

**ESSEX FIRE AUTHORITY**  
Essex County Fire & Rescue Service



**Policy and Strategy Committee**

<b>11:00</b>	<b>Wednesday, 13 January 2016</b>	<b>Kelvedon HQ GF/01,</b>
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**Quorum: 5**

**Membership**

Councillor A Hedley	Chairman
Councillor B Aspinell	
Councillor J Chandler	
Councillor A Erskine	
Councillor A Holland	Vice-Chairman
Councillor J Jowers	
Councillor C Kent	
Councillor A Naylor	
Councillor Lady P Newton	
Councillor P Oxley	

**For information about the meeting please ask for:  
Judith Dignum (Committee Services Manager, Essex County Council)  
03330134579 / [judith.dignum@essex.gov.uk](mailto:judith.dignum@essex.gov.uk)**

## **Essex Fire Authority and Committees Information**

Meetings of the Authority and its committees are open to the press and public, although they can be excluded if confidential information is likely to be considered.

Meetings are held at Essex County Fire and Rescue Service Headquarters, Kelvedon Park, Rivenhall, Witham, CM8 3HB. A map can be found on the Essex County Fire and Rescue Service's website ([www.essex-fire.gov.uk](http://www.essex-fire.gov.uk)); from the Home Page, click on 'Contact Us'.

There is ramped access to the building for wheelchair users and people with mobility disabilities.

Please report to Reception when you arrive. The meeting rooms are located on the ground and first floors of the building and are accessible by lift where required.

If you have a need for documents in an alternative format, in alternative languages or in easy read please contact the Committee Services Manager (contact details on the front page) before the meeting takes place. If you have specific access requirements please inform the Committee Services Manager before the meeting takes place.

The agenda is also available on the Essex County Fire and Rescue Service website, ([www.essex-fire.gov.uk](http://www.essex-fire.gov.uk)). From the Home Page, click on 'Essex Fire Authority', then scroll down the page and select the relevant documents.

## **Part 1**

(During consideration of these items the meeting is likely to be open to the press and public)

### **Pages**

- |          |  |              |
|----------|--|--------------|
| <b>1</b> | <b>Apologies for Absence</b>   |              |
| <b>2</b> | <b>Declarations of Interest</b><br>To note any declarations of interest to be made by Members in accordance with the Members' Code of Conduct. |              |
| <b>3</b> | <b>Minutes</b><br>To approve as a correct record the minutes of the meeting of the Committee held on 4 November 2015.                          | <b>5 - 8</b> |

### **Decision Items**

- |          |  |                |
|----------|--|----------------|
| <b>4</b> | <b>Budget Review - November 2015</b><br>To consider a report by the Finance Director and Treasurer (EFA/003/16). | <b>9 - 16</b>  |
| <b>5</b> | <b>Draft Budget for 2016-17</b><br>To consider a report by the Finance Director and Treasurer (EFA/004/16).      | <b>17 - 48</b> |

### **Information Items**

- |          |   |  |
|----------|---|--|
| <b>6</b> | <b>Date of Next Meeting</b><br>To note that the next meeting of the Committee will take place on Wednesday 16 March 2016 at 10.00 am.   |  |
| <b>7</b> | <b>Urgent Business</b><br>To consider any matter which in the opinion of the Chairman should be considered in public by reason of special circumstances (to be specified) as a matter of urgency. |  |

## **Exempt Items**

(During consideration of these items the meeting is not likely to be open to the press and public)

To consider whether the press and public should be excluded from the meeting during consideration of an agenda item on the grounds that it involves the likely disclosure of exempt information as specified in Part I of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act.

In each case, Members are asked to decide whether, in all the circumstances, the public interest in maintaining the exemption (and discussing the matter in private) outweighs the public interest in disclosing the information.

**8 Urgent Exempt Business**

To consider in private any other matter which in the opinion of the Chairman should be considered by reason of special circumstances (to be specified) as a matter of urgency.



