

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



MEETING

**Policy & Strategy Committee**

AGENDA ITEM

**5**

MEETING DATE

13 January 2016

REPORT NUMBER

**EFA/004/16**

SUBJECT

**Draft Budget for 2016-17**

REPORT BY

The Acting Chief Fire Officer and The Finance Director & Treasurer

PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

### SUMMARY

The purpose of this report is to:

- Provide the options for the revenue and capital budgets for the Authority for 2016/17;
- Provide information on the budget and business planning process; and
- Provide information on the formula grant settlement, share of national non-domestic rates, council taxbase and collection account for 2016/17.

Following consideration of the planning assumptions in September 2015 by the Policy and Strategy Committee the budget has been prepared showing figures for a Council Tax increase of 1.9%.

### RECOMMENDATIONS

Members are asked to agree the budget for 2016/17 for submission to the full Authority:

|                           | <b>2015/16<br/>Budget</b> | <b>2016/17<br/>Budget</b> |
|---------------------------|---------------------------|---------------------------|
| <b>Net Expenditure</b>    | £71,827k                  | <b>£71,452k</b>           |
| Decrease from 2015/16     |                           | -£375k                    |
| Precept                   | £39,758k                  | £41,224k                  |
| <b>Band D Council Tax</b> | <b>£66.42</b>             | <b>£67.68</b>             |
| Increase from 2015/16     |                           | <b>1.90%</b>              |

1. A net expenditure budget of £71.452m;
2. A precept of £41.224m;
3. A Band D council tax of £67.68 (an increase of 1.9%);
4. The bands of Council Tax are shown in the following table.

| Council Tax Band | 2015/16       | 2016/17 with<br>1.9%<br>Increase |
|------------------|---------------|----------------------------------|
| A                | £44.28        | £45.12                           |
| B                | £51.66        | £52.64                           |
| C                | £59.04        | £60.16                           |
| <b>D</b>         | <b>£66.42</b> | <b>£67.68</b>                    |
| E                | £81.18        | £82.72                           |
| F                | £95.94        | £97.76                           |
| G                | £110.70       | £112.80                          |
| H                | £132.84       | £135.36                          |

5. Capital expenditure budget of £7.823m in 2016/17.

## LOCAL GOVERNMENT FINANCE SETTLEMENT

The provisional settlement figures for 2016/17 were announced on 18 December 2015. The final figures will be confirmed in early February 2016.

For 2016/17 the level of revenue support grant, including past years council tax freeze grant will be £14,230k some £2,073k lower than the current year, this is a reduction of 12.7%. In addition, the Authority will retain 1% of national non-domestic rates (business rates) worth an estimated £6,355k and receive a top-up grant of £8,763k. In total, these amounts for business rates are 0.8% higher than the current year.

The Government also announced indicative levels of revenue support grant for future years up to and including 2019/20. The consultation document states, "The Government is making a clear commitment to provide central funding allocations for each year of the Spending Review period, should councils choose to accept the offer and if they have published an efficiency plan." The certainty that this provides to the Authority is a welcome change and will allow the Authority to consider forward plans on a sound financial basis.

## SUMMARY OF GOVERNMENT FUNDING

The table below summarises government funding for 2016/17 in comparison with the current year:

|                               | 2015/16                              | 2016/17                     | Change in Total Settlement Funding Level |              |
|-------------------------------|--------------------------------------|-----------------------------|--|--------------|
|                               | Total Settlement Funding Level<br>£m | Revenue Support Grant<br>£m | £m                                       | %            |
| Revenue Support Grant      £m | 16.303                               | 14.230                      | -2.073                                   | -12.7%       |
| Share of NNDR                 | 6.303                                | 6.355                       | 0.052                                    | 0.8%         |
| TNNDR Top Up Grant            | 8.690                                | 8.763                       | 0.073                                    | 0.8%         |
| <b>Total</b>                  | <b>31.296</b>                        | <b>29.348</b>               | <b>-1.948</b>                            | <b>-6.2%</b> |

The profile of Revenue Support Grant for future years is set out in the table below:

|                       | 2016-17<br>£'m | 2017-18<br>£'m | 2018-19<br>£'m | 2019-20<br>£'m |
|-----------------------|----------------|----------------|----------------|----------------|
| Revenue Support Grant | 14.2           | 11.0           | 9.3            | 8.3            |
| Share of NNDR         | 6.4            | 6.5            | 6.7            | 6.9            |
| Tariff/Top-Up         | 8.8            | 8.9            | 9.2            | 9.5            |
| <b>Total</b>          | <b>29.4</b>    | <b>26.4</b>    | <b>25.2</b>    | <b>24.7</b>    |

In total, the Authority faces a £8m reduction in revenue support grant over the spending review period. The 2020 Programme has brought forward financially sustainable options for consideration and decisions on the proposals are expected to be made in June 2016 following a period of public consultation.

## NATIONAL NON-DOMESTIC RATES

Within the overall amount of funding there is an element funded by the Authority's share (1%) of national non-domestic rates. For 2016/17, decisions by the government to extend relief for small businesses and other policy changes mean that £465k (£465k for 2015/16) of the business rates expected will be replaced by a government grant.

In addition, the government assumes that the Authority's share of national non-domestic rates from the billing authorities will be £6,355k for 2016/17. The exact amount may vary from this level, the Authority holds an earmarked reserve to manage this uncertainty, and it is proposed that any shortfall or surplus in the final level of billing authority sourced funding is managed through this reserve.

To help maximise the local share of national non-domestic rates the Authority has supported a pooling arrangements with the County Council and eight of the Essex district authorities. Under the pooling arrangements, a larger share of any gains in the level of these rates will be retained locally and apportioned within the pool. Because of this, it is estimated that the Authority will gain £120k in additional business rates.

## COUNCIL TAX

The Authority has not increased council tax since 2010. For 2016/17, the government has proposed 2% as the threshold above which an increase in council tax would require a referendum. This is subject to confirmation by Parliament in early February 2016. The proposed increase for the Authority of 1.9% is the highest allowed within this threshold. Should the Authority propose to increase council tax by an amount that will prompt a referendum then it has to consider that it will bear any costs through doing so. It is estimated that a referendum could cost between £1.8m and £2.5m. It should also be noted that the regulations only allow the percentage increase to be included in the referendum, not the cash amount for different householders.

The increase in council tax from the rate increase add £767k to the Authority's income. If the increase is not agreed then this will create a larger initial call on reserves in 2016/17 and the need for larger savings in future years.

## TAX BASE

The position regarding the taxbase of the Authority remains strong with increases through better collection arrangements and growth. Work with the Billing Authorities has ensured that early figures for the taxbase have been provided to all precepting authorities. This is also supported by in-year monitoring of the progress in collection and an early assessment of the impact of changes to the billing authorities Council Tax support schemes.

The Authority has aligned itself with the County Council and the Police and Crime Commissioner and agreed with the billing authorities to share 16% of the precepting authorities' gains from technical changes in Council Tax with the billing authority.

The rate of growth in the taxbase has increased as the cautious approach adopted when council tax support was localised has worked through in higher collection rates. The figures for 2016/17 give a further increase of 1.8%.

## COLLECTION ACCOUNT

Initial figures for the Council Tax collection account show a positive balance of £880k. The Authority has an earmarked reserve to absorb any negative movement on the collection account fund. This reserve has been reviewed and will be reduced for 2016/17 as it is considered sufficient for future years.

## 2015/16 FORECAST REVENUE BUDGET POSITION

The forecast outturn has been reviewed to reflect the position at the end of November 2015, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

| Description                     | Forecast Variance to       |                  |
|---------------------------------|----------------------------|------------------|
|                                 | 2015-16 Forecast<br>£'000s | Budget<br>£'000s |
| Firefighters                    | 32,976                     | 159              |
| On-Call Firefighters            | 5,624                      | 416              |
| Control                         | 1,334                      | (67)             |
| Support Staff                   | 11,392                     | 6                |
| <b>Total Employment Costs</b>   | <b>51,326</b>              | <b>514</b>       |
| Support Costs                   | 1,981                      | (16)             |
| Premises & Equipment            | 10,263                     | (48)             |
| Other Costs & Services          | 4,106                      | 161              |
| Firefighters' Pension Scheme    | 2,000                      | -                |
| Financing Items                 | 7,879                      | (0)              |
| Operational income              | (4,733)                    | (308)            |
| Contribution to/(from) Reserves | (994)                      | (303)            |
| <b>Total Other Costs</b>        | <b>20,502</b>              | <b>(514)</b>     |
| <b>Total Budget</b>             | <b>71,828</b>              | <b>0</b>         |
| <b>Total Funding</b>            | <b>(71,828)</b>            | <b>(0)</b>       |

The forecast variance is reported against the revised budget. The main features of the forecast remain higher net pay costs following periods of strike action by firefighters and higher costs of services because of the cultural review and the appointment of the expert advisory panel.

