

Agenda

Councillors

Herefordshire:

Brigadier P Jones, Mr D C Taylor

Worcestershire:

Mr T J Bean (Vice-Chairman), Mr M H Clarke, Mr A I Hardman, Mr P T Mills, Mr P A Mould (Chairman), Mr D W Prodger, Mr C T Smith, Mr R M Udall, Mr G C 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 Audit and Budget Committee held on Friday 20 January 2006 (copy attached – pink pages).

5. Revenue Budget Monitoring Report 2006/07 (p.1-4)

To note the current position on revenue budgets for 2006/07.

6. Capital Budget Review (p.5-10)

To review the current position on Capital Budgets for 2006/07.

7. Treasury Management Annual Report 2005/06 (p.11)

To review Treasury Activities for 2005/06.

**Hereford & Worcester Fire and Rescue Authority
Audit and Budget Committee
Friday 20 January, 2006 Headquarters, 2 Kings Court, Charles Hastings
Way, Worcester (10.30 am)**

Minutes

Present

Herefordshire:

Mr DC Taylor.

Worcestershire:

Mr TJ Bean, Mr Al Hardman, Mr PT Mills, Mr P A Mould (Chairman), Mr RM Udall,
Mr GC Yarranton.

Available Papers:

- A. The agenda paper and appendices referred to (previously circulated).
- B. The minutes of the meeting of the Audit and Budget Committee held on 25 November, 2005 (previously circulated).

(A copy of the agenda papers will be attached to the signed minutes)

43 (Agenda item 1) Apologies for Absence

Apologies were received from Brigadier P Jones and Mr DW Prodger.

44. (Agenda item 2) Named Substitutes

None

45. (Agenda item 3) Declaration of Interests

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

46. (Agenda item 4) Confirmation of Minutes

RESOLVED: that the minutes of the meeting held on 25th November 2005 be confirmed as a correct record and signed by the Chairman.

47. (Agenda item 5) Budget Preparation 2006/2007

The Committee received an update on the 2005/06 budget position and a review of the current position in relation to Revenue and Capital Budgets for 2006/07 and beyond and the implications for the precept.

The Treasurer presented the report commenting in detail on each of its principal sections: the projected underspending of £0.063 m on the 2005/06 budget, the 2006/07 grant position, the projected budget requirement for 2006/07, the Government's Statements about restraining Council Tax increases, the Medium Term Financial Strategy, budget risks (identified areas of significant uncertainty that might give rise to unbudgeted expenditure); the level of revenue balances, the capital programme and the Authority's achievement of efficiency gains.

He informed the Committee that, based on the provisional grant settlement and the estimated tax base, the proposed 2006/07 budget requirement at £26.861m would represent a 4.9% increase on a Band D property. However, confirmation of the tax-base was still awaited from the billing authorities. It was possible that if this was higher than had been assumed in preparing the report the Authority might have some slight scope to include some additional small schemes in the budget. Alternatively he acknowledged that the Authority could use any flexibility in the budget to begin to increase balances.

The Chief Fire Officer commented that a number of small schemes had been identified which the Authority could usefully bring forward into 2006/07 if it transpired that there was some flexibility in the budget.

In the course of discussion it was suggested that it might be timely to review the Capital Programme. In reply the Treasurer suggested that at this stage of the budget preparation cycle the Authority should make provision for a Capital Programme at the level identified in the report and then take time to review the detail of certain individual schemes including special vehicle acquisitions and schemes arising from the Integrated Risk Management Plan before committing the expenditure.

RESOLVED:

- (a) that the report be approved in principle and that, subject to confirmation of the grant settlement, tax base and collection fund surplus, the Authority be recommended to approve the budget and consequential precept; and**
- (b) that in making provision for the Capital Programme as outlined in the report the Authority be recommended that a review of the detail of certain individual Schemes including special vehicle acquisitions and schemes arising from the Integrated Risk Management Plan as set out in the Programme should be undertaken before committing the expenditure.**

48. (Agenda item 6) Anti-Money Laundering Policy

The Committee was informed of the introduction of an Anti-Money Laundering Policy to comply with current legislation.

The report noted the changes to legislation concerning money laundering and their implications for the Authority. A draft policy was appended to the report.

The Treasurer commented that as the Authority engaged in a very limited number of cash transactions the risk to the Authority of money laundering was

considered low. However, it would be good practice for the Authority to have a policy in place as part of its governance arrangements.

