

ii) Transport and Equipment

	Current	Proposed
Petrol, oil and derv	Cost + 10% admin.	No change
Vehicles and equipment	By auction or tender	No change

PRIVATE TELEPHONE CALLS

9. These are charged at cost plus VAT.

LEIGH TECHNICAL SERVICES CENTRE RECHARGE RATES

10. The labour recharge rate for mechanics had been historically set at one level regardless of the skill or pay rate of the individual mechanic. Under the Agresso system there is a facility to accurately cost the individual mechanic to a job. Accordingly, the rates for the year will be variable from £30 to £38, dependent on the trade/skill. Materials will continue to be charged at cost plus 10%.

11. Private MOT's are carried out at Leigh and are currently charged as follows:-

Class 4 (Car and car derived vans)	£43.00
Class 7 (Heavy vans up to 3500 kg)	£48.00
Class 5L (Minibuses up to 15 seats)	£48.00

These will be increased in line with VOSA reviews.

CHILDREN AND YOUNG PEOPLE STRATEGY

12. The Authority has several initiatives which are run as part of its Children and Young People Strategy. The actual charges made are dependent on both human and physical resources that are allocated to each individual scheme. These charges are agreed with our partners prior to the commencement of the scheme, and as a guidance the latest Firefly charges have been circa £3000.

HOUSING RENTS

13. Appendix 1 is attached and shows the revised rents wef April 2012. The increases are all 8.75% with day crewing properties 100% abated.

FINANCIAL IMPLICATIONS

14. Additional income of approximately £10,000 is expected from the above reviewed rents and charges. This figure has been included in the proposed 2012/2013 budget.

RECOMMENDATIONS

15. The Committee are recommended to approve the proposed charges and rents with effect from 1st April 2012.

Appendix 1

HOUSING RENT REVIEW

at 8.75%

CATEGORY 1 DAY CREWING

PROPERTY	2011/2012 RENT	Proposed 2012/2013 RENT
01 WINSKILL RD IRLAM	£ 66.49	£ 72.31
03 WINSKILL RD IRLAM	£ 61.91	£ 67.33
05 WINSKILL RD IRLAM	£ 61.91	£ 67.33
07 WINSKILL RD IRLAM	£ 61.91	£ 67.33
09 WINSKILL RD IRLAM	£ 61.91	£ 67.33
11 WINSKILL RD IRLAM	£ 61.91	£ 67.33
13 WINSKILL RD IRLAM	£ 61.91	£ 67.33
15 WINSKILL RD IRLAM	£ 61.91	£ 67.33
17 WINSKILL RD IRLAM	£ 61.91	£ 67.33
19 WINSKILL RD IRLAM	£ 62.51	£ 67.98
85 STUBBINS LANE RAMSBOTTOM	£ 92.89	£ 101.02
87 STUBBINS LANE RAMSBOTTOM	£ 90.58	£ 98.51
89 STUBBINS LANE RAMSBOTTOM	£ 92.11	£ 100.17
91 STUBBINS LANE RAMSBOTTOM	£ 92.11	£ 100.17
93 STUBBINS LANE RAMSBOTTOM	£ 90.58	£ 98.51
95 STUBBINS LANE RAMSBOTTOM	£ 92.11	£ 100.17
142 STUBBINS LANE RAMSBOTTOM	£ 92.11	£ 100.17
144 STUBBINS LANE RAMSBOTTOM	£ 90.58	£ 98.51
146 STUBBINS LANE RAMSBOTTOM	£ 92.11	£ 100.17

CATEGORY 2 WITHIN STATION AREA

PROPERTY	2011/2012 RENT	Proposed 2012/2013 RENT
FLAT 1 WITHINGTON FIRE STATION	£ 82.43	£ 89.64
FLAT 2 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 3 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 4 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 5 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 9 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 10 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 11 WITHINGTON FIRE STATION	£ 72.77	£ 79.14
FLAT 12 WITHINGTON FIRE STATION	£ 70.98	£ 77.19
FLAT 13 WITHINGTON FIRE STATION	£ 63.63	£ 69.20
FLAT 14 WITHINGTON FIRE STATION	£ 70.85	£ 77.05

**All Proposed rents are as at April 2012 and are for a 52 week rental year
All rents are exclusive of Council Tax and Water/Sewerage Charges**