## RESERVES

At 31 March 2015, the Authority had £13.6m of usable reserves. Previous decisions, including funding for sprinklers and the carry forward of expenditure from 2014/15 into the current financial year and decisions to fund the costs of the cultural review and the expert advisory panel from reserves mean that there is a forecast reduction in 2015/16 of £1.0m.

The report from the Treasurer (Appendix 1) reviews these factors for 2016/17 onwards including the review periods for the earmarked reserves. Any additional reserves not required in the future can be applied either to fund the costs of future changes or to reduce the outstanding capital financing requirement that will reduce the revenue burden of past capital expenditure.

Because the 2016/17 budget excludes a number of factors that will be determined by future decisions of the Authority it has been balanced using reserves. It is anticipated that the savings from the Management Review will offset this requirement, although the one-off costs of change will need to be funded. The budget does not anticipate future decisions the Authority may make in respect of the Management Review or Programme 2020. As a result the budget will need to be adjusted when these decisions are made.

## 2016/17 BUDGET

The budget for 2016/17 has been drawn up reflecting the key decisions made by the Authority. The budget supports the Corporate Strategy and departmental budgets reflect the departmental activities in support of the overall strategy. The plans demonstrate the achievement of a balanced budget.

The budget for 2016/17 is summarised below and compared to the most recent forecast for 2015/16.

| Description                     | 2015-16 Budget<br>£'000s | 2015-16 Forecast<br>£'000s | 2016-17 Budget<br>£'000s £'000s |
|---------------------------------|--------------------------|----------------------------|---------------------------------|
| Firefighters                    | 32,817                   | 32,976                     | 31,847                          |
| On-Call Firefighters            | 5,208                    | 5,624                      | 5,522                           |
| Control                         | 1,401                    | 1,334                      | 1,345                           |
| Support Staff                   | 11,386                   | 11,392                     | 11,477                          |
| <b>Total Employment Costs</b>   | <b>50,811</b>            | <b>51,326</b>              | <b>50,190</b>                   |
| Support Costs                   | 1,997                    | 1,981                      | 1,717                           |
| Premises & Equipment            | 10,311                   | 10,263                     | 10,514                          |
| Other Costs & Services          | 3,945                    | 4,106                      | 3,516                           |
| Firefighters' Pension Scheme    | 2,000                    | 2,000                      | 2,097                           |
| Financing Items                 | 7,879                    | 7,879                      | 7,585                           |
| Operational income              | (4,424)                  | (4,733)                    | (3,922)                         |
| Contribution to/(from) Reserves | (691)                    | (994)                      | (245)                           |
| <b>Total Other Costs</b>        | <b>21,016</b>            | <b>20,502</b>              | <b>21,262</b>                   |
| <b>Total Budget</b>             | <b>71,827</b>            | <b>71,828</b>              | <b>71,452</b>                   |
| <b>Total Funding</b>            | <b>(71,827)</b>          | <b>(71,828)</b>            | <b>(71,452)</b>                 |

## STAFF NUMBERS

Overall staff numbers are summarised below:

| Staff Budget (Average)          | 2015/16<br>Budget | Changes    | 2016/17<br>Budget |
|---------------------------------|-------------------|------------|-------------------|
| Wholetime Firefighters          | 733               | -38        | 695               |
| On-Call (Retained) Firefighters | 514               | 5          | 519               |
| Control Staff                   | 34                | -1         | 33                |
| Support Staff                   | 282               | -3         | 279               |
| <b>Total</b>                    | <b>1,563</b>      | <b>-37</b> | <b>1,526</b>      |

## WHOLETIME FIREFIGHTERS

Employment costs equate to over 70% of the Authority's total revenue budget, with the numbers of firefighters employed the most significant element. The budget reflects a continued standstill in terms of recruitment. This budget will need to be revised when the Authority determines in June 2016 what changes from the 2020 Programme will be implemented. The total number of officer posts reflects the current requirements for command and control of incidents and makes no allowance for changes that may be brought forward as part of the Management Review.

The average numbers of wholetime firefighters in 2016/17 by role are set out below:

| <b>Firefighter Budget (Pay Grades are shown in brackets)</b>           | <b>2015/16 Budget</b> | <b>Changes</b> | <b>2016/17 Budget</b> |
|--|-----------------------|----------------|-----------------------|
| Chief, Deputy Chief & Assistant Chief Fire Officers (Brigade Managers) | 4                     | 0              | 4                     |
| Senior Divisional Officers (Area Manager B)                            | 7                     | -1             | 6                     |
| Divisional Officers (Group Manager B)                                  | 17                    | 0              | 17                    |
| Assistant Divisional Officers (Station Managers B)                     | 33                    | 1              | 34                    |
| Flexi Station Officers (Station Managers A)                            | 6                     | -4             | 2                     |
| Station Officer (Watch Managers B)                                     | 55                    | 9              | 64                    |
| Sub-Officer (Watch Managers A)   | 93                    | 5              | 98                    |
| Leading Firefightes (Crew Managers)                                    | 92                    | 9              | 101                   |
| Firefighters   | 426                   | -57            | 369                   |
| <b>Total</b>   | <b>733</b>            | <b>-38</b>     | <b>695</b>            |

For budgetary purposes, the reduction in numbers has been allocated against firefighters.

## ON-CALL (RETAINED) FIREFIGHTERS

The numbers of on-call firefighters and the full time equivalent (based on 120hrs per week cover) are summarised below:

| <b>Retained Firefighters</b>  | <b>2015/16 Budget</b> | <b>Changes</b> | <b>2016/17 Budget</b> |
|-------------------------------|-----------------------|----------------|-----------------------|
| Head Count                    | 514                   | 5              | 519                   |
| Full Time (120hrs) Equivalent | 406                   | 17             | 423                   |

The on-call firefighters' project has reached delivery stage with new recruitment materials launched in December 2015. The budgeted number for 2016/17 reflects an increase from the 480 on-call firefighters at the end of November with the impact of increased recruitment and lower staff turnover. The main costs for retained firefighters are for their utilisation, rather than headcount. The retained pay budget reflect the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes.

## CONTROL STAFF

The budget for control staff reflects resources to cover vacancies, maternity leave and training so that we are able to maintain full staffing. The average number of staff budgeted (33) for reflects a saving planned from the implementation of the new mobilising system at Kelvedon Park. Work continues with the system's supplier to complete the implementation of the system.

## SUPPORT STAFF CHANGES

For support staff the budget reflects the present structure and makes no adjustment for the management review. Staff numbers reflect actual positions with a separate reduction in the funding provision to reflect a vacancy factor of 7% (the same vacancy factor was applied for the 2015/16 budget). The prior year figures have been re-stated on the same basis. The budget will need to be revised after June 2016 to reflect decisions on the future level of community safety activity and the management review.

| <b>Support Staff Changes by Department</b> | <b>2015/16</b> | <b>Changes</b> | <b>2016/17 Pay Model</b> |
|--|----------------|----------------|--------------------------|
| Safer Communities Admin                    | 29.4           | -6.5           | 22.9                     |
| Community Safety                           | 25.6           | 3.0            | 28.6                     |
| Strategic Management Board                 | 6.0            | 0.4            | 6.4                      |
| Operations                                 | 6.0            | -1.0           | 5.0                      |
| Corporate Comms                            | 8.0            | -1.0           | 7.0                      |
| Performance & Data Management              | 9.4            | -1.4           | 8.0                      |
| Workplace Fire Safety                      | 9.6            | 0.0            | 9.6                      |
| Health & Safety                            | 4.4            | 0.0            | 4.4                      |
| Training                                   | 14.6           | 0.6            | 15.2                     |
| Fleet & Equipment                          | 43.4           | 0.9            | 44.3                     |
| Finance & Pay                              | 15.0           | -1.0           | 14.0                     |
| Purchase & Supply                          | 14.8           | -0.6           | 14.2                     |
| Property & Water Services                  | 23.2           | -2.0           | 21.2                     |
| Human Resources                            | 30.8           | -1.8           | 29.0                     |
| Information Communications Technology      | 23.3           | 3.6            | 26.9                     |
| Other Departments & Seconded Posts         | 5.2            | 0.0            | 5.2                      |
| Emergency Planning (ECC)                   | 12.8           | -1.0           | 11.8                     |
| Project 2020                               | 0.0            | 5.0            | 5.0                      |
| <b>Total</b>                               | <b>281.5</b>   | <b>-2.8</b>    | <b>278.7</b>             |

## STAFF COSTS

In addition to the numbers of staff employed, a number of other elements influence the overall employment costs. These are discussed in the sections below.

## RESILIENCE AGREEMENTS

The budgets for firefighter and on-call firefighter pay include a specific provision of £300k for resilience agreements. Firefighters who had agreed to these agreements have provided crewing for the appliances deployed during the periods of industrial action undertaken by the Fire Brigades Union.