**MINUTES OF A MEETING OF THE ESSEX FIRE AUTHORITY POLICY AND STRATEGY COMMITTEE HELD ON WEDNESDAY 4 NOVEMBER 2015 AT 10:00 AM**

**Present:**

Councillor A Hedley	Chairman
Councillor J Chandler	
Councillor A Erskine	
Councillor A Holland	Vice-Chairman
Councillor J Jowers	
Councillor C Kent	
Councillor A Naylor	

The following Officers were present in support throughout the meeting:

Dave Bill	Assistant Chief Fire Officer - Operations
Mike Clayton	Finance Director and Treasurer
Paul Hill	Assistant Chief Fire Officer - Safer and Resilient Communities
Lindsey Stafford-Scott	Director of Human Resources and Organisational Development
Judith Dignum	Committee Services Manager (Essex County Council)

Apologies for absence were received from Councillors B Aspinell, Lady P Newton and P Oxley, and also from Adam Eckley, Acting Chief Fire Officer.

**1. Declarations of Interest**

Councillor A Holland declared a personal interest in agenda item 8 (Commercial Report) in that she is a Director of EFA (Trading) Ltd (minute 7 below refers).

**2. Minutes**

The minutes of the meeting held on 23 September 2015 were agreed as a correct record and signed by the Chairman.

### 3. Budget Review - September 2015

The Committee considered report EFA/093/15 by the Finance Director and Treasurer which reviewed expenditure against budget as at 30 September 2015 and identified major variances to the budget for the period. The report also reviewed the forecast outturn for 2015/16.

The following points arose from the Committee's consideration of the report:

- Support was expressed for the virement of £301k of planned spend on thermal imaging cameras to be brought forward to the current year, due to the benefits that the equipment would bring to firefighters.
- The current situation with regard to the implementation of mixed crewing was noted. The Assistant Chief Fire Officer – Operations advised that he was due to meet later in the week with a member of the Expert Advisory Panel (Natasha Edmunds) to discuss how this could be progressed, bearing in mind the Cultural Review recommendation regarding the need for a sensitive approach. He undertook to update the Chairman on progress following the meeting. The FBU's opposition at a national level to the introduction of mixed crewing, due to the potential loss of whole-time firefighter posts, was noted.
- It was difficult to assess whether other Fire and Rescue services had implemented mixed crewing as the term was defined differently across services.
- It was noted that the overspend on casual and temporary support staff could be met from within existing budgets. Numbers of such staff were expected to reduce in due course, as some posts had been retained to cover roles unfilled pending the outcome of the planned staffing review. However, Members acknowledged that numbers may increase initially due to the work associated with service transformation. In the long term, it was possible that the ratio of support staff to operational staff may increase.
- Savings had been achieved by the installation of Solar Panels, but these had not been as high as anticipated.
- The Assistant Chief Fire Officer – Operations provided an update on the control project, which was proposed to go live early next year. He advised of the commitment to a review after 12 months (January 2016), although the nature of this would be limited to the shift pattern due to the incomplete implementation of the new system. The process for agreeing the remit and conduct of the review was currently under consideration, and engagement from the trades unions would be sought. Changes to the process for providing regular project updates were noted, and it was agreed that Fire Authority members should be included in the circulation of the weekly bulletin to staff.

- The proposed launch of a new staff e-newsletter was noted.

**Resolved:**

1. That the review of income and expenditure against the budget, as set out in report EFA/093/15, be noted;
2. That the forecast position for 2015/16 be noted;
3. That the virement of £301k of planned spend on thermal imaging cameras be brought forward to the current year;
4. That the actual position with regard to capital expenditure be noted.

**4. Insurance Pooling**

The Committee considered report EFA/094/15 by the Finance Director and Treasurer which provided an update on the establishment of pooling arrangements to provide cover for losses previously covered by insurance. Members were advised that the Authority is a member of the Fire and Rescue Indemnity Company Ltd (FRIC) which provides discretionary cover for these losses. The new arrangement had commenced on 1 November.

The following points arose from consideration of the report:

- Following a procurement process, Regis Mutual Management Ltd had been appointed as the manager of the insurance pool. The sum which would have formed the insurance premium under the previous arrangement would be invested by Regis until required to meet claims. The mutual was British-based and regulated.
- When the establishment of the Pool had first been agreed in January 2014, the intention had been for it to become operational with effect from 1 November that year if possible. The timescale was subsequently amended, with a revised implementation date of 1 November 2015.
- The first £500k of each motor claim would be met by the pooling company, with claims above that amount being met by the underlying insurer. The relatively low level of retention by the pooling company reflected the fact that, due to the type of claims concerned, the cost of underlying insurance for claims above £500k was almost identical to that for claims above £1 million.

