

## Agenda

### Councillors

#### Herefordshire:

Mr JHR Goodwin, Brigadier P Jones, Mr D C Taylor

#### Worcestershire:

Mr T Bean (Vice Chairman), Mr A I Hardman (Chairman), Mr J Holden, Mr P Mould, Mr D Prodger, Mr C Smith, Mr R Udall, Mr G Yarranton

**1. Apologies for Absence**

To receive any apologies for absence.

**2. Named Substitutes**

To receive details of any Member of the Authority nominated to attend the meeting in place of a Member of the Committee.

**3. Declaration of Interests (if any)**

To invite any Councillor to declare any interest in any of the items on this Agenda.

**4. Confirmation of Minutes**

To confirm the Minutes of the meeting held on Friday 12 October 2007 (copy attached – pink pages).

**5. Revenue and Capital Budget Monitoring Report 2007-08 (P.1- 3)**

To inform Members of the current position on Revenue and Capital Budgets for 2007-08.

**6. Treasury Activities 2007/08 – Half Yearly Report (P.4)**

To review Treasury Activities for the first half of 2007/08.

**Hereford & Worcester Fire and Rescue Authority  
Budget Committee  
Friday 12 October, 2007 Headquarters, 2 Kings Court, Charles Hastings  
Way, Worcester (11.30 am)**

## **Minutes**

### **Present**

#### **Worcestershire:**

Mr T Bean (VC), Mr Al Hardman (C), Mr PA Mould, Mr CT Smith, Mr GC Yarranton.

#### **In Attendance:**

Mr E Moore.

### **Available Papers:**

- A. The Agenda paper and Appendices referred to (previously circulated).
- B. The Minutes of the meeting of the Budget Committee held on 25 July, 2007 (previously circulated).

(A copy of the Agenda papers will be attached to the signed Minutes)

### **7. (Agenda item 1) Apologies for Absence**

Apologies were received from Mr JHR Goodwin, Brig P Jones, Mr DC Taylor, Mr DW Prodger, Mr R Udall.

### **8. (Agenda item 2) Named Substitutes**

None.

### **9. (Agenda item 3) Declaration of Interests**

Mr P A Mould advised the Authority that if the Firefighters Pension Scheme was discussed in such detail that it affected his personal position, he would declare a personal and prejudicial interest. (That proving not to be the case, there was no need for Mr Mould to leave the room during the meeting.)

### **10. (Agenda item 4) Confirmation of Minutes**

**RESOLVED: that the Minutes of the meeting of the Budget Committee held on 25th July 2007 be confirmed as a correct record and signed by the Chairman.**

**11. (Agenda item 5) Revenue and Capital Budget Monitoring Report 2007/08**

The Committee considered the current position on the Revenue and Capital Budgets for 2007-08

The Director of Finance reported that in relation to the Revenue Budget at the end of the 5 months there were no significant variations other than those indicated in the report. He highlighted that the final settlement for the support staff pay award was still subject to negotiations. The full cost of the June/July floods had been revised down from £0.246 reported to Fire and Rescue Authority (FRA) meeting on 28 September, to £0.196m for which, under the Bellwin scheme, the FRA was liable to £0.056m, being the net impact on the budget.

The net effect of these variations was likely to be a small overspend of £0.023m. (0.08% of the budget requirement).

The Committee congratulated the Chief Fire Officer on the revenue budget position.

The Director of Finance reported that in relation to the Capital Budget there had been little change since the previous report as the majority of the planned spend fell in a small number of areas. Any movement in financing, e.g. the Redditch and Pebwoth projects would be in accordance with the Medium Term Capital Plan.

**RESOLVED: that the report be noted.**

**12. (Agenda item No.6) 2008/09 Budget Preparation**

The Committee considered the 2008/09 budget preparation process.

The Director of Finance reported that as part of the Medium Term Financial Strategy the projected budget requirement for 2008/09 was £29.472m. However, there was little firm evidence of the Government's grant intentions beyond 2007/08. Based on a very cautious view of grant (frozen at 2007/08 cash levels) and a Council tax increase of 3.5% a potential 'gap' of £0.429 was identified. He also drew Members attention to 3 areas of variation since the Medium Term Financial Plan had been agreed and these were set out in the agenda report.