## PAY

The budget for firefighter pay includes additional expenditure on overtime where out-duties are worked, including the payment of allowances for pre-arranged out-duties.

As in recent years, the budget makes no specific provision for pay inflation this year. For support staff a pay deal agreed in 2014 remains in place until March 2016. The full year impact of the increase for firefighters agreed in July 2015 is included within the budget. As in recent years, it is proposed that as part of the budget monitoring process authority is delegated to the Finance Director & Treasurer to authorise virements to reflect national pay settlements and virements for inflationary pressures. For the purposes of the budget, the provision of £500k for inflation has been included as a contribution to reserves.

## **PENSION SCHEMES**

### **FIREFIGHTER PENSION SCHEMES**

There were significant changes in the pension schemes for firefighters in 2015. The main impact of the changes is an increase in the employment costs of on-call firefighters, many of these firefighters move into the new 2015 scheme with higher employer contributions than the 2006 scheme. This higher cost is offset by a reduction in employer contribution rates for wholtime firefighters who move from the 1992 scheme into the 2006 scheme.

The Authority is required to budget for lump sum charges arising from the ill-health retirement of firefighters. These costs can be spread over three years, starting in the year in which the ill-health retirement occurs. In addition, the Authority has to fund the cost of the residual amount of injury scheme payments previously included in the pensions budget. The pension injury payments increase in line with inflation and represent a considerable burden for the Authority. The budget for 2016/17 is £1,968k, there have been no additional injury awards made in 2015/16. The level of ill-health retirements has fallen considerably in recent years, and provision has been made for one such retirement in 2016/17.

### **LOCAL GOVERNMENT PENSION SCHEME**

The last actuarial review of the local government pension scheme as at 31 March 2013 resulted in an increase in the employers' contribution rate to 13.9% and an annual deficit contribution of £401k.

### **EMPLOYERS NATIONAL INSURANCE CONTRIBUTIONS**

The budget makes provision for the new rates of employers National Insurance contributions reflecting the ending of the reduction for employees in pension schemes that were contracted out. The change has increased costs by £820k in 2016/17.

### **INFLATION**

Some specific allowances are included within the budget bids for expected inflationary increases in business rates, utilities and fuel and for higher supplier prices for property related costs. Budget holders have absorbed other inflationary pressures.

### **NON-STAFF COSTS**

For non-staffing costs, the budget is derived from the outturn expenditure for 2015/16 "normalised" to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year.

The budget process was carried out in conjunction with the 2016/17 business planning process so that the financial plans for the year and the departmental business plans were developed in parallel. Departmental budgets and business plans were subject to peer reviews.

Significant savings have been made across a range of non-staff costs in recent years. These have been achieved through the following actions:

- Procurement – Often in collaboration with other local authorities and other fire authorities. The Authority participates in the Procurement Agency for Essex and the National Procurement for Fire. The Authority supported a successful bid by Devon and Somerset Fire & Rescue Authority for innovation funding in 2015/16 to



support a national procurement hub. We participate in expenditure analysis of spend by function, supplier and category on a national basis. This enables procurement resources to be targeted where they will deliver most savings. In 2016/17 we will support the sector led spend analysis review which are projecting procurement savings of 10% for joint procurement of sector specific items;

- Challenge – New areas of expenditure and all projects are subject to approval processes that requires the preparation and consideration of a business case;
- Monitoring – Areas such as Fleet Workshops have extensive records of the maintenance costs of all appliances with all work recorded and costed. This enables the Service to make informed decisions on equipment replacement and demonstrate the savings achieved through the selection of vehicles. Similarly Property Services use the results of condition surveys to inform decisions around expenditure on maintenance and repairs; and
- Restraint – All budget holders have demonstrated the ability to control expenditure and decide if expenditure is appropriate and necessary. This has been supported by a budget monitoring process that provides “Substantial Assurance” according to a review by Internal Audit in 2015. The continued delivery of in-year savings has demonstrated a high degree of cost awareness and expenditure control and this has been reflected in the budget bids for 2016/17.

All of the major support departments have been subject to independent external scrutiny and review in the last few years.

## **ICT PROJECTS**

The ICT budget has been focussed on the delivery of core priorities such as the new Control Mobilising System and has been restricted to reflect the delivery of change that departmental resources across the Service can support. Priority will be given to projects that deliver cashable savings in future years.

## **RISK PROTECTION**

The Authority's present risk protection arrangements are provided through the Fire and Rescue Indemnity Company Ltd (FRIC) in a risk sharing arrangement with eight other Fire and Rescue Authorities. The new arrangements went live from 1 November and initial contributions to FRIC are in line with the insurance premiums paid in the previous year.

## **REVENUE BUDGET PROVISION FOR CAPITAL FINANCING**

The Authority is required to make a statutory provision to fund capital expenditure from council tax. This provision is based on the historic cost depreciation charge for the assets that are purchased. The level of the provision reflects both past capital expenditure, the forecast expenditure in 2015/16 and the planned capital budget for 2016/17. The expected capital receipt from the sale of the former headquarters at Hutton in 2016 will increase useable reserves and could provide the opportunity to offset the statutory provision for capital financing in future years.

## INCOME

The budget reflects a realistic assessment of income from a range of sources including aerial sites for telephony, re-charges to EFA trading etc. These are analysed in the table below:

| Description                         | 2015-16 Budget<br>£'000s | 2015-16 Forecast<br>£'000s | 2016-17 Budget<br>£'000s |
|-------------------------------------|--------------------------|----------------------------|--------------------------|
| <b>Income</b>                       |                          |                            |                          |
| Government Grants                   | 2,292                    | 2,552                      | 1,984                    |
| Cycle to Work Scheme                | 38                       | 38                         | 38                       |
| Childcare Vouchers                  | 84                       | 85                         | 95                       |
| Sales of Vehicles                   | 10                       | 10                         | 10                       |
| Canteen Income                      | 49                       | 81                         | 91                       |
| Sale of Vehicle Spares              | 35                       | 40                         | 35                       |
| Aerial Sites                        | 122                      | 122                        | 122                      |
| Solar Panels                        | 60                       | 60                         | 60                       |
| Hydrant Tests                       | 80                       | 55                         | 80                       |
| Lease Cars - Employee Contributions | 87                       | 87                         | 87                       |
| General Sales                       | 26                       | 20                         | 5                        |
| Service Charges                     | 9                        | 9                          | 9                        |
| Secondments                         | 299                      | 292                        | 92                       |
| Community Safety general            | 35                       | 35                         | -                        |
| Labour Credit                       | 50                       | 80                         | 60                       |
| Section 12 Income                   | 40                       | 40                         | 45                       |
| Interest on short term lending      | 120                      | 95                         | 65                       |
| Community Fire Safety               | 255                      | 255                        | 300                      |
| Reimbursements from EFA(T)          | 84                       | 89                         | 62                       |
| Other Miscellaneous Income          | 42                       | 80                         | 139                      |
| Emergency Planning Income           | 608                      | 608                        | 543                      |
| <b>Total Income</b>                 | <b>4,424</b>             | <b>4,733</b>               | <b>3,922</b>             |

*1- Note figures may not sum due to rounding differences*

Some of the income changes are entirely offset by a change in the Authority's costs, for example the Emergency Planning Income from Essex County Council. The most significant changes are for Community Fire Safety where we are expecting higher funding for schemes such as Firebreak, the lower income for secondments, and the reduction in grant income because there is no council tax freeze grant.

## PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

The table below sets out the calculations of the proposed council tax and show the changes from the 2015/16 budget.

|                             | 2015/16<br>Budget | Council Tax<br>Freeze<br>2016/17 | Change       |
|-----------------------------|-------------------|----------------------------------|--------------|
|                             | £'000             | £'000                            | £'000        |
| Budget Requirement          | 71,827            | 71,452                           | (375)        |
| <b>Sources of Finance</b>   |                   |                                  |              |
| Revenue Support Grant       | 16,303            | 14,230                           | (2,073)      |
| National Non-Domestic Rates | 14,993            | 15,118                           | 125          |
| Total Grant                 | 31,296            | 29,348                           | (1,948)      |
| Collection Fund Surplus     | 773               | 880                              | 107          |
| Precept Requirement         | 39,758            | 41,224                           | 1,466        |
| Tax Base                    | 598,581           | 609,102                          | 10,521       |
| <b>Council Tax (Band D)</b> | <b>£66.42</b>     | <b>£67.68</b>                    | <b>£1.26</b> |

The main changes from 2015/16 are the reduction in revenue support grant, offset by an increased taxbase and an increase in the collection account balance. Around half of the increase in the precept comes from the higher taxbase with the balance from the increase in council tax.

