Fire and Rescue Service
Headquarters, Pirehill
Please ask for Kay Johnson
DDI (01785) 898670

STRATEGY AND RESOURCES COMMITTEE

Thursday 19 January 2017
2.15 pm
Room 1
Fire and Rescue Service Headquarters
Pirehill

(A Chairman/Vice-Chairman's Preview has been arranged, for Mr S J Sweeney and Mr R A Irving only, for 1.45 pm)

H. NORRIS
Secretary to the Authority
10 January 2017

A G E N D A

1. Apologies

2. **Declaration of Interests**

3. **Minutes of the Strategy and Resources Committee held on 22 November 2016**

4. **Minutes of the Scrutiny and Performance Committee held on 7 December 2016**

5. **Revenue Budget 2017/18**

   Joint Report of the Chief Fire Officer/Chief Executive and the Director of Finance, Assets and Resources

6. **Exclusion of the Public**

   The Chairman to move:-

   "That the public be excluded from the meeting for the following items of business which involve the likely disclosure of exempt information as defined in the paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below".

PART TWO

7. **Exempt Minutes of the Scrutiny and Performance Committee held on 7 December 2016**
(Exemption paragraph 3)

8. **Exempt Report of the Chief Fire Officer/Chief Executive**
(Exemption paragraph 4)

MINUTES OF THE STRATEGY AND RESOURCES COMMITTEE HELD ON 22 NOVEMBER 2016

Present: Sweeney, S J(Chairman)

Banks, Mrs K M	Hambleton, Mrs S
Clarke, R J	Irving, R A
Davies, P R	Martin G R
Dutton, A E	Wood, Miss C B

Apologies: Chapman, F A; Day, W D and Deaville, M A.

Also in attendance: Ms R Bryant, Chief Fire Officer/Chief Executive; Mr D Greensmith, Director of Finance, Assets and Resources; Ms L Taylor, Deputy Monitoring Officer; Mr R Barber, Deputy Chief Fire Officer/Deputy Chief Executive and Mrs J Hollinshead, Strategic Risk Manager.

PART ONE

Documents referred to in these minutes as schedules are not appended but will be attached to the signed copy of the minutes. Copies, or specific information in them, may be available on request.

Minutes of the Meeting held on 28 September 2016

43. Mr Sweeney welcomed Louise Taylor, Deputy Monitoring Officer for the Authority from Derbyshire Fire and Rescue Service, to the meeting.

44. **RESOLVED –** That the Minutes of the Strategy and Resources Committee held on 28 September 2016 be confirmed and signed by the Chairman.

Minutes of the Scrutiny and Performance Committee held on 19 October 2016
(Schedule 1)

45. **RESOLVED –** That the Minutes of the Scrutiny and Performance Committee held on 19 October 2016, as presented by Mrs K M Banks Chairman of that Committee, be received.

Minutes of the Service Improvement and Equality Committee held 24 October 2016
(Schedule 2)

46. A Member referred to a typographical error on page 4 of the minutes which should read Crewe and not Crew.

47. **RESOLVED –** That the Minutes of the Service Improvement and Equality Committee held on 24 October 2016, as presented by Mr G R Martin Chairman of that Committee, be received, subject to the amendment outlined above.

Minutes of the Fire Pensions Board held on 2 November 2016
(Schedule 3)

48. Mr Greensmith referred to the issue of the annual benefits statements outlined in the Pensions Board Minutes which was previously reported to the Strategy and Resources Committee.

49. **RESOLVED –** That the Minutes of the Fire Pensions Board held on 2 November 2016, be received.

Treasury Management Report for the Half Year ended 30 September 2016
(Schedule 4)

Declaration of Interests

Mr R Irving declared a Pecuniary Interest as he has shares with Standards Life.

Mr Dutton declared a Pecuniary Interest as he has shares with Royal London (mutual).

50. The report, presented by Mr Greensmith, reviewed the Treasury Management activities for the half-year ended 30 September 2016, including the Prudential Indicators for Treasury Management and the Stoke-on-Trent and Staffordshire Fire and Rescue Authority's ("the Authority") Approved Lending List (the List). The report was required as a result of the adoption of the CIPFA Code of Practice for Treasury Management in the Public Services (the Code).

During the first 6 months of the year the Authority continued to invest cautiously. No long-term loans were taken out although the Authority did repay a £0.5million PWLB loan in August 2016. This was a good news story. They had reduced the gross debt of the Authority by £4m.

The report outlined the performance of the economy, the long term borrowing position, the annual investment strategy/approved lending list, amendment to the list – Royal London Cash Plus Fund, the short term money market transactions and the compliance with the CIPFA code of practice.