He commented that the cautious approach taken by the Authority to previous budgetary provision had helped to soften the impact.

The Chief Fire Officer commented that there could still be a wide variation in the level of grant and therefore the gap could move

significantly as a result of some of the issues raised in the formula grant consultation paper discussed in a later agenda paper.

**RESOLVED: that the report on the 2008/09 budget preparation and comments now recorded be noted.**

**13. (Agenda item 7) Formula Grant Distribution**

The Committee considered information, and proposed response to the Government's proposals on changes to the Formula Grant Distribution Mechanism.

The Director of Finance reported that the Formula Grant Funding Mechanism was last reviewed for the 2006/07 Grant Settlement and was now configured in the 'Four-Block Model', which was far less transparent than the previous Formula Spending Share (FSS) system. The Department of Communities and Local Government (DCLG) had issued consultation on possible changes to the Formula and was seeking views. For each of the proposals the DCLG had provided exemplification of the impact on the 2007/08 Grant, but had not shown the effect of combining different options together, or of relating them to the overall grant pot for 2008/09. The exemplified impact of relevant proposals were shown at appendix 1. He also reported that there was likely to be a damping mechanism but that it was impossible to say how a combination of these options would translate into actual grant. He also highlighted that the Area Cost Adjustment and Relative Need elements were still areas of specific concern and that these were referred to in the proposed response.

The specific questions relating to the government proposals were shown at appendix 2 to the report and the proposed response by the Authority were shown at Appendices 3 (draft letter) and 4 (technical detail).

The Chief Fire Officer commented in relation to changes in the 'floors and ceilings' elements of the grant funding and the claw-back of transitional grant, further described in Appendix 4.

Following consideration of the robustness of the proposed response the Committee agreed that Appendix 3 and 4 be submitted. They also considered that copies be sent for information to the Parliamentary Under Secretary of State at the DCLG and local Members of Parliament.

**RESOLVED: that**

- a) the report on Formula Grant Distribution be noted and;**
- b) the proposed response to DCLG as set out in Appendix 3 and 4 to the report be approved and copies also be forwarded for**

**information to the Parliamentary Undersecretary of State at the DCLG (Parmjit Dhanda MP for Gloucester) together with other local Members of Parliament.**

**14. (Agenda item 8) Update of Workshop Project**

The Committee were informed of progress of the Workshop Project at Betony Road, Malvern.

The Chief Fire Officer reported that significant progress had been made in designing alterations to the existing building purchased for the Service's new workshops. Site works were anticipated to be finished in the spring with the facility being fully functional around May 2008.

He further reported that by walling off and installing utility services in the 'overspill' floor area a separate building unit could be created. Community Safety and Human Resources were developing outline plans for the use of this additional area for detailed consideration and he outlined a number of possible uses.

Questioned on the sale of the Hylton Road site the Chief Fire officer reported that negotiations were still on going.

**RESOLVED: that the report on the Workshop project be noted**

**15. (Agenda item 9) IRMP Project: 3rd Aerial Replacement**

The Committee were informed of the outcome of the Integrated Risk Management Plan (IRMP) Project: 3rd Aerial Replacement and considered approval to proceed towards procurement within the existing capital budget.

The Chief Fire Officer reported that the Service IRMP (2006-9) contained an undertaking to 'review the need to maintain the 3rd Aerial Appliance'. This had been completed and the agenda report set out the requirements and the three options considered. He reported that rather than replace it with another traditional appliance (Aerial ladder platform) or with a bespoke remotely operated appliance, which was still in development, the preferred option was to go for a combined solution where by an Aerial Platform was provided as an enhanced capability to a new Pumping Appliance.

The Committee noted that the combined solution would be within budget; provided greater accessibility than would a larger bespoke appliance and provided the added option to crew the vehicle as a normal appliance.

**RESOLVED: that the capital replacement of the 3rd Aerial currently stationed at Bromsgrove with a Combined Appliance similarly located be approved.**

The meeting ended at 12.13pm

Chairman .....