### CAPITAL PROGRAMME 2016/17 – 2018/19

The affordability of the overall capital programme remains a key factor for the Authority in the next few years. Only if the overall capital programme can deliver financial benefits to offset the additional revenue burden of its financing costs will the projects outlined in this section be initiated. Most significant projects already require Member approval before they can be initiated. All projects coming forward for approval will be required to demonstrate how the financing costs will be met and whether this will be from efficiencies generated by the project or from other areas.

The proposed budget only includes either projects that are approved or an advanced stage in the approval and procurement process. The most significant projects are the purchase of new pumping appliances and the completion of the new mobilising system. The proposed budget is summarised in the table below:

|                                     | Forecast<br>2015/16<br>£'000s | Capital Bid<br>2016/17<br>£'000s | Capital Bid<br>2017/18<br>£'000s | Capital Bid<br>2018/19<br>£'000s | Capital Bid<br>2019/20<br>£'000s |
|-------------------------------------|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| <b>Property</b>                     |                               |                                  |                                  |                                  |                                  |
| New Premises                        |                               |                                  |                                  |                                  |                                  |
| Service Workshops                   | -                             | 1,000                            | -                                | -                                | -                                |
| Existing Premises                   |                               |                                  |                                  |                                  |                                  |
| Solar Panels                        | -                             | 300                              | -                                | -                                | -                                |
| Asset Protection                    | 2,170                         | 2,000                            | 2,000                            | 2,000                            | 2,000                            |
| <b>Total Property</b>               | <b>2,170</b>                  | <b>3,300</b>                     | <b>2,000</b>                     | <b>2,000</b>                     | <b>2,000</b>                     |
| <b>Equipment</b>                    | <b>1,274</b>                  | <b>592</b>                       | <b>60</b>                        | <b>92</b>                        | <b>190</b>                       |
| <b>Information Technology</b>       |                               |                                  |                                  |                                  |                                  |
| Projects > £250k                    | 1,178                         | 400                              | -                                | -                                | -                                |
| Projects < £250k                    | -                             | 425                              | 100                              | 100                              | 100                              |
| <b>Total Information Technology</b> | <b>1,178</b>                  | <b>825</b>                       | <b>100</b>                       | <b>100</b>                       | <b>100</b>                       |
| <b>Vehicles</b>                     |                               |                                  |                                  |                                  |                                  |
| New Appliances                      | 4,000                         | 2,255                            | 2,050                            | 2,050                            | 1,845                            |
| Other Vehicles                      | 1,087                         | 851                              | 255                              | 1,421                            | 277                              |
| <b>Total Vehicles</b>               | <b>5,087</b>                  | <b>3,106</b>                     | <b>2,305</b>                     | <b>3,471</b>                     | <b>2,122</b>                     |
| <b>Total Capital Expenditure</b>    | <b>9,709</b>                  | <b>7,823</b>                     | <b>4,465</b>                     | <b>5,663</b>                     | <b>4,412</b>                     |

Projects where there is not a confirmed business case or a break point in the decision process are excluded from the above figures. This includes the potential changes to properties after the forward review of operations. Specific proposals will be brought forward to Members in due course and the impact on future years budgets included in the reports.

### CAPITAL RECEIPTS AND CAPITAL GRANTS

A capital receipt for the sale of the Hutton site is expected in the first half of 2016. Capital receipts can be used to reduce the requirement to finance capital expenditure from the Authority's revenue budget, but no provision for this has yet been made. There is also flexibility to use them to fund other revenue costs of change.

The government have not indicated that there will be any transformation funding or capital grants available in 2016/17.

## **FUNDING CAPITAL EXPENDITURE**

The cash generated from the proposed income and expenditure budget is £5.9m with the balance of funding coming from the Authority's cash balances carried forward from 2015/16. In addition, a loan of £1.5m from the Public Works Loan Board will be paid off during the year. After these changes, the Authority will still have around £9m of cash balances at March 2017. The longer-term position will depend on the change costs associated with the 2020 programme.

## **LEGAL IMPLICATIONS**

The Local Government Act 2003 gives the Treasurer (Section 151 Officer) a responsibility to report to Members of the Authority on his assessment of the robustness of the estimates used within the budget, and on the adequacy of reserves. Members must have regard to the Treasurer's report before the full Authority approves the budget for 2016/17.

The Authority is also required to consider and set the capital financing indicators for the period 2016/17. A separate report on this is included on the agenda for the meeting.

## **RISK MANAGEMENT IMPLICATIONS**

These are covered in the separate report from the Treasurer to Members of the Authority appended to this paper.

## **FINANCIAL IMPLICATIONS**

The financial implications are set out in the report.

## **EQUALITIES IMPLICATIONS**

The budget is designed to provide resources to enable the Authority to carry out its duties in accordance with all statutory requirements. It provides the resources to enable the Authority to meet its equality duties and of itself has no direct equality implications.

## **USE OF RESOURCES**

The use of resources assessment looks at how financial management is integrated with strategy and corporate management, supports Fire Service priorities and delivers value for money. The longer-term financial implications of the plans (including the planned level of capital expenditure) have been assessed and are summarised in the paper.

The budget for the Authority is closely linked to the overall Service. At the same time that budget managers prepared estimates of expenditure they were also required to submit departmental plans identifying activities linked to the strategic priorities of the Authority. Subsequent review and amendment to the budget are reflected in revisions to the plans.

The budget recognises that decisions on some key aspects have yet to be made, but is explicit about the financial provision and assumptions made. The revenue and capital budgets are interlinked, and reflect the aim of finding resources to do more, and using the resources on what matters.

The balance between spending and resources is assessed. The budget proposes options for a council tax increase and reflects the impacts of decisions that have been made to ensure that the Authority is able to achieve a balanced budget over the spending review period.

The budget setting process is an important part of the review arrangements by the Members for a range of criteria. The arrangements that have or will be made to ensure that the budget will help the Authority manage and improve value for money are set out in the paper.

| <b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b> |   |
|--|---|
| <b>Appendices</b>  |   |
| Appendix 1 – Treasurer’s Report on 2016/17 Budget        |   |
| Appendix 2 – Draft Budget Book                           |   |
| <b>List of background documents</b>                      |   |
|  |   |
| Proper Officer:  | Director of Finance & Treasurer   |
| Contact Officer:   | Mike Clayton, Essex County Fire & Rescue Service, Kelvedon Park, Witham, Essex<br>CM8 3Hb<br>Tel 01376 576000<br>E-mail: <a href="mailto:mike.clayton@essex-fire.gov.uk">mike.clayton@essex-fire.gov.uk</a> |

## **REPORT BY THE TREASURER TO THE ESSEX FIRE AUTHORITY**

This paper provides the report by the Treasurer required by Section 25 of the Local Government Act 2003. The purpose of this report is to provide a review of the risks within the 2016/17 budget:

### **INTRODUCTION**

The Local Government Act 2003 Section 25 includes a specific personal duty on the “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 included within the budget and the adequacy of reserves for which the budget provides. The Act requires Members to have regard to the report in making their decisions.

Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an Authority must provide in setting its budget. The Secretary of State indicated that ‘the provisions are a fall back against the circumstances in which an Authority does not act prudently, disregards the advice of its Chief Finance Officer and is heading for serious financial difficulty’.

Sections 32 and 43 of the Local Government Finance Act 1992 also require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement. There is also a range of safeguards, which either are in place or are about to be introduced, to ensure local authorities do not over-commit themselves financially. These include:

1. The Chief Finance Officer’s S.114 powers, which require a report to all members of the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget; and
2. The Capital Financing Regulations.

### **RISK ASSESSMENT**

#### **LOCAL GOVERNMENT ACT 2003**

The Local Government Act does not provide any specific guidance on how to evaluate the robustness of the estimates. The explanatory notes to the act do however identify the need to allow for risks and uncertainties that might lead to expenditure exceeding budget by:

1. Making prudent allowance in the estimates; and in addition
2. Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.

It is stressed that decisions on the appropriate level of reserves should not be based on a rule of thumb but on an assessment of all the circumstances considered likely to affect the Authority.