<u>Efficiency Items - Details</u>					
Department		2012/13 £000s	2013/14 £000s	2014/15 £000s	Total £000s
<u>Star Chamber</u>					
Prevention & Protection	Staffing	30	0	0	30
	Other	0	0	0	0
		30	0	0	30
Finance & Technical Services	Staffing	298	33	25	356
	Other	87	55	44	186
		385	88	69	542
ICT	Staffing	0	0	0	0
	Other	19	0	0	19
		19	0	0	19
<u>Efficiencies</u>					
Control (rephased)		265	157	0	422
Catering (full year effect)		175	0	0	175
Admin Review (full year effect)		555	0	0	555
Corporate Communications Review		67	0	0	67
Central Catering Review		48	0	0	48
Rostering Changes		4,300	2,470	3,160	9,930
Interest Charges (Loan Maturing)		200	0	0	200
Insurance Retender		120	0	0	120
Corporate Comms Commercial Manager post frozen		46	(46)	0	0
Electricity		182	(32)	0	150
Audit Fee		18	0	0	18
Joint Control Centre – North West		0	0	884	884
TOTALS		6,410	2,637	4,113	13,160

Summary of Fire-Fighters Pension Account 2012/13

Expenditure Head	Original Estimate 2011/12 £000s	Original Estimate 2012/13 £000s	Variation £000s
Pensions Outgo	38,600	43,060	4,460
Other Pension Costs			
Employers contributions	-10,435	-9,850	585
Pension Receipts	-5,670	-5,380	290
Ill Health contributions from revenue budget	-250	-480	-230
Inward transfers from other pension schemes			
Total Net Expenditure to be met by Top-up Grant	22,245	27,350	5,105
Top-up Grant	-22,245	-27,350	-5,105
Total Pension Account	0	0	0

Analysis of Significant Variations

The 2012/13 estimates above correspond to the forecast submitted to CLG in October 2011.

Pensions Outgo

The level of Basic Pension was assessed at that time using the latest information available combined with an inflationary uplift as advised by CLG of 4.3% from April 2012. In addition the increase in commutation factors from April 2011 has resulted in the increase shown above. Lump sums were estimated based on 72 leavers during 2012/13.

Pension Receipts

This was estimated based on a reduction in contributions which were aligned to projected leavers. For information the Employer's Contribution rate for the new scheme is 11% and 8.5% for Employees.

Ill Health

Ill health expenditure is charged to the Authority's Revenue Account with a transfer to the Pension Account based on actual Ill health retirements. The estimated charge is based on 3 Ill Health retirements during 2012/13 plus the annual chargeable cost of those that have actually retired from 2010/11.

Top up Grant

The Top up Grant has been raised to offset the increase in costs shown above.

Medium Term Forecast Scenario 1

Appendix 4

	2012-13	2013-14	2014-15
	£M	£M	£M
Original Budget	114.206	111.612	108.946
Pay & price inflation	1.125	1.300	1.300
Investment decisions	-0.045	-0.049	
Efficiency Savings	-1.249	-0.245	-0.953
R4D/Crewing	-4.300	-2.470	-3.160
Proposed	-0.861	0.078	
Unavoidable Cost Pressures	0.550	0.450	0.450
Direct Revenue Financing	1.600	-1.600	
Other Variations	0.586	-0.130	0.030
	111.612	108.946	106.613
Capital Financing	4.109	4.109	4.109
Reversal of Asset charges	-5.012	-5.012	-5.012
Interest on Balances	-0.030	-0.030	-0.030
Net Budget requirement	110.679	108.013	105.680
Budget gap to be met from efficiencies & reserves	0.000	3.165	2.768
	2012-13	2013-14	2014-15
RSG & NNDR	-3.15% 66.030	-8.50% 60.417	-5.00% 57.397
Freeze grant recurring	2.50% 1.058	1.058	1.058
Precept (excl surplus) 42.315	0.00% 42.315	2.50% 43.373	2.50% 44.457
Freeze grant - non recurring	3.00% 1.276		
	110.679	104.848	102.912

Medium Term Forecast Scenario 2 -

Appendix 5

		2012-13		2013-14		2014-15
		£M		£M		£M
Original Budget		114.206		111.612		108.946
Pay & price inflation		1.125		1.300		1.300
Investment decisions		-0.045		-0.049		
Efficiency Savings		-1.249		-0.245		-0.953
R4D/Crewing		-4.300		-2.470		-3.160
Proposed		-0.861		0.078		
Unavoidable Cost Pressures		0.550		0.450		0.450
Direct Revenue Financing		1.600		-1.600		
Other Variations		0.586		-0.130		0.030
		111.612		108.946		106.613
Capital Financing		4.109		4.109		4.109
Reversal of Asset charges		-5.012		-5.012		-5.012
Interest on Balances		-0.030		-0.030		-0.030
Net Budget requirement		110.679		108.013		105.680
Budget gap to be met from efficiencies & reserves		0.000		5.971		6.874
		2012-13		2013-14		2014-15
RSG & NNDR	-3.15%	66.030	-12.75%	57.611	-7.50%	53.291
Freeze grant recurring	2.50%	1.058		1.058		1.058
Precept (excl surplus) 42.315	0.00%	42.315	2.50%	43.373	2.50%	44.457
Freeze grant - non recurring	3.00%	1.276				
		110.679		102.042		98.806