## 5. REVENUE AND CAPITAL BUDGET MONITORING REPORT 2007-08

### Purpose of report

1. To inform Members of the current position on Revenue and Capital Budgets for 2007-08.
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### Revenue Budget

#### Background

2. In February 2007 the Fire and Rescue Authority (FRA) set a budget requirement for 2007-08 of £28.286m made up as below :

	<b>£m</b>
<b>Net Expenditure on Services</b>	<b>29.765</b>
Special Grants	(1.063)
Transfers from Ear-marked Reserves	(0.571)
Strengthening of General Balances	0.155
	<b>28.286</b>

3. This report provides information on expenditure to date against the profiled budget, and the current forecast out-turn position. It is based on actual expenditure for 7 months.

#### Revenue Budget

4. At the end of the 7 months there remains no significant variations forecast by budget-holders, other than those key variations reported below.
5. The Uniform staff pay award has been settled at 2.4%, which compares adversely to the 2.0% provided in the base budget. It is estimated that the additional cost of this is £0.050m. Members will recall that this issue was flagged as a budget risk and might require a draw on balances.
6. The restructure of the Service continues with the process of recruitment of an Asset Manager well underway. The ensuing savings will be registered upon this appointment within the Principal Officer element of Wholetime pay.
7. The support staff have now also settled their pay claim at a little over the level rejected recently. The level of 2.475% being only slightly above the rejected 2.47% previously reported to Members.
8. The cost of £0.015m is now included in the out-turn forecast.

9. Work still continues to establish the full and final costs that have been incurred from the June and July flooding in respect of the Bellwin claim. Members being aware that the main costs being Officer and Firefighter overtime, Retained Duty System pay and support provided by other Fire and Rescue Services. These costs are included in the forecast but no anticipated grant income. Members will recall that the total estimated costs were reported to the last Committee as £0.196m.
10. In addition the costs incurred as a result of the tragic incident at the Warwickshire warehouse are being accumulated and being considered as part of the recovery process under mutual aid arrangements.
11. Since previously reporting, two variances have occurred to the benefit of the Service. An unanticipated amount has been received (£0.020m) for a secondment to a Government department shown under Miscellaneous-DoF Monitoring, and an improved interest rate on investments is now forecast (£0.068m) benefitting net Capital Financing.
12. Other anticipated variances currently known have been reported previously to this Committee and the net effect of all variations is that an overspend of £0.112m (0.39% of the budget requirement) is forecast as per Appendix 1.

## **Capital Budget Review**

### **Background**

12. Members will be aware that the Capital Budget for 2007/08 was set at £4.218m, with a further £0.805m for USAR works at Droitwich, Kidderminster High Volume Pump (HVP) Works of £0.013 and Hot Fire Training Facility of £0.016 to be funded from accumulated special funding arrangements.
13. Slippage of £0.421m from 2006/07 capital budgets is included within these figures.
14. Also the 2007/08 revenue budget was built on the basis that these slipped capital sums would have been spent in 2006/07. Therefore, there are no adverse revenue consequences of the slippage.
15. Since last reporting the programme has been enhanced by the redefinition of £0.032m of software funded by revenue.
16. The 2007/08 Capital Programme along with details of spend to date are detailed in Appendix 2.

### **Situation Report**

17. There is some change in transactions from the previous report for Capital despite the majority of planned spend falling in a small number of areas.
18. There is now expenditure on the Vehicle Programme (4WD CAF Equipped) but still no spend on IRMP Schemes due to long acknowledged lead-in times and programme

reconsiderations, plus previously reported Redditch Business Case Preparation and Pebworth site identification.

19. Expenditure on the Workshops Project has continued plus further transactions in the area of Other Schemes. These include the installation and implementation of a new Financial Information System, where some £0.090m has been incurred following relative completion to agreed timelines. Additional expenditure has also been incurred on schemes within the areas of Minor Property Schemes and ICT Projects.