#### **CIPFA GUIDANCE NOTE ON LOCAL AUTHORITY RESERVES AND BALANCES**

The Chartered Institute of Public Finance Accountancy (CIPFA) states that the following factors should be taken into account when the Chief Finance Officer considers the overall level of reserves and balances:

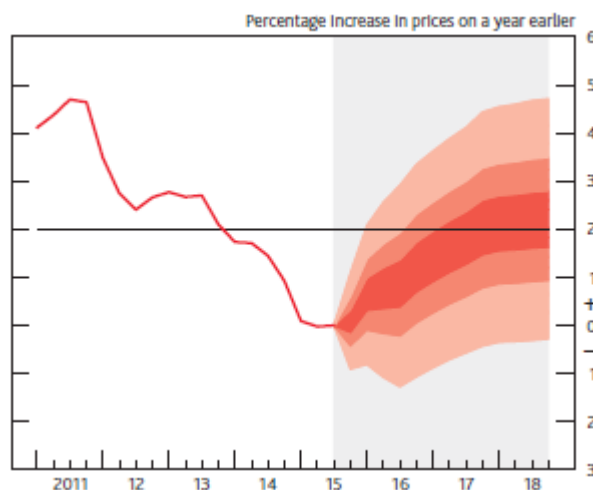
1. Assumptions regarding inflation;
2. Estimates of the level and timing of capital receipts;
3. Treatment of demand led pressures;
4. Treatment of savings;
5. Risks inherent in any new partnerships etc.;
6. Financial standing of the Authority (i.e. level of borrowing, debt outstanding etc.);
7. The Authority's track record in budget management;
8. The Authority's capacity to manage in-year budget pressures;
9. The Authority's virements and year-end procedures in relation to under and overspends;
10. The adequacy of insurance arrangements.

The above are also of relevance when evaluating the robustness of the budget and the subsequent analysis includes comments on these issues.

## **ISSUES CONSIDERED WHEN EVALUATING THE ROBUSTNESS OF THE ESTIMATES AND THE ADEQUACY OF THE PROPOSED FINANCIAL RESERVES**

### **INFLATIONARY PRESSURES**

The background economic climate is positive and inflation is expected to remain low through 2016/17. The outlook for inflation remains below the 2% target set for the Bank of England. The Bank of England's November 2015 inflation forecast (CPI) is shown below:



A key element in the budget preparation process is building in an appropriate allowance for inflation up to 31 March 2017. This adjustment is known as the cash limit. It is inevitable that the cash limit will either over or under provide for the full cost of inflation as no-one knows exactly how prices will vary against the estimates made.

The budget assumes that fuel and utility prices remain low and no adjustments have been made to reflect price changes. No other specific allowances have been built into the budget for pay or price inflation. Instead, an overall inflation and contingency allowance of £500K has been used. If the requirement to increase cash budgets because of pay awards exceeds this provision then either offsetting savings will need to be found elsewhere in the budget, or

the additional costs in 2016/17 will have to be funded from reserves. In most cases, Budget Managers absorb inflationary pressures within their departmental budgets.

To assess whether the inflation allowance is adequate it is necessary to consider the impact of both pay and non-pay inflation pressures. Firefighters accepted a 1% pay increase in 2015. One indication of the adequacy of the inflation provision is whether it would be sufficient for a similar increase. The same level of increase in 2016 across all firefighters would add £400k to the budget.

Government expectations are that public sector pay increases will continue to be limited over the next few years. Local government has already complied with government pressure, but future increases, perhaps linked to changes in the overall terms and conditions agreements are expected. The main pressure within local government is for the lowest paid staff and the move towards increasing the national living wage. These changes do not materially affect the Authority's pay bill.

Despite the forecast of low inflation and a low oil price through 2016 there is a risk that external factors such as oil and commodity prices will flow through to the prices of goods purchased by the Authority. An overall 4% increase in such costs could add £500k to the Authorities costs. Existing contractual arrangements for key items including utilities and personal protective equipment means that price inflation will be limited to significantly less than this amount in 2016/17.

In summary, inflationary pressures remain a financial risk to the Authority's budget, but this is manageable within the overall context of the budget and level of General Balances.

## **ESTIMATES ON THE LEVEL AND TIMING OF CAPITAL RECEIPTS**

The present cash position of the Authority, with cash balances of around £7m expected at the start of the financial year means that there is no funding risk associated with the timing of the capital receipts expected in 2016 from the sale of the former headquarters at Hutton.

## **TREATMENT OF DEMAND LED PRESSURES**

The budget process has sought to identify and allow for demand led pressures. The main uncertainties relate to the following areas:-

### **1. Wholetime Duty System Firefighter Numbers**

The budget makes provision for an average of 695 wholetime firefighters in 2016/17. The staffing forecast reflects recent experience in the timing of retirement decisions by firefighters and the promotion of staff to other Services. If firefighters chose not to retire then there is a potential risk that firefighter numbers would exceed the budgeted number.

### **2. On-Call (Retained Duty System) Firefighters**

This budget has traditionally been difficult to estimate as factors such as extensive flooding and hot summers can have a significant impact on the hours worked by part time firefighters. In addition, the use of retained duty staff on a wider range of community safety and risk review activities has increased the level of expenditure. Our experience in 2015/16 has included some significant one off costs associated with periods of flooding and the long running incident at Thoby Lane. The budget for 2016/17 reflects this level of activity.

Management controls enable the Authority to mitigate the risk and manage the level of expenditure, demand led pressure for operational activity could increase costs in this area.



There is a specific earmarked reserve to manage any major increase in the costs of on-call firefighters with an allowance of £0.6m for any potential in-year budget pressures resulting from increased activity levels.

### 3. Other

Other potential expenditure pressures could result from factors such as an unanticipated need for urgent replacement of operational equipment and a need to respond to nationally driven changes in operational procedures. Such factors are viewed by the Service as relatively low risks and while if they did materialise it could lead to additional expenditure of in the order of £0.3m, there would be some scope to meet such costs within the existing budget provision by re-prioritisation.

In addition, the Authority is committed to a review of the organisational culture. The costs of this review are not yet known and no budget provision has been made – it is anticipated that the review could be funded from the underspending in 2014/15.

### 4. Industrial Action

It should also be borne in mind that the Service is going through a time of change. There are two disputes affecting the Authority. A national dispute around pensions and a local dispute concerning the new shift arrangements for Control. There is potential for both of these to result in strike action. The present resilience arrangements have a fixed (and budgeted) cost of £0.3m. The implementation of these resilience arrangements costs depends on the nature of the strike action taken. In 2015/16, strikes involving supervisors and managers were called resulting in a cost per shift of around £50k for the resilience arrangements. To date such costs have been managed within the overall budget.

## **RISKS INHERENT IN PARTNERSHIP ARRANGEMENTS ETC**

The Authority is involved in a range of partnership arrangements mainly in the area of community safety. The financial risks from these partnerships could lead to lower levels of income and partnership funding. A partnership policy is in place, all partnerships are actively managed to mitigate this risk.

## **FINANCIAL STANDING OF THE AUTHORITY (LEVEL OF BORROWING, DEBT OUTSTANDING ETC.)**

This is becoming a less significant issue for the Authority. At 31 March 2015, the Authority had £33.5m of long term debt to fund capital expenditure and a further £0.3m of finance lease obligations. A repayment of £4.0m of debt was made on 1 January 2016 with a further £1.5m to be repaid in 2016/17. No additional borrowing is planned for the next few years. Further significant capital spending is projected over the next few years. The revenue impact of the planned spend for 2016/17 is included within the budget, and the level of borrowing is within the limits set as part of the bi-annual review of capital financing.

At 31 March 2016, the cash balance is projected to be £7m. Early repayment of Public Works Loan Board debt attracts financial penalties and so there are no plans for the early repayment of the present debt.

## **THE AUTHORITY'S TRACK RECORD IN BUDGET MANAGEMENT, INCLUDING ITS ABILITY TO MANAGE IN-YEAR BUDGET PRESSURES**

The Authority has a proven track record in financial management and has been able to restrict expenditure to keep within the overall budget. An internal audit report in 2015

confirmed that the Fire Authority can take substantial assurance from the budgetary controls in place.

However, the discipline of Financial Regulations – not incurring spending without the necessary budget provision – must be rigidly observed and the monitoring of the riskier budgets must be given priority. It remains of paramount importance that regular reports continue to be produced on all budgets throughout the year to identify emerging problems at the earliest opportunity. This will allow maximum benefit to be accrued from any corrective action taken.

Incremental improvements to financial processes to ensure that all orders and commitments are captured continued to be made and an Authority wide Contracts Register is in place. There is a high degree of visibility in the level of financial commitments and expenditure for managers who control budgets and their Directors.

The Authority has managed to restrict expenditure in advance of the expected cuts in government funding and achieved significant efficiency savings over the past few years. We have an excellent track record in anticipating and preparing for significant change, and on delivering planned budget savings.

#### **THE AUTHORITY'S VIREMENT AND YEAR-END PROCEDURES IN RELATION TO UNDER AND OVERSPENDS**

The Authority has embedded virement procedures that require senior approval to allow funds to be moved to areas of pressure. Budgeted expenditure is only transferred from one budget year to the next with the agreement of Members.

#### **THE ADEQUACY OF RISK PROTECTION ARRANGEMENTS**

Current risk protection arrangements are through a company created in partnership with a consortium of nine fire and rescue authorities. The Authority is one of the larger Authorities in the group (along with Devon & Somerset, Hampshire and Kent) who bear the first part of each loss. These limits are £50k for motor claims (own damage only), £25k for public and employers liability and £5k for property. In addition, the Authority maintains a provision for the value of unsettled and unknown claims. These arrangements have delivered significant savings to the Authority over recent years.