Mr Greensmith referred to page 6 of the report and the proposed investment with the Royal London Cash Plus Fund, which needed the approval of the Strategy and Resources Committee as this was outside of the Annual Investment Strategy. The Treasury Management Team would normally just invest in "specified investments" on behalf of the Authority and "RL Cash Fund Plus" was a "non specified investment". Both the County Council and the Staffordshire Pension Fund invests in the RL Cash Plus Fund. This Fund was AAA rated and gave a slightly better rate of return.

Members discussed the credit rating on various financial institutions.

Mr Greensmith referred to Appendix 1 of the report covering the loans position of the Authority. He advised that the reason that the external debt indicator looked so high was due to the fact that it covered the liability of the two PFI projects, even the part that was paid by Government and not by the Service.

Miss Wood commented upon the issue of UK farmers selling goods abroad as this was now more profitable. Mr Greensmith advised that the way the currency market had reacted after the Brexit vote meant that it was now far more attractive to export goods. Mr Sweeney commented that when the UK leave the single market there may be import and export tariffs imposed. Interest rises were not expected in the foreseeable future. There was a report to say that the interest rate may become negative but that had not happened. Mr Dutton commented that the British Pound had made a recovery since the Brexit vote. Mr Davies commented that he was a member of a charitable trust who had in the last quarter had their investments increased by £0.5m, so Brexit had had a positive effect on the stock market. Mr

Greensmith commented that the rise in the stock market may also improve the pension deficits through pension investments.

51. **RESOLVED –** (a) That the Treasury Management activities for the half-year ended 30 September 2016 be approved, including the Prudential Indicators for Treasury Management shown at Appendix 1 to the report be approved.

(b) That investment in the Royal London Cash Plus Fund, with a maximum investment limit of £1.5 million, be approved. (This fund is a non-specified investment which falls outside the 2016/17 Annual Investment Strategy).

Annual Audit Letter
(Schedule 5)

52. Mr Greensmith presented the report. The Annual Audit Letter summarised the key findings arising from the work that was carried out at Stoke-on-Trent and Staffordshire Fire and Rescue Authority by the external auditor for the year ended 31 March 2016. The report provided a commentary on the results of the audit work to the Authority and its external stakeholders, and highlighted any issues that the Auditor would wish to draw to the attention of the Public. A copy of the Annual Audit Letter was attached for Members information, and a copy would also be considered by Members of the Audit Committee during the meeting scheduled for 23 November 2016. In preparing the Letter, Grant Thornton had followed the National Audit Office (NAO's) Code of Audit Practice and Auditor Guidance Note (AGN) 07- 'Auditor Reporting'. A copy of the letter had also been sent to Public Sector Audit Appointments (PSAA) in line with requirements. The Annual Audit letter followed on from the detailed findings report that was considered by the Authority's Audit Committee on 27 July 2016, where an unqualified opinion was given by Grant Thornton on that date.

The Audit fee payable to Grant Thornton for the year ended 31 March 2016 was £30,709, a 25% reduction from the fee payable in 2014/15 of £40,945.

Ms Bryant commented that the Authority should not underestimate the achievement of an "unqualified" opinion on their accounts, on 27 July 2016, two months ahead of the deadline due to the excellent engagement between Finance and the Audit Team. This Authority was one of only a select few that would be named in a publication by Public Sector Audit Appointments (PSAA) as having their accounts signed off two months early. She advised that they should collectively celebrate the financial health of the Service and the Authority. Furthermore, the commitment to economy, effectiveness and efficiency should be noted. They also had a robust and effective reserves strategy.

Mr Davies concurred with Ms Bryant's comments. Yet again the Finance Team, led by Mr Greensmith should be congratulated for the work that they undertake year in year out. The work under taken was second to none, although they could always improve. It gave him great satisfaction to sit on the Authority and commented how privileged Members were. He thanked officers and auditors for their work.

Mr Sweeney agreed with the comments made and asked that his thanks be passed on to the staff involved. No one would disagree with this achievement.

Ms Bryant commented that many other organisations did not have "unqualified" accounts. This was a good news story for the Service and the Authority. She commented that when the report comes out in December they may want to publicise this achievement.

Mr Davies advised that this was the second year that they had produced the accounts two months early which showed how effective they were.

Mr Sweeney asked whether a press release had been prepared with regard to this achievement. Mr Greensmith advised that they were looking to do this when the Public Sector Audit Appointments Report came out. Mr Sweeney asked how many other different types of authorities had completed their accounts early. Mr Greensmith advised that the report had not yet been released although the Authority had been advised that they were one of only a few authorities to achieve the early closure of accounts. Ms Bryant advised that she understood that it covered fire, police and other local authorities.