### **Recommendation**

**The Treasurer recommends that the Revenue and Capital Budget Monitoring Report 2007-08 is noted.**

### **Background papers**

None

## 2007/08 REVENUE BUDGET MONITORING

	BUDGET TO DATE £m	ACTUAL TO OCT £m	VARIANCE TO DATE £m	ANNUAL BUDGET £m	FORECAST OUT-TURN £m	FORECAST VARIANCE £m
Wholetime Pay	8.173	8.235	0.062	13.769	13.904	0.135
USAR - total Cost	0.423	0.443	0.020	0.723	0.723	0.000
RDS Pay	1.487	1.473	(0.014)	2.989	3.052	0.063
Supplementary Crewing	0.000	0.000	0.000	0.036	0.036	0.000
Control Pay	0.450	0.454	0.004	0.760	0.760	0.000
Support Pay	1.883	1.826	(0.057)	3.228	3.153	(0.075)
Temp Staff	0.028	0.101	0.073	0.048	0.133	0.085
Other Employee Costs	0.022	0.014	(0.008)	0.035	0.028	(0.007)
	<b>12.466</b>	<b>12.546</b>	<b>0.080</b>	<b>21.588</b>	<b>21.789</b>	<b>0.201</b>
FF Pensions - Non Funded Costs	0.357	0.376	0.019	0.671	0.666	(0.005)
<b>TOTAL EMPLOYEE COSTS</b>	<b>12.823</b>	<b>12.922</b>	<b>0.099</b>	<b>22.259</b>	<b>22.455</b>	<b>0.196</b>
Policy, Planning and Performance	0.083	0.124	0.041	0.165	0.165	0.000
Risk & Business Continuity	0.000	0.006	0.006	0.015	0.015	0.000
Cttee Services	0.008	0.065	0.057	0.135	0.135	0.000
Legal Services	0.030	0.000	(0.030)	0.060	0.060	0.000
FRA Costs	0.086	0.040	(0.046)	0.170	0.170	0.000
	<b>0.207</b>	<b>0.235</b>	<b>0.028</b>	<b>0.545</b>	<b>0.545</b>	<b>0.000</b>
Community Fire Safety	0.144	0.112	(0.032)	0.287	0.287	0.000
Other Service Delivery	(0.003)	0.025	0.028	0.052	0.102	0.050
	<b>0.141</b>	<b>0.137</b>	<b>(0.004)</b>	<b>0.339</b>	<b>0.389</b>	<b>0.050</b>
Personnel	0.124	0.127	0.003	0.249	0.249	0.000
Approved Centre	0.007	(0.001)	(0.008)	0.014	0.014	0.000
Training	0.270	0.117	(0.153)	0.540	0.540	0.000
	<b>0.401</b>	<b>0.243</b>	<b>(0.158)</b>	<b>0.803</b>	<b>0.803</b>	<b>0.000</b>
Health & Safety	0.015	0.011	(0.004)	0.030	0.030	0.000
Equipment Support Group	0.455	0.464	0.009	0.834	0.834	0.000
Hydrant Maintenance	0.028	0.015	(0.013)	0.055	0.055	0.000
Fleet	0.253	0.239	(0.014)	0.505	0.505	0.000
Information Technology	0.329	0.346	0.017	0.470	0.438	(0.032)
Comms	0.212	0.223	0.011	0.380	0.386	0.006
Admin	0.000	0.000	0.000	0.000	0.000	0.000
HQ Catering	0.000	0.001	0.001	0.000	0.000	0.000
Property	0.861	0.936	0.075	1.211	1.191	(0.020)
	<b>2.153</b>	<b>2.235</b>	<b>0.082</b>	<b>3.485</b>	<b>3.439</b>	<b>(0.046)</b>
Insurances	0.000	(0.001)	(0.001)	0.299	0.299	0.000
Finance - Service Level Agreements etc	0.026	0.074	0.048	0.132	0.132	0.000
Miscellaneous - DoF Monitoring	0.045	0.079	0.034	0.080	0.060	(0.020)
Capital Financing	0.265	0.142	(0.123)	1.607	1.539	(0.068)
Firelink Contingency - committed	0.175	0.130	(0.045)	0.296	0.159	(0.137)
Firelink Contingency	0.000	0.000	0.000	0.000	0.137	0.137
	<b>0.511</b>	<b>0.424</b>	<b>(0.087)</b>	<b>2.414</b>	<b>2.326</b>	<b>(0.088)</b>
<b>TOTAL OTHER COSTS</b>	<b>3.413</b>	<b>3.274</b>	<b>(0.139)</b>	<b>7.586</b>	<b>7.502</b>	<b>(0.084)</b>
<b>NET EXPENDITURE</b>	<b>16.236</b>	<b>16.196</b>	<b>(0.040)</b>	<b>29.845</b>	<b>29.957</b>	<b>0.112</b>
Special Grants	(0.302)	(0.300)	0.002	(1.119)	(1.119)	0.000
<b>EXPENDITURE AFTER GRANTS</b>	<b>15.934</b>	<b>15.896</b>	<b>(0.038)</b>	<b>28.726</b>	<b>28.838</b>	<b>0.112</b>
to/(from) EMR				(0.595)	(0.595)	0.000
to/(from) General Balances				0.155	0.043	(0.112)
<b>NET BUDGET REQUIREMENT</b>				<b>28.286</b>	<b>28.286</b>	<b>0.000</b>