There is a potential risk that this will expose the Authority to an increase in costs if consortium members experience a high level of claims. To reflect this potential risk the level of reserves held for risk protection related costs remains at £1.0m. The consortium continues to work together on benchmarking and improving risk management to help to mitigate this risk.

#### **PENSION LIABILITIES**

##### **1. Fire-fighters**

The liability for firefighter pensions, whilst remaining with the Authority has been transferred to a separate account funded by government grants. The level of authority contributions has been reviewed for 2016/17.

##### **2. Support staff**

The Authority contributes to the Essex County Council Local Government Pension Fund in respect of its control and support staff, which are invested in order to meet its liability to

provide for the benefits provided to past employees and future benefits for existing employees. The Fund is valued every three years with the most recent valuation based on the position as at 31 March 2013. The level of contributions by the Authority is fully reflected in the 2016/17 budget and these rates and amounts will be fixed until March 2017.

## RESERVES

The general reserves of the Authority were £3.742k on 1 April 2015. The present forecast suggests that the Authority has a net use of reserves of £1,994k in 2015/16 and a transfer from earmarked reserves of £2,628k (see below). The general reserve is therefore forecast to be £4,376k at 31 March 2016. The budget for 2016/17 requires £745k of funding from the general reserve.

## EARMARKED RESERVES

The Authority has established specific reserves to manage key financial risks. Movements between these specific reserves are determined by the Treasurer and reported to Members. The table below considers the specific reserves planned and the timetable for their review:

| Specific Reserves                              | Comment & Review   | March 2015 Balance £'000s | March 2016 Balance £'000s |
|--|--|---------------------------|---------------------------|
| Emergency Planning                             | To hold savings on the costs of Emergency Planning<br>Reviewed annually with Essex County Council  | 365                       | 365                       |
| Retained Payroll – Demand Pressures            | Main area of risk is retained pay budget. Need to provide £1.5m in case of in-year pressure<br>Reserve at Maximum Limit – To be reviewed March 2015.                 | 600                       | 600                       |
| Spend to Save Reserve                          | Good track record of delivering savings. Provides the ability to fund a period of transition before savings are delivered. £250k allocated for sprinklers in 2015/16 | 1,131                     | 900                       |
| Taxbase and Collection Account Reserve         | Last shortfall in 2012/13. Since then average of over £500k favourable balance.  | 500                       | 200                       |
| National Non-Domestic Rates Collection Reserve | Risk remains through pooling arrangements, but considered low.   | 600                       | 200                       |
| Infrastructure Reserve                         | To support future capital expenditure on buildings.<br>Planned increase to even out future capital spending  | 2,400                     | 2,400                     |
| Rolling Budgets Reserve                        | To hold balances of expenditure carried forward into the next financial year.  | 247                       | 0                         |

| Specific Reserves           | Comment & Review  | March 2015 Balance £'000s | March 2016 Balance £'000s |
|-----------------------------|---|---------------------------|---------------------------|
| Business Continuity Reserve | To provide funds for any business interruption event not covered through risk protection funding. Reduced to reflect participation in FRIC. | 500                       | 300                       |
| Risk Protection             | Expected limit of calls from FRIC.  | 1,500                     | 250                       |
| <b>Total</b>                |   | <b>7,843</b>              | <b>5,215</b>              |

The assessment of the general level of reserves takes into account the factors noted below:

| Factor   | Comment  | Lower Limit | Upper Limit |
|--|--|-------------|-------------|
| Inflation and interest rates   | The increase in the overall level of borrowing exposes the Authority to a degree of risk in the future if loans cannot be replaced at a similar interest rate. An increase of 2% on a loan of £20m would add £0.4m of costs equivalent to 0.6% | 0.6%        | 1.5%        |
| Level and timing of capital receipts   | At present, the Authority is funding a significant capital programme with a gap before capital receipts will be realised. This risk is offset by high cash balances which eliminate the need for borrowing in 2016/17                          | 0.2%        | 0.5%        |
| Savings Track Record in Budget Management Capacity to Manage in Year Budget pressure | Good track record of delivering savings identified.  | 1.5%        | 4.7%        |
| Partnerships   | Increased risks associated with Community Budgets. Limited partnership funding of £0.2m pa   | 0.2%        | 0.6%        |
| Financial Standing   | Increasing level of borrowing limits future flexibility. Separate provision for future years.  | 0.5%        | 2.0%        |
| <b>Total</b>   |  | <b>3.0%</b> | <b>9.3%</b> |

The lower limit of 3.0% of turnover equates to £2.1m and the upper limit of 9.3% of turnover equates to £6.6m. The Authority is close to the mid-point of this range.

## **CONCLUSION**

Given the level of General Balance available in 2016/17 of £2.6m; the prudent approach to the budget setting process for next financial year; and the Authority's good past record of budget management, it is my conclusion that there is sufficient capacity in the budget to cope with the financial risks the Authority faces in 2016/17 and future years.

M Clayton

Finance Director & Treasurer

## ESSEX FIRE AUTHORITY BUDGET 2016/2017

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## REPORT BY THE TREASURER TO THE FIRE AUTHORITY

### KEY FEATURES OF THE 2016/17 BUDGET

The revenue budget requirement of **£71.452m** is a decrease of £375k against the 2015/16 budget of £71.827m.

The budget for capital expenditure has been set at **£7.823m**.

The planned General Reserve as at 31 March 2017 is **£3.593m**.

| Staff Budget           | 2015/16      | Changes     | 2016/17      |
|------------------------|--------------|-------------|--------------|
| Wholetime Firefighters | 733          | (38)        | 695          |
| Retained Firefighters  | 514          | 5           | 519          |
| Control Staff          | 34           | (1)         | 33           |
| Support Staff          | 282          | (3)         | 279          |
| <b>Total</b>           | <b>1,563</b> | <b>(37)</b> | <b>1,526</b> |

### THE REVENUE BUDGET - BACKGROUND

Employment costs equate to over 70% of the Authority's total revenue budget, with the number of firefighters employed the most significant element. The budget reflects a continued standstill in terms of recruitment. This budget will need to be revised when the Authority determines in June 2016 what changes from the 2020 Programme will be implemented. The total number of officer posts reflects the current requirements for command and control of incidents and makes no allowance for changes that may be brought forward as part of the Management Review. The main costs for retained firefighters is for their utilisation, rather than headcount. The retained budget reflects the actual levels of activity over the last 12 months and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. The budget for control staff reflects resources to cover vacancies, maternity leave and training so that we are able to maintain full staffing. For support staff the budget reflects the present structure and makes no adjustment for the Management Review.

For non-staffing costs the budget has been based on the outturn expenditure for 2015/16 "normalised" to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year.

#### *On-going changes from 2014/15*

|  | £000          | %            |
|--|---------------|--------------|
| 2015/16 budget requirement             | 71,827        |              |
| Inflation                              | 500           | 0.7          |
| Committed changes arising from 2015/16 | (876)         | (1.2)        |
| 2016/17 budget requirement             | <b>71,452</b> | <b>(0.5)</b> |

## INFLATION

Some specific allowances have been made within the budget bids for expected inflationary increases in business rates, utilities and fuel and for higher supplier prices for property related costs. Other inflationary pressures have been absorbed by budget holders.

## CHANGE IN THE REVENUE BUDGET REQUIREMENT

The table below summarises the changes in the revenue budget requirement between 2015/16 and 2016/17. The budget reflects the achievement during 2014/15 of £1,485k efficiency savings identified with departments during budget prioritisation work.

*Committed changes arising from 2014/15*

|  | £000         |
|--|--------------|
| Reduction in firefighter posts                 | (1,444)      |
| Higher costs for employers' National Insurance | 820          |
| Contribution from Reserves                     | 745          |
| Provision for capital financing                | (126)        |
| Lease and interest charges                     | (167)        |
| Efficiency savings                             | (703)        |
|  | <u>(876)</u> |

## FINANCING THE BUDGET

The budget requirement is financed as follows:

|                             | £000          | %            |
|-----------------------------|---------------|--------------|
| Revenue budget requirement  | 71,452        |              |
| Financed by :               |               |              |
| Revenue support grant       | 14,230        | 19.9         |
| National non-domestic rates | 15,118        | 21.2         |
| Council tax                 | 41,224        | 57.7         |
| Collection fund surplus     | 880           | 1            |
|                             | <u>71,452</u> | <u>100.0</u> |



## PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

The table below sets out the calculations of the proposed council tax and shows the changes from the 2015/16 budget.

|                                | 2015/16<br>£000 | 2016/17<br>£000 | Change<br>£000 | Change<br>% |
|--------------------------------|-----------------|-----------------|----------------|-------------|
| <b>Budget Requirement</b>      | <b>71,827</b>   | <b>71,452</b>   | <b>(375)</b>   | <b>-0.5</b> |
| <b>Sources of Finance</b>      |                 |                 |                |             |
| Revenue Support Grant          | 16,303          | 14,230          | (2,073)        | -12.7       |
| National Non-Domestic Rates    | 14,993          | 15,118          | 125            | 0.8         |
| <b>Total Grant</b>             | <b>31,296</b>   | <b>29,348</b>   | <b>(1,948)</b> | <b>-6.2</b> |
| <b>Collection Fund Deficit</b> | <b>773</b>      | <b>880</b>      | <b>107</b>     | <b>13.8</b> |
| <b>Precept Requirement</b>     | <b>39,758</b>   | <b>41,224</b>   | <b>1,466</b>   | <b>3.7</b>  |
| <b>Tax Base</b>                | <b>598,581</b>  | <b>609,102</b>  | <b>10,521</b>  | <b>1.8</b>  |
| <b>Council Tax (Band D)</b>    | <b>£66.42</b>   | <b>£67.68</b>   | <b>£1.26</b>   | <b>1.9</b>  |

The main changes are the lower levels of government funding.