53. **RESOLVED -** That Members noted:- (a) That Grant Thornton provided an unqualified opinion on 27 July 2016 (2 months ahead of the deadline), this was enabled by the excellent engagement between Finance and the Audit Team.

(b) The financial statements submitted for audit were, yet again, of good quality delivered by an effective close down process and supported by excellent working papers.

(c) That the audit provided a positive value for money conclusion demonstrating that we continue to provide Economy, Efficiency and Effectiveness (referred to on page 9 of the Annual Audit Letter), and

(d) That the Authority's accounts showed a good financial position going forward, due to the appropriate level of reserves which form part of the overall financial strategy, and the ability to provide value for money.

Quarterly Financial Report 2016/17
(Schedule 6)

54. Mr Greensmith presented the report which advised Members' of the recurring revenue, non-recurring revenue and capital programme position, as at 30 September 2016. This was the financial position for the Authority as reported within the internal Resource Control Report and represented the cumulative position for the financial year for the first half of the financial year.

The total Revenue Budget for 2016/17 as approved by the Fire Authority on 16 February 2016 was £40.5m and included an annual savings target of £1.2m for 2016/17, to be delivered through a programme of efficiency savings. As part of the Settlement for 2016/17 to 2019/20 the Authority had been offered the opportunity to accept a "four-year" funding settlement in return for the publication of a transparent and robust efficiency plan. This efficiency plan and updated Staffordshire Fire 2020 document had both been issued to the Home Office and published on the Service website in line with the required conditions of the offer. The Home Office had confirmed receipt of this information.

The total recurring revenue spend to date of £20.3m was £0.3m favourable to budget after delivery of £0.6m in budgeted efficiency savings. The savings were being delivered through lower pay costs due to lower headcount in both wholetime and retained which was in line with the £1.1m of operational pay savings included within the efficiency plan submission for 2016/17.

The latest Capital Programme forecast for 2016/17 is c.£8.1m, of which c.£5m was to be funded from the capital grant received for the two transformational funding projects at Biddulph and Stafford. The total capital commitment as at 30 September was £1.4m, with the programme again being subject to ongoing review and scrutiny by the Capital Review

Group, as set out in Appendix 2 to the report. The programme had so far been reduced by £1.9m in year, with the original budget set at £10m.

Total cash held in investments, as at 30 September 2016 of £18.5m, was £0.5m adverse to budget due to the timing of creditor payments including additional works at the Transport and Engineering facility that remained unpaid (recoverable from the Office of the Police and Crime Commissioner). The cash position as at 30 September had been discussed in more detail as part of the Treasury Management update.

Members discussed the outstanding payment of £1m due from the Office of the Police and Crime Commissioner (OPCC) and were advised that the legal agreement was in the process of being finalised. Members asked whether the OPCC could refuse to pay the monies and were advised that this was not the case and that the revised legal agreement was almost ready for signing. A Member commented that being £0.5m adverse to budget due to these outstanding monies should not reflect negatively on the Service.

Ms Bryant commented that this demonstrated the complexities of two organisations coming together. The work had been undertaken in a manageable manner. This had to be done right first time rather than incurring costs etc.

Overall the financial position for the Authority was on track at the half year with delivery of the required savings to date, which was supported by healthy cash balances.

55. **RESOLVED –** Members noted that the:-

(a) Total Revenue Budget for 2016/17 as approved by the Fire Authority on 16 February 2016 was £40.5m, plus approved Non Recurring Revenue Budget of £0.4m to be fully funded from Specific/Earmarked Reserves held by the Authority.

(b) Total revenue spend as at 30 September 2016, was £20.3m, £0.3m favourable to budget (as outlined in Appendix 1 to the report).

(c) Total non-recurring revenue spend at £0.2m, in line with budget to date.

(d) Budget for 2016/17 included £1.2m of targeted savings, of which savings of £0.6m had been included within the budget to date. This target had therefore been exceeded by £0.3m as at 30 September 2016.

(e) Total committed capital spend as at 30 September 2016 was £1.4m, as outlined in Appendix 2 to the report, against a revised forecast of £8.1m which is £1.9m less than budget.

(f) Total useable reserves held by the Authority as at 31 March 2016, per audited accounts, was £11.0m (Specific Reserves £9.1m, General Reserve £1.9m). The reserves strategy had been updated and was approved by Members on 28 September. The Annual Audit Letter received by Grant Thornton (Item 6 on the Agenda) referred to the good financial position for the Authority going forward, due to the appropriate level of reserves which form part of the overall financial strategy, and the ability to provide value for money.