RESOLVED: that the Anti-Money Laundering Policy as appended to the report be noted.

49. (Agenda item 7) Auditor's Report on the Best Value Performance Plan

The Committee was invited to receive, note and accept the Auditor's Report produced by PricewaterhouseCoopers, the Authority's appointed auditor on the 2005/06 Best Value Performance Plan.

Mr G Miah of PricewaterhouseCoopers presented the report, informing the Committee that no significant matters of concern had been identified for inclusion in the statutory report on the Authority's Best Value Performance Plan.

RESOLVED: that the contents of the Auditor's report be noted.

The meeting ended at 11.05 am

Chairman

5. REVENUE BUDGET MONITORING REPORT 2006/07

Purpose of report

1. To note the current position on Revenue Budgets for 2006/07.
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Background

2. In February 2006 the Fire and Rescue Authority (FRA) set a budget requirement for 2007/06 of £27.061m made up of £27.159m net expenditure on services and £0.098m net transfer from balances.
3. The budget was approved against a set of budget heads which matched the existing FRS structure. As a consequence of the restructuring following approval of the IRMP it is necessary to re-allocate elements of the budget to different budget heads.
4. The FRA Financial Regulations on Revenue Virement, at appendix A paragraph 5, permit virement reflecting internal reorganisation without a change of strategy to be made with the approval of the Treasurer and Chief Fire Officer. Amendments made to reflect re-structuring progress to date are detailed in Appendix 1.
5. This report is against this revised budget and provides an indication of the position after 3 months' actual expenditure.

Revenue Budget

6. At present a very marginal over-spend of £0.004m is being forecast to the end of the financial year, however there are a number of underlying variations.
7. The table below provides summary details of the causes of the variation and how they inter-relate, and the key variations are explained beneath.

	Re-structure £m	Pay Award £m	Other £m	Total £m
WT Pay	(0.209)	(0.065)		(0.274)
Support Pay	0.192			0.192
Temp Staff	0.064			0.064
Control Staff			(0.030)	(0.030)
Pensions	(0.047)	(0.015)		(0.062)
Property			0.114	0.114
USAR				0.000
Grants				0.000
	0.000	(0.080)	0.084	0.004

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Budget Committee
26 July 2006**

8. Re-structuring of staffing continues to happen as resources are released. As yet the pay budgets have not been re-aligned, however the governing control has been that additional cost commitments are not made without the appropriate savings being identified.
9. The uniformed staff pay award was agreed at 2.7% which was lower than the 3.5% provided in the budget. This saving is being used to offset further increases in gas and electricity prices. This issue was raised as a budget risk in the Precept Report to the Fire and Rescue Authority in February.

Recommendation

The Treasurer recommends that the current budget position be noted.

Background papers

None

Hereford & Worcester Fire and Rescue Authority
2006/07 REVENUE BUDGET RE-ALLOCATIONS
Period 3 - June 2006

	2006-07 APPROVED BUDGET £000	correction and merging £000	IPDS £000	Temp Staff £000	HFSI £000	USAR other costs £000	F-Link Cont. £000	3850/1 Building Cleaning £000	5000 IRMP Costs £000	2006-07 REVISED BUDGET £000
Wholetime Uniformed Staff	11,541									11,541
USAR Team	650					60				710
RDS Uniformed Staff	2,674									2,674
Control Room Staff	728									728
Support - Non-Uniformed Staff	2,944									2,944
Temporary Staff	0			47						47
WT Pensions	2,369	135								2,504
RDS Pensions	135	(135)								0
TOTAL : SALARY RELATED COSTS	21,041	0	0	47	0	60	0	0	0	21,148
Performance Management	49								62	111
Corporate Communications	53									53
TOTAL : Deputy Chief Fire Officer	102	0	0	0	0	0	0	0	62	164
Fire Safety	230				31					261
Other Service Delivery	112								(62)	50
TOTAL : ACO (Community Safety)	342	0	0	0	31	0	0	0	(62)	311
HR - Personnel & Medical	226		(45)	(47)						134
HR - IPDS	0		45							45
HR - Health & Safety	5									5
HR - Equal Opps	15									15
HR - Training	484									484
TOTAL : ACO (Human Resources)	730	0	0	(47)	0	0	0	0	0	683
Fleet Maintenance	10	(10)								0
TOTAL : ACO (Operational Support)	10	(10)	0	0	0	0	0	0	0	0
Equipment Support	868									868
Water Support	59									59
Fleet Maintenance	438	10								448
FRA Costs	238									238
Insurance Premiums	304	(11)								293
ICT	717	11								728
Admin Services	279							(102)		177
Events	17									17
Property Services	867							102		969
TOTAL : DoCS / ACO (Corporate Services)	3,787	10	0	0	0	0	0	0	0	3,797
Finance SLAs and Audit Fees	114									114
Travel & Subsistence - FRS Wide	60									60
Capital Financing	1,607									1,607
Other Employee Expenses - FRS Wide	40									40
Other Corporate Costs	64					(60)	100			104
Firelink Contingency	100						(100)			0
TOTAL : Director of Finance	1,985	0	0	0	0	(60)	0	0	0	1,925
ODPM - USAR Grant	(730)									(730)
ODPM - Fire Prevention Grant	(38)									(38)
ODPM - New Dimensions Training Grant	(70)									(70)
ODPM - HFSI Grant - <i>change in treatment</i>	0				(31)					(31)
Grants & Contributions	(838)	0	0	0	(31)	0	0	0	0	(869)
NET EXPENDITURE	27,159	0	0	0	0	0	0	0	0	27,159
<i>Release of Trans Grant Reserve</i>	(163)									(163)
<i>Planned Transfer to Balances</i>	65									65
NET BUDGET REQUIREMENT	27,061	0	0	0	0	0	0	0	0	27,061