Medium Term Forecast Scenario 3

Appendix 6

		2012-13		2013-14		2014-15
		£M		£M		£M
Original Budget		114.206		111.612		108.946
Pay & price inflation		1.125		1.300		1.300
Investment decisions		-0.045		-0.049		
Efficiency Savings		-1.249		-0.245		-0.953
R4D/Crewing		-4.300		-2.470		-3.160
Proposed		-0.861		0.078		
Unavoidable Cost Pressures		0.550		0.450		0.450
Direct Revenue Financing		1.600		-1.600		
Other Variations		0.586		-0.130		0.030
		111.612		108.946		106.613
Capital Financing		4.109		4.109		4.109
Reversal of Asset charges		-5.012		-5.012		-5.012
Interest on Balances		-0.030		-0.030		-0.030
Transfer to Capital Fund		0.000				
Net Budget requirement		110.679		108.013		105.680
Budget gap to be met from efficiencies & reserves		0.000		8.777		10.840
		2012-13		2013-14		2014-15
RSG & NNDR	-3.15%	66.030	-17.00%	54.805	-10.00%	49.325
Freeze grant recurring	2.50%	1.058		1.058		1.058
Precept (excl surplus) 42.315	0.00%	42.315	2.50%	43.373	2.50%	44.457
Freeze grant - non recurring	3.00%	1.276				
		110.679		99.236		94.840

Capital Programme 2012/13 – 2016/17

PROJECT	2011-12 PRP Committee 10/11/11	2012-13 PRP Committee 10/11/11	2013-14 PRP Committee 10/11/11
Premises related:-	£'000s	£'000s	£'000s
Fire Station rebuilds - Bury	1,500	489	
Fire Station rebuilds - Rochdale	250	1,739	
Land Bank	810		
Fire Station rebuilds			2,000
Day Crewing Plus	400	1,500	900
Minor Works	200	100	100
Roof Replacement			
Drill towers	11		
Blackley Refurbishment	350		
Asset Strategy Group	230	100	100
FSHQ Works/M&E	25		
Asbestos Management	105		
Thompson Street (S16/TC) Improvement Works	770		
Irlam electric and heating		130	
Leigh (W57) Heating and Electrical		250	
Mossley Heating and Electric			130
Learning Resource Centre Development	45		
Operational Training Related Schemes			
CFBT (Oldham/Manchester Airport)	210		
Incident Command Practical Site	450		
BA Multiring	200		
BA Heat and Smoke/RTC and Trench	250		
Training - Fire Investigation Unit	40		
Practical Training Facility			
Operational Training AV/IT Incident Command	141		
IT related schemes:-			
Station infrastructure/IT renewal	155	150	
System upgrades/replacements	220		
GIS Upgrade	120		
Corporate Document Management System	30		
CFRMIS Replacement	100		
Station Fire End Coders	150		
Network Access Control	40		
Disaster Recovery Enhancement Resilience	110		
ICU IT	175		
Diversity	45		
Vehicles & Equipment:-			
Operational Vehicles	420	500	2,800
General Vehicles	211	75	75
Community Safety Vehicles	100	100	
P&P Community Engagement Equipment	0		
Operational Equipment	128	100	100
Sustainability	175	250	
TOTAL CAPITAL PROGRAMME	8,166	5,483	6,205

Appendix 7

Revised Programme 2011-12	Revised Programme 2012-13	Revised Programme 2013-14	Programme 2014-15	Programme 2015-16	Programme 2016-17
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
1,400	589		0	0	0
250	1,739		0	0	0
810	0	0	500	500	500
0	0	2,000	2,000	2,000	2,000
0	500	500	500	500	500
160	100	100	100	100	100
0	0	0	0	0	0
11	0	0	0	0	0
330	0	0	0	0	0
304	350	350	350	350	350
25	0	0	0	0	0
105	0	0	0	0	0
770	0	0	0	0	0
0	130	0	0	0	0
0	250	0	0	0	0
0	0	130			
45	0	0	0	0	0
240	20	0	0	0	0
60	70	0	0	0	0
50	410	0	0	0	0
200	60	0	0	0	0
0	40	0	0	0	0
		1,000	0	0	0
141	0	0	0	0	0
155	150	150	150	150	150
220	0	0	0	0	0
120	0	0	0	0	0
30	0	0	0	0	0
100	0	0	0	0	0
150	0	0	0	0	0
40	0	0	0	0	0
110	0	0	0	0	0
0	175	0	0	0	0
0	45	0	0	0	0
370	500	2,800	2,000	2,500	2,450
211	75	75	75	75	75
35	165	0	0	0	0
56	0	0	0	0	0
128	100	100	100	100	100
50	375	250	250	250	250
6,676	5,843	7,455	6,025	6,525	6,475

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