**Resolved:**

That the current position regarding the arrangements for insurance pooling, as set out in report EFA/094/15, be noted.

**5. Date of Next Meeting**

It was noted that the next meeting of the Committee would take place on Wednesday 13 January 2016 at 11.00 am or on the rising of the extraordinary meeting of Essex Fire Authority also to be held that morning, whichever is the later.

**6. Exclusion of the press and public**

**Resolved:**

That, having reached the view that the public interest in maintaining the exemption (and discussing the matter in private) outweighed the public interest in disclosing the information, the public (including the press) be excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information, as specified in Part 1 of Schedule 12A of the Local Government Act 1972.

**7. Commercial Report**

(Exempt under paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information)).

The Committee considered report EFA/095/15 by the Finance Director and Treasurer which concerned the ending of a teaming agreement with a commercial partner, entered into in November 2015.

**Resolved:**

1. That the ending of the commercial agreement, as set out in report EFA/095/15, be noted.
2. That the lessons learned be noted.
3. That the development of potential future collaboration opportunities be supported.

The meeting closed at 10.40 am.

Chairman  
13 January 2016

# ESSEX FIRE AUTHORITY

## Essex County Fire & Rescue Service



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MEETING

**Policy & Strategy  
Committee**

AGENDA ITEM

**4**

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MEETING DATE

13 January 2015

REPORT NUMBER

**EFA/003/16**

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SUBJECT

**Budget Review – November 2015**

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REPORT BY

The Finance Director & Treasurer

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PRESENTED BY

The Finance Director & Treasurer, Mike Clayton

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### **SUMMARY**

This paper reports on expenditure against budget as at 30 November 2015 and identifies major variances to the budget for the period. The report also reviews the forecast outturn for 2015/16.

### **RECOMMENDATIONS**

Members are asked to:

1. Note the review of income and expenditure against the budget;
2. Note the forecast position for 2015/16;
3. Note the actual position with capital expenditure;

### **BACKGROUND**

This report reviews the actual expenditure against budget to 30 November 2015 for both revenue and capital expenditure.

A summary of the net revenue expenditure for the eight months to 30 November is shown in the table below.

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
<b>Total Employment Costs</b>	<b>33,762</b>	<b>215</b>	<b>1%</b>	<b>48</b>
Support Costs	1,242	(21)	-2%	143
Premises & Equipment	6,744	(174)	-3%	866
Other Costs & Services	2,636	(169)	-6%	210
Ill health pension costs	1,368	35	3%	-
Financing Items	1,187	(19)	-2%	12
Operational income	(3,286)	(257)	8%	0
Contribution to/(from) Reserves	-	(174)	0%	-
<b>Total Other Costs</b>	<b>9,890</b>	<b>(779)</b>	<b>-7%</b>	<b>1,231</b>
<b>Total Budget</b>	<b>43,652</b>	<b>(563)</b>	<b>-1%</b>	<b>1,279</b>
<b>Total Funding</b>	<b>(49,499)</b>	<b>(58)</b>	<b>0%</b>	<b>-</b>
<b>Funding Gap / (Surplus)</b>	<b>(5,846)</b>	<b>(621)</b>		<b>1,279</b>

More detailed figures are provided at page 7.

## STAFFING

Overall employments costs are £215K (1%) above budget for the 8 months to 30 November.

The underspend for whole time fire-fighters is £30K (0.1%). For on-call firefighters, spend is £377K over budget, The industrial action between 13<sup>th</sup> June and 1<sup>st</sup> September accounts for additional resilience costs of £385k and is the reason for the overspend.

The £66K (1%) underspend on support staff pay is after the finalisation of a number of virements requested by budget holders to deal with specific project work particularly in the ICT, Community Safety and Property departments.

Whole-time fire-fighter numbers at 724 are 2 (0.3%) under the phased budget at the end of November. The rate of firefighter headcount reduction has slowed over the past 4 months with a net reduction of 7.5 compared to 24 for the first 4 months of the year. There are no plans to recruit more whole-time fire-fighters at the current time.