Hereford & Worcester Fire and Rescue Authority
2006/07 REVENUE BUDGET MONITORING
Period 3 - June 2006

	BUDGET TO DATE	ACTUAL TO DATE	VARIATION TO DATE	ANNUAL BUDGET	FORECAST OUTTURN	FORECAST VARIATION
Employees - FF Wholetime	2,656	2,577	(79)	11,541	11,267	(274)
Employees - FF Retained	434	446	12	2,674	2,674	0
Employees - Control Room	164	148	(16)	728	698	(30)
Employees - Support Staff	736	757	21	2,944	3,136	192
USAR Team etc	42	42	0	710	710	0
Temporary Staff	12	28	16	47	111	64
	4,044	3,998	(46)	18,644	18,596	(48)
Firefighters Pensions	532	448	(84)	2,504	2,442	(62)
	532	448	(84)	2,504	2,442	(62)
Community Fire Safety	44	22	(22)	261	261	0
Other Service Delivery	8	0	(8)	50	50	0
	52	22	(30)	311	311	0
Performance Management	18	3	(15)	111	111	0
Marketing	9	5	(4)	53	53	0
Equality & Diversity	3	0	(3)	15	15	0
	30	8	(22)	179	179	0
Personnel & Medical	22	45	23	134	134	0
IPDS	8	0	(8)	45	45	0
Training	81	52	(29)	484	484	0
	111	97	(14)	663	663	0
Equipment Support/Supplies	145	164	19	868	868	0
Health & Safety	1	0	(1)	5	5	0
Fleet	75	71	(4)	448	448	0
ICT	150	215	65	728	728	0
Admin Services	30	15	(15)	177	177	0
HQ Catering	0	1	1	0	0	0
Corporate Events	3	0	(3)	17	17	0
Property Services	115	145	30	969	1,083	114
Water Support	10	11	1	59	59	0
FRA Costs	40	31	(9)	238	238	0
Insurances	49	0	(49)	293	293	0
	618	653	35	3,802	3,916	114
Finance SLAs and Audit Fees	9	0	(9)	114	114	0
Travel & Subsistence - FRS wide	17	23	6	60	60	0
Capital Financing	0	0	0	1,607	1,607	0
Other Employee Expenses	7	23	16	40	40	0
Other Corporate Costs	1	8	7	104	104	0
	34	54	20	1,925	1,925	0
Grants & Contributions	(69)	(32)	37	(869)	(869)	0
	(69)	(32)	37	(869)	(869)	0
NET EXPENDITURE	5,352	5,248	(104)	27,159	27,163	4
<i>to/(from) Earmarked reserves</i>	0	0	0	(163)	(163)	0
<i>Planned Transfer to/(from) Balances</i>	0	0	0	65	65	0
<i>Un-planned Transfer to/(from) Balances</i>	0	0	0	0	(4)	(4)
NET BUDGET REQUIREMENT	5,352	5,248	(104)	27,061	27,061	0

6. CAPITAL BUDGET REVIEW

Purpose of report

1. To review the current position on Capital Budgets for 2006/07.
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Background