The Council Tax, which is levied on domestic property, consists of a county, police, fire, district/borough and, where appropriate, parish element. The tax is set at one of eight bands, depending upon the value of the property.

The Band D Council Tax required to fund the Authority's 2016/17 precept requirement of **£41.224m** is **£67.68**.

The Council Tax bands for 2016/17 are set out below:

| Band     | Valuation Band            | £             |
|----------|---------------------------|---------------|
| A        | Up to £40,000             | £45.12        |
| B        | £40,001 to £52,000        | £52.64        |
| C        | £52,001 to £68,000        | £60.16        |
| <b>D</b> | <b>£68,001 to £88,000</b> | <b>£67.68</b> |
| E        | £88,001 to £120,000       | £82.72        |
| F        | £120,001 to £160,000      | £97.76        |
| G        | £160,001 to £320,000      | £112.80       |
| H        | More than £320,000        | £135.36       |

## SERVICE REPORTING CODE OF PRACTICE

Page 9 sets out the Authority's budget in the standard form required by the Service Reporting Code of Practice. This analysis is not consistent with the Authority's internal management structure as set out in the detailed estimates and therefore apportionments have been made to enable these figures to be produced. One of the key aims of the Code is to enable comparisons to be made between Fire Authorities.

# Service Strategy 2014/15 to 2018/19



## OUR PURPOSE:

As a fire and rescue service, we are here to protect and save life, property and the environment.

## WHAT HAVE WE ACHIEVED SO FAR?

Since 2004 the focus of the fire and rescue service has been to reduce risk through a strategy based on prevention and protection, with our response to incidents seen as a last resort. This approach has been successful with a 50% reduction in overall incidents attended in the past 10 years.

During this period we have seen the growth of some risks, notably flooding and there remains the possibility that other emergencies may occur that need our specialist response.

Through work such as the fire cover review, ICT transformation programme and the workforce transformation programme we have already made some progress in modernising our ways of working. This strategy will ensure that, against the context of an increased pace of change, we make even better use of our resources to continue delivering an excellent service whilst achieving lasting culture change.

## WHERE DO WE WANT TO BE?

Essex is safer, we have reduced the risk to life, property and the environment in our communities and the need for our emergency response service. We will have maintained our ability to respond to all foreseeable risks in an efficient and effective way. We have an engaged and satisfied workforce who are highly skilled and well led.

## HOW WILL WE ACHIEVE THIS?

The Service strategy is underpinned by the Service values of:

- Openness
- Accountability
- Involvement
- Respect

The Service will get where it wants to be by delivering the following Service objectives in line with these values.

## SERVICE OBJECTIVES:

**1. We will identify the risks to our communities and work in partnership with them to manage the risk, to reduce its likelihood or its impact on our communities.**

### Success Measures:

- Reduction in the number of incidents attended.
- Reduction in the rate of accidental dwelling fires per 100,000 dwellings.
- Reduction in the number of people killed or seriously injured in road traffic collisions.
- Reduction in the average Essex workplace premises risk score.
- Reduction in the average Essex leisure premises risk score.
- Reduction in the number of people killed or seriously injured in fires.

**2. We will provide a resilient, timely, safe and effective response when risks become incidents.**

### Success Measures:

- Achieve a timely response to incidents.
- Reduce the rate of accidents per 100,000 employees.
- Increase public satisfaction with the way in which we respond to incidents.

**3. We will use our resources flexibly, efficiently and effectively, reducing the cost of the Service to match the funding available.**

### Success Measures:

- Achieve appliance availability targets.
- Reduction in cost per hour of appliance availability.
- Reduction in projects running over timescale.
- Reduction in projects running over cost.

**4. We will ensure our people are involved, engaged and empowered to deliver excellence.**

### Success Measures:

- Improved staff satisfaction.
- Increase percentage of employees who are satisfied with the training they receive to do their role.
- Reduce the number of days/shifts lost per person to sickness absence.
- Increase the percentage of staff who received an appraisal in the past 12 months.

**5. We will use our assets to support sustainable communities and promote wellbeing.**

### Success Measures:

- Reduce our carbon footprint.
- Increase public recognition for the work we undertake.

**6. Our leaders will demonstrate trust and honesty, listening to others to support an open and inclusive culture.**

### Success Measures:

- Improved satisfaction with leadership within the Service.

## THE CAPITAL BUDGET

### THE CAPITAL PROGRAMME

The Authority has set a budget of **£7.823m** for capital payments in 2016/17. The programme for 2016/17 is set out on page 10. This budget book also gives details of draft programmes for the following three years. The forecast programmes are provided in order that advance design work may be carried out in good time and also to ensure that the longer lead times for the purchase of appliances can be planned for in the medium term.

As part of the budget process, the Authority will review the uncommitted elements of these future programmes before a decision is taken to commit resources to them. The budget figures for the 2017/18, 2018/19 and 2019/20 programmes are **£4.465m**, **£5.663m** and **£4.412m**. Future programmes that do not have an agreed outline business case are excluded from the forward plans.

### CAPITAL FINANCING

It is planned to finance the Authority's capital programme by internal resources from the accounting provisions for capital expenditure in earlier years and the opening cash balance. The interest cost of loans used to finance capital expenditure is included within the revenue budget.

### CONTACT POINTS

If you would like further information please contact the Finance Director & Treasurer to the Fire Authority, at

**Essex Fire Headquarters,  
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Witham,  
Essex. CM8 3HB**

**(Tel: 01376 576000)**



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**Finance Director & Treasurer to the Fire Authority**  
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## REVENUE BUDGET SUMMARY

| 2014/2015<br>Actual<br>£000 |  | 2015/2016               |                        | 2016/2017<br>Estimate<br>£000 |
|-----------------------------|--|-------------------------|------------------------|-------------------------------|
|                             |  | Original Budget<br>£000 | Updated Budget<br>£000 |                               |
| 34,729                      | Firefighters                           | 33,311                  | 32,817                 | 31,847                        |
| 6,183                       | Firefighters - retained duty system    | 5,208                   | 5,208                  | 5,522                         |
| 1,673                       | Control staff                          | 1,401                   | 1,401                  | 1,345                         |
| 11,295                      | Support staff                          | 10,433                  | 11,386                 | 11,477                        |
| <b>53,880</b>               | <b>Total Employment costs</b>          | <b>50,353</b>           | <b>50,811</b>          | <b>50,190</b>                 |
| 1,911                       | Support costs                          | 1,993                   | 1,997                  | 1,717                         |
| 10,603                      | Premises & equipment                   | 10,151                  | 10,311                 | 10,514                        |
| 3,329                       | Other costs & services                 | 3,354                   | 3,945                  | 3,516                         |
| 2,077                       | Firefighters' ill-health pension costs | 2,000                   | 2,000                  | 2,097                         |
| 5,939                       | Financing items                        | 8,093                   | 7,187                  | 7,340                         |
| (5,044)                     | Operational income                     | (4,116)                 | (4,424)                | (3,922)                       |
| <b>18,815</b>               | <b>Total Other costs</b>               | <b>21,474</b>           | <b>21,016</b>          | <b>21,262</b>                 |
| <b>72,695</b>               | <b>Total Budget</b>                    | <b>71,827</b>           | <b>71,827</b>          | <b>71,452</b>                 |
|                             | <b>Funding</b>                         |                         |                        |                               |
| (19,164)                    | Revenue support grant                  | (16,303)                | (16,303)               | (14,230)                      |
| (14,755)                    | National non domestic rates            | (14,993)                | (14,993)               | (15,118)                      |
| (38,651)                    | Council tax                            | (39,758)                | (39,758)               | (41,224)                      |
| (500)                       | Collection fund (surplus)/deficit      | (773)                   | (773)                  | (880)                         |
| 376                         | NDR surplus/deficit                    | -                       | -                      | -                             |
| <b>(72,695)</b>             | <b>Total Funding</b>                   | <b>(71,827)</b>         | <b>(71,827)</b>        | <b>(71,452)</b>               |