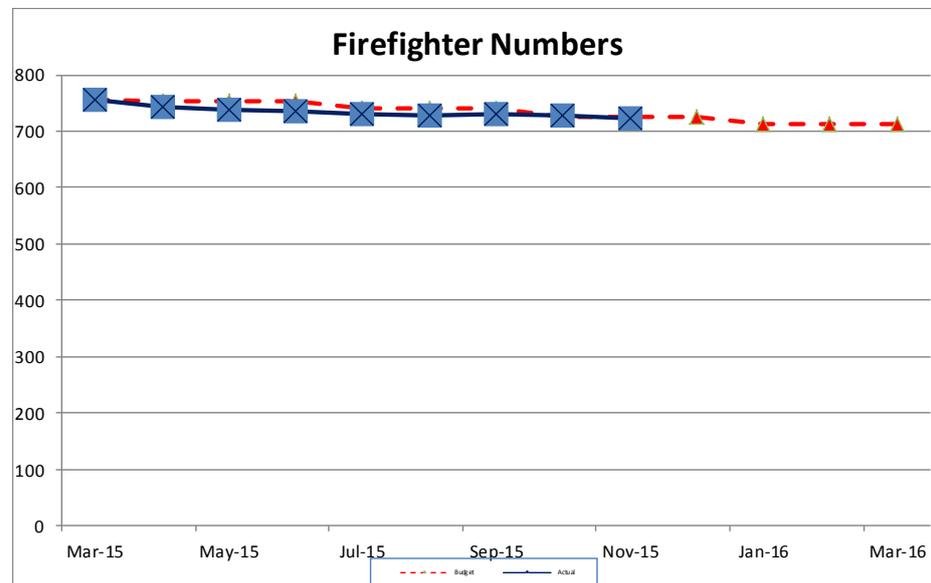
The staffing position at the end of November is summarised below (% figures rounded):

30 Nov 2015	Actual	Budget	Variance	
Wholetime Firefighters - FTE	724.0	726.0	-2.0	0%
On-Call Firefighters - Headcount	480.0	514.0	-34.0	-7%
Control - FTE	33.5	34.0	-0.5	-1%
Support Staff - FTE	259.1	262.0	-3.0	-1%
Total	1,496.6	1,536.0	-39.5	-3%

The figures in the table above show on-call fire-fighters on a headcount basis. On a full time equivalent basis there are 380 fire-fighters against a maximum station requirement of 454. Changes to the recruitment process for on-call firefighters are being made and an increase in the number of on-call firefighters is expected by the year end.

The number of whole-time fire-fighters aged over 50 with more than 30 years' service was 8 at the end of November. The number of fire-fighters over 50 with more than 25 years' service was 83 at the end of November.

The graph below shows the numbers of whole-time fire-fighters compared to the budget for the month.



## WATCH BASED FIREFIGHTERS

The numbers of Watch Based Fire-fighters compared to the target levels set by the Authority are shown below:

Date	Budgeted Rider Resource	OptJmum Rider Resilience Level	Critical Minimum Rider Requirement	Actual Riders	Wholetime Rota Day Working (FTE)	On-Call Firefighters Mixed Crewing (FTE)
31/10/2015	624	600	576	573.0	0.0	2.7
30/11/2015	624	600	576	570.0	0.0	2.6

Watch based numbers are marginally below the critical minimum rider requirement. In part this anticipates the reduction in the requirement when Rescue Tenders are withdrawn in early 2016. The management of the shortfall is helped by low levels of leave at this time of year and a planned approach to appliance availability for the second appliance at low activity fire stations. The additional shifts worked by on-call fire-fighters, mainly at Dunmow are reported as Full Time Equivalent (FTE) posts in the table above.

## NON PAY RELATED EXPENDITURE

Non pay expenditure is £522k underspent for the 8 months to 30 November; in addition operational income is £257K better than budget. Support costs are £21K (2%) underspent overall, clothing (£16K), occupation health (£32K) and travelling/subsistence (£101K) are all underspent, contributions to the pension fund for financial strain relate to support staff early retirements and are £52k overspent. Training is also £87K overspent.

Premises and equipment is £174K (3%) underspend, the main elements are a slower than budget take up on property maintenance partially offset by higher rent and rates. Operational income is £257k better than budget; the main reason is higher government grants for business rates support than budgeted for (£147K).

## FORECAST 2015-16

The first forecast for the year was presented to Members in September. The forecast has been updated to reflect some significant changes, particularly for Programme 2020, the Cultural Review, the Expert Advisory Panel and ICT. Budget holders have been working in conjunction with Finance to prepare budget virements to re-allocate resources as a result of changes to priorities and methods of delivery. These virements have now been processed and are reflected in the table below. The net result is that the total forecast expenditure for the Authority shows an expected overspend of £92K (0.13%) for the year. I am confident that expenditure will be controlled to eliminate this forecast overspend.