2. In February 2006 the Fire and Rescue Authority approved a Capital Budget for 2006/07 of £4.810m, and a programme for the remaining four years of the Medium Term Financial Strategy period.
3. In addition to this, the Revenue Budget provided for the Operational Leasing costs of vehicles with a cost price of £0.279m.
4. At the Fire and Rescue Authority meeting in June 2006 slippage on 2005/06 capital budgets totalling £0.148m was approved, to be added to 2006/07 budgets.
5. Additionally, the 2005/06 budget provided for Operational Leasing of £0.145m of specialist vehicles. The 2006/07 base revenue budget provides for the revenue costs, however, the acquisition of these vehicles has been delayed. A review of financing options indicates that finance through borrowing would now be slightly more cost effective.
6. The effect of these charges is shown in Appendix 1, and the resulting five year programme in Appendix 2.

Progress Review

7. Vehicle Leasing – relates to replacement of expiring leases on cars and vans. These expire between September and December and Operational Leasing continues to represent the best financing option.
8. Vehicle Programme – this provides for the replacement of two Aerial Appliances and two 4-wheel drive vehicles. Additionally provision is made for replacement of the Incident Support Unit (ISU) and a Foam Carrier.
9. Members will be aware of discussions around the foam strategy that took place before approval of the inclusion of this vehicle in the 2005/06 programme. Since then a change in senior personnel and an ongoing review of the pump replacement programme have identified an alternative solution.
10. Proposals to amend the capital budget accordingly, but with financial consequences contained within the existing revenue budget, will be brought to a future Budget Committee meeting.

11. Workshops – Members will be aware that there are ongoing negotiations with the Police and Ambulance Services regarding a joint facility. However, it is possible that the protracted ‘time-scales’ of this joint project will require that the Fire and Rescue Authority makes its own plans. A proposal on the way forward will be presented to a future Budget Committee.
12. IRMP Proposals – An indicative budget programme was approved by the Fire and Rescue Authority and a business case will be brought to the Budget Committee for each proposal. A summarised business case for Pebworth is attached as Appendix 4.

Expenditure Monitoring

13. Appendix 3 shows current expenditure of £0.257m against the budget of £5.163m.
14. This level of expenditure to date is however not unexpected given that £2.850m of the budget (Workshops and IRMP) is subject to specific approval before commitment.

Recommendation

The Treasurer recommends:

- (a) **that expenditure on the Pebworth scheme as referred to at Paragraph 12 and Appendix 4 to the report be recommended to the Authority;**
- (b) **the process with regard to presenting business cases for further capital programme developments as referred to in paragraphs 9, 10, 11 and 12 of the report be noted; and**
- (c) **that the current position on expenditure as set out at Paragraph 13 and Appendix 3 to the report be noted.**

Background papers

None

Hereford & Worcester Fire and Rescue Authority
Capital Budget 2006/07

	ORIGINAL 2006/07 £000	2005/06 Slippage £000	Slipped Leases £000	funding Switch £000	REVISED TOTAL £000
Vehicle Leasing					
Replacing expiring leases - Vans	69				69
Replacing existing owned assets			145	(145)	0
Replacing expiring leases - Cars	210				210
	279	0	145	(145)	279

	ORIGINAL 2006/07 £000	2005/06 Slippage £000	Slipped Leases £000	funding Switch £000	REVISED TOTAL £000
Vehicle Programme					
Routine Replacements	880			145	1,025
Specialist Replacements	375				375
	1,255	0	0	145	1,400
FRAHQ - retentions		11			11
Workshop	800				800
IRMP - Station Improvement Provision	2,050				2,050
Property Projects (including DDA)	370	5			375
ICT Projects	235				235
Fireground Radios		51			51
VMDS		36			36
Document Management System		28			28
Other Schemes					
IRMP - Water Rescue Equipment	110	17			127
IRMP - PPA Equipment	50				50
Annual Total	4,870	148	0	145	5,163

2005/06 Slippage - as Approved by FRA 12-Jun-2006

Lease slippage - Vehicles intended (and budgeted to be leased commencing 05/06) delayed acquisition

Funding Switch - it is now intended to purchase rather than lease these vehicles.