## 2007/08 CAPITAL BUDGET MONITORING

## APPENDIX 2

	AMENDED BUDGET 2007/08 £	EXPENDITURE TO DATE £	BALANCE £
<b>Vehicle Programme</b>			
Routine Replacements (Pumps)	600,000		600,000
4WD CAF Equipped - balance	55,000	51,550	3,450
Water Rescue Boats	25,000		25,000
Specialist Replacements	375,000		375,000
	<b>1,055,000</b>	<b>51,550</b>	<b>1,003,450</b>
<b>Workshops Project</b>			
Workshop	1,138,000	14,635	1,123,365
	<b>1,138,000</b>	<b>14,635</b>	<b>1,123,365</b>
<b>IRMP Schemes</b>			
Pebworth	543,000		543,000
Redditch	512,000		512,000
	<b>1,055,000</b>	<b>0</b>	<b>1,055,000</b>
<b>Other Schemes</b>			
Property, Information Technology, Communications etc	1,002,000	323,043	678,957
	<b>1,002,000</b>	<b>323,043</b>	<b>678,957</b>
<b>TOTAL</b>	<b>4,250,000</b>	<b>389,228</b>	<b>3,860,772</b>

<b>Special Funding Arrangements</b>			
USAR Works (1)	805,000	14,080	790,920
Kidderminster HVP Works (2)	12,439	5,781	6,658
Hot Fire Training Facility enhancements (3)	16,000		16,000
<b>TOTAL</b>	<b>833,439</b>	<b>19,861</b>	<b>813,578</b>

<b>TOTAL ALL SCHEMES</b>	<b>5,083,439</b>	<b>409,089</b>	<b>4,674,350</b>
less specific grant funded	(12,439)	(5,781)	(6,658)
less accumulated revenue and capital grant funded (USAR)	(735,000)	(14,080)	(720,920)
less revenue funded	(48,000)	(32,000)	(16,000)
<b>Balance</b>	<b>4,288,000</b>	<b>357,228</b>	<b>3,930,772</b>

(1) USAR works - partially funded by accumulated USAR grants

(2) Kidderminster HVP works - funded by grant from DCLG

(3) Hot Fire Training - funded by Revenue Contribution within Training budget

## **6. TREASURY ACTIVITIES 2007/08 HALF YEARLY REPORT**

### **Purpose of report**

1. To review Treasury Activities for the first half of 2007/08.
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2. Current Fire and Rescue Authority Financial Regulations require that Treasury Activities are reviewed by Members twice a year.
  3. Banking arrangements for the Fire and Rescue Authority, in respect of lending and borrowing, are carried out by Worcestershire County Council under a Service Level Agreement. At 31 March 2007 the Fire and Rescue Authority had long-term debt totalling £11.314m.
  4. During the first half of 2007/08 no further long-term borrowing has been undertaken. This is due to the fact that significant capital expenditure has not yet taken place and relevant interest rates have not been favourable enough to warrant early borrowing. In the same period one loan of £1m has been repaid on maturity as planned. This loan was taken as part of the Headquarters project pending Capital Receipts.
  5. This brings the total long term debt to £10.314m and is in accordance with the Medium Term Financial Strategy and the approved borrowing limits.
  6. Surplus cash is invested on a day-to-day basis, and the average interest rate achieved in the first 6 months of 2007/08 was 5.71%. The benchmark rate, chosen by the Fire and Rescue Authority for performance comparison purposes; the “7-Day London Inter-bank Bid Rate” (LIBID), was 5.66% for the same period.

### **Recommendation**

**Members are asked to note the contents of this report.**

### **Background papers**

None