The budget agreed by the Fire Authority in February was £71.8m; in addition, the Authority has agreed to make use of reserves to fund specific expenditure in 2015-16. These reserves total £0.9m relating to expenditure carried forward from 2014/15, sprinkler systems and the costs of the cultural review and independent Expert Advisory Panel. The total net expenditure budget for the year therefore stands at £72.7m.

The outturn forecast including a summary of budget virements to date, is summarized below.

Description	Original Full Year Budget £'000s	Virements £'000s	Current Full Year Budget £'000s	Outturn Forecast £'000s	Forecast Variance £'000s	% Forecast Variance
Firefighters	33,311	(494)	32,817	32,976	159	0%
On-Call Fire-Fighters	5,208	-	5,208	5,624	416	8%
Control	1,401	-	1,401	1,334	(67)	-5%
Support Staff	10,433	952	11,386	11,392	6	0%
<b>Total Employment Costs</b>	<b>50,353</b>	<b>458</b>	<b>50,811</b>	<b>51,326</b>	<b>514</b>	<b>1%</b>
Support Costs	1,993	4	1,997	1,981	(16)	-1%
Premises & Equipment	10,151	161	10,311	10,263	(48)	0%
Other Costs & Services	3,354	591	3,945	4,106	161	4%
Ill health pension costs	2,000	-	2,000	2,000	-	0%
Financing Items	7,588	291	7,879	7,879	(0)	0%
Operational income	(4,116)	(308)	(4,424)	(4,735)	(311)	7%
Contribution to/(from) Reserves	506	(297)	209	-	(209)	0%
<b>Total Other Costs</b>	<b>21,474</b>	<b>442</b>	<b>21,916</b>	<b>21,494</b>	<b>(423)</b>	<b>-2%</b>
<b>Total Budget</b>	<b>71,827</b>	<b>900</b>	<b>72,727</b>	<b>72,819</b>	<b>92</b>	<b>0%</b>
<b>Total Funding</b>	<b>(71,827)</b>	<b>-</b>	<b>(71,827)</b>	<b>(71,828)</b>	<b>(0)</b>	<b>0%</b>
<b>Funding Gap / (Surplus)</b>	<b>-</b>	<b>900</b>	<b>900</b>	<b>992</b>	<b>92</b>	

The main reasons for the budget virement of £494K on firefighters pay are a reduction in employer's pension contributions following the introduction of the new firefighter's pension scheme from 1st April 2015 and the transfer of community safety work originally budgeted for under firefighters pay but now being carried out by support staff. In the context of the pension virement it should be noted that the employers' contribution rates for the firefighter's pension scheme were not announced until after the budget for 2015-16 was agreed by the Authority in February.

On call fire-fighters pay is forecast to be £416K overspent, £385K of this relates to the impact of resilience payments as a result of industrial action for the period from the 13th June to 1st September. No further forecast is made for the effects of any further industrial action not yet announced as it is not possible to predict during the remaining part of the year. We currently aim to fund the costs of industrial action within the budget approved by the Fire Authority in February.

The support staff pay budget virements include funding the implementation of job evaluation proposals at a cost in 2015-16 of £250K. The other main factors are additional support costs for Programme 2020 (£227k), additional ICT project work (£203K) and safer communities work originally budget under firefighters pay (£272K).

Operational income is forecast to be better than budget, the main factor is that business rates support is forecast to be £260K better than the budget.

## CAPITAL EXPENDITURE

Capital expenditure spent and committed for the 8 months to 30 November 2015 is shown in the table below.

Total capital expenditure is £7.2m, the largest item included is £3.7m for new appliances. The figure also includes £1,255K for asset protection. The equipment spend and commitment of £665K comprises thermal imaging cameras (£344K), heavy rescue equipment (£259K) and gas tight suit replacement (£62K)

The investment of £1,146K in information technology relates to replacing the management information system for Safer Communities, the Water section and Fleet Workshops.