Hereford & Worcester Fire and Rescue Authority

Capital Budget 2006/07 & Programme to 2010/11

	REVISED 2006/07 £000	PROGRAMME				TOTAL £000
		2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	
Vehicle Leasing						
Replacing expiring leases - Vans	69	138		85	30	322
Replacing expiring leases - Cars	210	199	82	322	210	1,023
	279	337	82	407	240	1,345

	REVISED TOTAL £000	PROGRAMME				TOTAL £000
		2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	
Vehicle Programme						
Routine Replacements	1,025	800		800	800	3,425
Specialist Replacements	375	440				815
	1,400	1,240	0	800	800	4,240
FRAHQ - retentions	11					11
Workshop	800	1,500				2,300
IRMP - Station Improvement Provision	2,050	3,400	2,050	2,050	2,050	11,600
Property Projects (including DDA)	375	300	300	300	300	1,575
ICT Projects	235	300	300	300	300	1,435
Fireground Radios	51					51
VMDS	36					36
Document Management System	28					28
Other Schemes						
IRMP - Water Rescue Equipment	127					127
IRMP - PPA Equipment	50					50
Annual Total	5,163	6,740	2,650	3,450	3,450	21,453

Hereford & Worcester Fire and Rescue Authority**Capital Budget Monitoring 2006/07****Period 3 : June 2006**

	REVISED BUDGET 2006/07 £000	Expenditure to date 2006/07 £000	Remaining 2006/07 £000
Vehicle Leasing			
Replacing expiring leases - Vans	69		69
Replacing expiring leases - Cars	210	20	190
	279	20	259

	REVISED BUDGET 2006/07 £000	Expenditure to date 2006/07 £000	Remaining 2006/07 £000
Vehicle Programme			
Routine Replacements	1,025	160	865
Specialist Replacements	375	0	375
	1,400	160	1,240
FRAHQ - retentions	11	0	11
Workshop	800	0	800
IRMP - Station Improvement Provision	2,050	0	2,050
Property Projects (including DDA)	375	26	350
Other ICT Projects	235	28	207
Fireground Radios	51	39	13
VMDS	36	4	32
Document Management System	28	0	28
Other Schemes			
IRMP - Water Rescue Equipment	127	1	126
IRMP - PPA Equipment	50	0	50
Annual Total	5,163	257	4,906

Business case for the Replacement of Pebworth Fire Station

1. Members will recall that outline approval was given at the Fire and Rescue Authority Meeting on 15 February 2006 for the replacement of the above Fire Station as part of the Integrated Risk Management Plan (IRMP) for 2006/2007.
2. This facility which provides local fire and emergency cover in the Vale of Evesham, also supports the strategic fire cover provision for Herefordshire and Worcestershire. The current facility was built in approximately 1952 to a basic design comprising of a single appliance bay with limited accommodation and training facilities.
3. As part of the ongoing review and updating of Service requirements for Fire Stations, it has become clear that the existing accommodation facilities do not meet current standards in terms of toilets, showering, lecture, training and health and safety requirements. This is compounded by the fact that the site lacks external training facilities for personnel to exercise firefighting skills and procedures in order to support the maintenance of operational competencies. Additionally, the Environment Agency has ruled out any expansion on the existing site due to flooding concerns.
4. Work has taken place on the design of a new Fire Station which incorporates the essential features necessary for today's operational requirements and a suitable site in the village of Pebworth has been identified. The estimated cost of land purchase and building works is in line with the indicative financial figures used for budget planning. The next stage in the process is to seek planning approval through Wychavon District Council.

7. TREASURY MANAGEMENT ANNUAL REPORT 2005/06

Purpose of report

1. To review Treasury Activities for 2005/06.
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Background

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 2005 the FRA had long-term debt totalling £4.669m.
4. During the year a maturing loan was repaid and replaced with a loan at the same rate of interest:

Date	Amount	Period	Rate
20-May-2005	£100,000	7.0 years	4.45%

5. Additional borrowing to support the significant capital investment in 2005/06 has been taken as below:

Date	Amount	Period	Rate
05-Apr-2005	£2,000,000	26.5 years	4.75%
11-Apr-2005	£1,000,000	2.5 years	4.75%
22-Nov-2005	£1,500,000	15.5 years	4.35%

6. The borrowing, taken from PWLB as with all existing debt, brings the total long term debt at 31 March 2006 to £9.169m.
7. Surplus cash is invested on a day-to-day basis, and the average interest rate achieved in 2005/06 was 4.61%. The benchmark rate, chosen by the Fire and Rescue Authority for performance comparison purposes; the “7-Day London Inter-bank Bid Rate” (LIBID), was 4.53% for the same period.

Recommendation

The Treasurer recommends that the report be noted.

Background papers

None