## DETAILED ESTIMATES

| 2014/2015     |                                       | 2015/2016       |                | 2016/2017     |
|---------------|---------------------------------------|-----------------|----------------|---------------|
| Actual        |                                       | Original Budget | Updated Budget | Estimate      |
| £000          |                                       | £000            | £000           | £000          |
|               | <b>Employment costs</b>               |                 |                |               |
| 34,729        | Firefighters                          | 33,311          | 32,817         | 31,847        |
| 6,183         | Firefighters - retained duty system   | 5,208           | 5,208          | 5,522         |
| 1,673         | Control staff                         | 1,401           | 1,401          | 1,345         |
| 11,295        | Support staff                         | 10,433          | 11,386         | 11,477        |
| <b>53,880</b> | <b>Total Employment costs</b>         | <b>50,353</b>   | <b>50,811</b>  | <b>50,190</b> |
|               | <b>Support costs</b>                  |                 |                |               |
| 622           | Training                              | 480             | 505            | 480           |
| 593           | Other employee costs                  | 777             | 756            | 556           |
| 696           | Travel & subsistence                  | 736             | 736            | 681           |
| <b>1,911</b>  | <b>Total Support costs</b>            | <b>1,993</b>    | <b>1,997</b>   | <b>1,717</b>  |
|               | <b>Premises &amp; equipment</b>       |                 |                |               |
| 1,992         | Property maintenance                  | 2,288           | 2,138          | 2,143         |
| 671           | Utilities                             | 476             | 596            | 590           |
| 1,496         | Rent & rates                          | 1,438           | 1,438          | 1,389         |
| 1,435         | Equipment & supplies                  | 1,434           | 1,434          | 1,448         |
| 1,487         | Communications                        | 1,269           | 1,400          | 1,409         |
| 2,443         | Information systems                   | 2,205           | 2,314          | 2,604         |
| 1,080         | Transport                             | 1,041           | 991            | 931           |
| <b>10,603</b> | <b>Total Premises &amp; equipment</b> | <b>10,151</b>   | <b>10,311</b>  | <b>10,514</b> |

DETAILED ESTIMATES (cont.)

| 2014/2015<br>Actual<br>£000 |   | 2015/2016               |                        | 2016/2017<br>Estimate<br>£000 |
|-----------------------------|---|-------------------------|------------------------|-------------------------------|
|                             |   | Original Budget<br>£000 | Updated Budget<br>£000 |                               |
|                             | <b>Other costs &amp; services</b>             |                         |                        |                               |
| 1,133                       | Establishment expenses                        | 1,210                   | 1,212                  | 960                           |
| 483                         | Insurance                                     | 511                     | 511                    | 512                           |
| 1,437                       | Professional fees                             | 1,377                   | 1,965                  | 1,788                         |
| 145                         | Democratic representation                     | 155                     | 155                    | 145                           |
| 131                         | Agency services                               | 102                     | 102                    | 110                           |
| <b>3,329</b>                | <b>Total Other costs &amp; services</b>       | <b>3,354</b>            | <b>3,945</b>           | <b>3,516</b>                  |
| <b>2,077</b>                | <b>Firefighters' ill-health pension costs</b> | <b>2,000</b>            | <b>2,000</b>           | <b>2,097</b>                  |
|                             | <b>Financing items</b>                        |                         |                        |                               |
| 1,908                       | Lease & interest charges                      | 1,808                   | 1,808                  | 1,641                         |
| 3,499                       | Other financing items                         | -                       | -                      | -                             |
| 5,639                       | Statutory Provision for Capital Financing     | 5,779                   | 6,070                  | 5,944                         |
| -                           | Voluntary Provision for Capital Financing     | -                       | -                      | -                             |
| (5,107)                     | Contribution to/(from) General Balance        | 506                     | (691)                  | (245)                         |
| <b>5,939</b>                | <b>Total Financing items</b>                  | <b>8,093</b>            | <b>7,187</b>           | <b>7,340</b>                  |
| (5,044)                     | Operational income                            | (4,116)                 | (4,424)                | (3,922)                       |
| <b>72,695</b>               | <b>Total Net Financing Requirement</b>        | <b>71,827</b>           | <b>71,827</b>          | <b>71,452</b>                 |
|                             | <b>Funding</b>                                |                         |                        |                               |
| (19,164)                    | Revenue support grant                         | (16,303)                | (16,303)               | (14,230)                      |
| (14,755)                    | National non domestic rates                   | (14,993)                | (14,993)               | (15,118)                      |
| (38,651)                    | Council tax                                   | (39,758)                | (39,758)               | (41,224)                      |
| (500)                       | Collection fund (surplus)/deficit             | (773)                   | (773)                  | (880)                         |
| 376                         | NDR surplus/deficit                           | -                       | -                      | -                             |
| <b>(72,695)</b>             | <b>Total Funding</b>                          | <b>(71,827)</b>         | <b>(71,827)</b>        | <b>(71,452)</b>               |

**SERVICE REPORTING CODE OF PRACTICE**

| 2014/2015 |  | 2015/2016 |             | 2016/2017 |             |
|-----------|--|-----------|-------------|-----------|-------------|
| Actual    |  | Updated   | Gross       | Income    | Net         |
| £000      |  | Budget    | Expenditure |           | Expenditure |
|           |  | £000      | £000        | £000      | £000        |
|           | <b>Community safety</b>                                  |           |             |           |             |
| 6,273     | Statutory inspection, certification and enforcement      | 5,317     | 5,546       | (196)     | 5,350       |
| 9,298     | Prevention and education                                 | 8,171     | 8,522       | (592)     | 7,930       |
|           | <b>Fire fighting and rescue operations</b>               |           |             |           |             |
| 51,853    | Operational responses                                    | 42,830    | 44,699      | (1,940)   | 42,759      |
| 8,176     | Communications and mobilising                            | 6,261     | 6,363       | (352)     | 6,011       |
| 845       | Securing water supplies                                  | 728       | 824         | (105)     | 719         |
| 787       | <b>Fire Service Emergency Planning and Civil Defence</b> | 698       | 1,359       | (658)     | 701         |
|           | <b>Corporate and Democratic Core</b>                     |           |             |           |             |
| 835       | Democratic representation and management                 | 1,003     | 968         | (13)      | 955         |
| 82        | Corporate Management                                     | 68        | 69          | (1)       | 68          |
| 62        | Non distributed costs                                    | -         | -           | -         | -           |
| 78,211    | <b>Net cost of services</b>                              | 65,076    | 68,350      | (3,857)   | 64,493      |
|           | <b>Other items excluded from net cost of service</b>     |           |             |           |             |
| (109)     | Interest and investment income                           | (120)     | -           | (65)      | (65)        |
| 5,639     | Provision for capital financing                          | 6,070     | 5,944       | -         | 5,944       |
| (521)     | Pension interest & reserve movements                     | -         | -           | -         | -           |
| 1,652     | Interest payable   | 1,492     | 1,325       | -         | 1,325       |
| (10,886)  | Reversal of depreciation charge                          | -         | -           | -         | -           |
| (1,105)   | Contribution to/(from) General Balance                   | (691)     | (245)       | -         | (245)       |
| (186)     | Transfer to Holiday Pay Account                          | -         | -           | -         | -           |
| 72,695    | <b>Total Net Expenditure for Council Tax</b>             | 71,827    | 75,374      | (3,922)   | 71,452      |

## CAPITAL PROGRAMME

| Capital programme             | Capital budget |              |              |              |
|-------------------------------|----------------|--------------|--------------|--------------|
|                               | 2016/17        | 2017/18      | 2018/19      | 2019/20      |
|                               | £000           | £000         | £000         | £000         |
| <b>Property</b>               |                |              |              |              |
| Asset Protection              | 2,000          | 2,000        | 2,000        | 2,000        |
| Service Workshops             | 1,000          | -            | -            | -            |
| Solar Panels                  | 300            | -            | -            | -            |
| <b>Equipment</b>              | 592            | 60           | 92           | 190          |
| <b>Information Technology</b> |                |              |              |              |
| Projects > £250k              | 400            | -            | -            | -            |
| Projects < £250k              | 425            | 100          | 100          | 100          |
| <b>Vehicles</b>               |                |              |              |              |
| Appliances                    | 2,255          | 2,050        | 2,050        | 1,845        |
| Other vehicles                | 851            | 255          | 1,421        | 277          |
| <b>Total</b>                  | <b>7,823</b>   | <b>4,465</b> | <b>5,663</b> | <b>4,412</b> |