	Original Budget 2015/16 £'000s	Approved Changes £'000s	Revised Budget - 18/3/15 £'000s	Total Spend including Commitments £'000s	Forecast 2015 £'000s
<b>Property</b>					
Solar Panels	-	291	291	-	-
Asset Protection	2,170	-	2,170	1,255	2,170
<b>Total Property</b>	<b>2,170</b>	<b>291</b>	<b>2,461</b>	<b>1,255</b>	<b>2,170</b>
<b>Equipment</b>	<b>736</b>	<b>538</b>	<b>1,274</b>	<b>665</b>	<b>1,274</b>
<b>Information Technology</b>					
Projects > £250k	1,300	(122)	1,178	1,146	1,178
Projects < £250k	200	(200)	-	-	-
<b>Total Information Technology</b>	<b>1,500</b>	<b>(322)</b>	<b>1,178</b>	<b>1,146</b>	<b>1,178</b>
<b>Vehicles</b>					
New Appliances	3,161	839	4,000	3,698	4,000
Other Vehicles	608	479	1,087	411	1,087
<b>Total Vehicles</b>	<b>3,769</b>	<b>1,318</b>	<b>5,087</b>	<b>4,109</b>	<b>5,087</b>
<b>Total Capital Expenditure</b>	<b>8,175</b>	<b>1,825</b>	<b>10,000</b>	<b>7,175</b>	<b>9,709</b>

## RISK MANAGEMENT IMPLICATIONS

The review of expenditure against the profiled budget is part of the overall financial control process of the Authority. In exceptional circumstances it allows for budget virements to ensure that underspending against budget heads can be utilised to fund expenditure against other priorities. If virements are not made there is a risk that the Authority will miss out on opportunities to improve performance and meet key objectives during the year. The Authority's reserves are at the upper end of their target range and the Authority is able to fund short term fluctuations in activity from them when necessary.

The review of the management accounts is one control measure to mitigate the risk of overspending the Authority's budget for the year.

## LEGAL IMPLICATIONS

There are no direct legal implications within this report.

## USE OF RESOURCES

There are no use of resources implications within this report

**ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report

**EQUALITY IMPLICATIONS**

There are no equality implications arising from this report.

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of appendices attached to this paper:</b>	
Appendix 1 – Expenditure compared to budget to 30 November 2015	
<b>List of background documents (not attached):</b>	
Proper Officer:	The Finance Director and Treasurer
Contact Officer:	The Finance Director and Treasurer, Mike Clayton Essex County Fire & Rescue Service, Kelvedon Park, London Road, Rivenhall, Witham CM8 3HB Tel: 01376 576000 E-mail: <a href="mailto:mike.clayton@essex-fire.gov.uk">mike.clayton@essex-fire.gov.uk</a>

**EXPENDITURE COMPARED TO BUDGET TO 30 NOVEMBER 2015**

Description	YTD Actual £'000s	Variance YTD £'000s	% Variance YTD	YTD Commitments £'000s
Firefighters	22,047	(30)	0%	-
On-Call Fire-Fighters	3,395	377	13%	-
Control	863	(67)	-7%	-
Support Staff	7,457	(66)	-1%	48
<b>Total Employment Costs</b>	<b>33,762</b>	<b>215</b>	<b>1%</b>	<b>48</b>
Training	398	87	28%	39
Employee Support Costs	491	(6)	-1%	97
Travel & Subsistence	353	(102)	-22%	6
<b>Support Costs</b>	<b>1,242</b>	<b>(21)</b>	<b>-2%</b>	<b>143</b>
Property Maintenance	1,237	(168)	-12%	478
Utilities	393	(5)	-1%	1
Rent & Rates	1,038	80	8%	0
Equipment & Supplies	946	(10)	-1%	89
Communications	966	(12)	-1%	(0)
Information Systems	1,553	(27)	-2%	258
Transport	612	(32)	-5%	40
<b>Premises &amp; Equipment</b>	<b>6,744</b>	<b>(174)</b>	<b>-3%</b>	<b>866</b>
Establishment Expenses	731	(62)	-8%	68
Insurance	373	32	10%	-
Professional Fees & Services	1,364	(136)	-9%	75
Democratic Representation	94	(9)	-9%	-
Agency Services	74	6	9%	67
<b>Other Costs &amp; Services</b>	<b>2,636</b>	<b>(169)</b>	<b>-6%</b>	<b>210</b>
<b>III Health Pension costs</b>	<b>1,368</b>	<b>35</b>	<b>3%</b>	<b>-</b>
Lease & Interest Charges	1,187	(19)	-2%	12
<b>Financing Items</b>	<b>1,187</b>	<b>(19)</b>	<b>-2%</b>	<b>12</b>
Operational income	(3,286)	(257)	8%	0
Contributions to/ (from) General Balance	-	(174)	0%	-
<b>Total Net Financing Requirement</b>	<b>43,652</b>	<b>(563)</b>	<b>-1%</b>	<b>1,279</b>
Revenue Support Grant	(12,350)	(0)	0%	-
National Non-Domestic Rates	(10,181)	-	0%	-
Council Tax Collection Account	(602)	(57)	0%	-
Council Tax	(26,366)	-	0%	-
<b>Total Funding</b>	<b>(49,499)</b>	<b>(58)</b>	<b>0%</b>	<b>-</b>



# 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 Budget</b>	<b>2016/17 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 1.9% 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 £m	Revenue Support Grant £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 £'m	2017-18 £'m	2018-19 £'m	2019-20 £'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 £'000s	Budget £'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 £'000s	2015-16 Forecast £'000s	2016-17 Budget £'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 Budget	Changes	2016/17 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 wholetime 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 £'000s	2015-16 Forecast £'000s	2016-17 Budget £'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 Budget £'000	Council Tax Freeze 2016/17 £'000	Change £'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 2015/16 £'000s	Capital Bid 2016/17 £'000s	Capital Bid 2017/18 £'000s	Capital Bid 2018/19 £'000s	Capital Bid 2019/20 £'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 CM8 3Hb Tel 01376 576000 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:

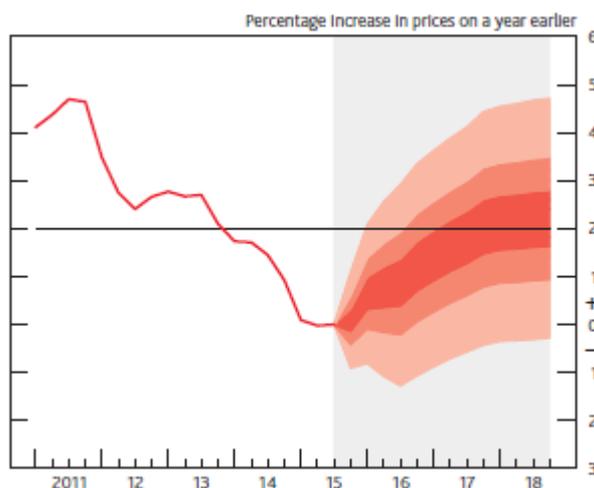
1. Assumptions regarding inflation;
2. Estimates of the level and timing of capital receipts;
3. Treatment of demand led pressures;
4. Treatment of savings;
5. Risks inherent in any new partnerships etc.;
6. Financial standing of the Authority (i.e. level of borrowing, debt outstanding etc.);
7. The 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 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 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. 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)
<b>2016/17 budget requirement</b>	<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	2016/17	Change	Change
	£000	£000	£000	%
<b>Budget Requirement</b>	71,827	71,452	(375)	-0.5
<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,  
Kelvedon Park,  
Witham,  
Essex. CM8 3HB**

**(Tel: 01376 576000)**



**Mike Clayton**  
**Finance Director & Treasurer to the Fire Authority**  
Email [mike.clayton@essex-fire.gov.uk](mailto:mike.clayton@essex-fire.gov.uk)

**REVENUE BUDGET SUMMARY**

2014/2015 Actual £000		2015/2016		2016/2017
		Original Budget £000	Updated Budget £000	Estimate £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 Actual £000		2015/2016		2016/2017
		Original Budget £000	Updated Budget £000	Estimate £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 Actual £000		2015/2016		2016/2017
		Original Budget £000	Updated Budget £000	Estimate £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**

<b>2014/2015</b>		<b>2015/2016</b>		<b>2016/2017</b>	
<b>Actual</b>		<b>Updated Budget</b>	<b>Gross Expenditure</b>	<b>Income</b>	<b>Net Expenditure</b>
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<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>	<b>65,076</b>	<b>68,350</b>	<b>(3,857)</b>	<b>64,493</b>
<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>	<b>71,827</b>	<b>75,374</b>	<b>(3,922)</b>	<b>71,452</b>

**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>