(g) Total cash held in investments, as at 30 September 2016, was £18.5m, £0.5m adverse to budget.

Strategic Risk Register
(Schedule 7)

56. The Strategic Risk Register was last reviewed on 8 June 2016 by the Principal Management Team and then taken to Service Delivery Board on 21 June 2016. The register was then reviewed again during early September 2016 by individual face to face meetings and via email correspondence with the Principal Officers. The newly updated risk register was then taken for review and approval to the Service Delivery Board (SDB) on the Tuesday 27 September 2016.

One new risk had been added to the register since the last time it was reviewed by the Strategy and Resources Committee, namely *Risk 8 – Failure to include income generation projects in future Strategic/ Directorate and Departmental plans.* This risk was placed on the Strategic Risk Register following concerns voiced around the possibility that SFRS could fail to achieve and sustain its future financial targets particularly if it did not have sufficient internal expert knowledge of the commercial sector and recognise the potential risks posed.

Miss Wood asked what was the likelihood of change between red and amber on these risks. Mrs Hollinshead advised that there was another more detailed register behind this register and that risks were mitigated as far as they could be.

Ms Bryant referred to Risk S2 on the register which referred to the £4m savings required up to 2019/20. A four year efficiency plan had now been agreed by the Authority and therefore this risk would likely be reduced to at least "amber" at the next review meeting which was scheduled for the 24th November. She referred to another risk which involved the Emergency Services Mobile Communications Project. This Project was beyond the control of the Service but still needed to be included as a risk.

Ms Bryant advised that a lot of work had gone into introducing policies and procedures in relation to protective security but if they did not have the culture in place then there were still potentially issues that could arise. Mr Greensmith advised that if the Service did not get protective security right they would not get accreditation for the Code of Compliance, which could lead to other issues specifically in relation to the Emergency Services Mobile Communications Programme.

Mrs Hollinshead advised that they would be further reviewing the Risk Register on Thursday 24 November.

57. **RESOLVED –** That the revised Strategic Risk Register be approved.

Financial Regulations Update
(Schedule 8)

58. The report provided Members with an understanding of the amendments in the Financial Regulations review. The Financial Regulations have been reviewed and updated to accommodate the new Authority's structure and processes. By regularly reviewing the Financial Regulations the Authority further strengthens its internal control environment. The Financial Regulations were last reviewed and updated in March 2012. The Regulations had not changed in principle and only minor amendments had been applied.

The amendments incorporated in the new version of the Regulations were as follows:

- The financial strategy now encourages any revenue underspend to be initially used as a direct contribution to capital (B24).

- The introduction of the protective security legislation has meant a further explanation within system procedures (C7).
- The changes in the Authority's executive team has resulted in the definition of Directors being updated (Appendix 1 d).
- Clarity on the Local Government Acts stated in the regulations has been inserted (A4 and Appendix 1 c).

Mr Greensmith drew Members attention to another change on page 8 of the Financial Regulations which increased the writing off of debtors' accounts from £2,000 up to £5,000. Mr Sweeney enquired what sort of debts these may be. Mr Greensmith advised that these may relate to lift rescues from a supermarket chain, or assisting entry to a property if someone was locked out etc. He advised that the Service did make efforts to ensure that these bills were paid but on occasion these debts were written off. This did not happen very often.

Mr Irving commented that he fully supported the changes to the Financial Regulations but wanted to ensure that commercial/supermarket chains paid for the services that they had received. The supermarkets had a duty of care for their customers and he indicated that there needed to be something more formal in place. It was not what he expected from this supermarket chain and urged the Service to pursue any such charges. Mr Davies commented that there was a reputational issue for the Service not charging for these services. Mr Greensmith advised that there were standard charges in place.

Ms Bryant advised that there were a number of things that the Service could charge for. With Special Service Calls the Service had the ability not to apply a charge eg breaking in in case of a flood etc.

Mr Barber advised that it was worthy of note that the supermarket chain pay for a contract on their lifts. The Service worked with businesses to make sure that their lifts were properly maintained and that appropriate provision was made in the case of a lift breakdown.

59. RECOMMENDATION TO THE FIRE AND RESCUE AUTHORITY – That the amended Financial Regulations, attached as Appendix 1 to the Minutes, as endorsed by the Strategy and Resources Committee, be considered for approval.

Exclusion of the Public

Upon the motion of the Chairman it was:

60. **RESOLVED -** "That the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below".

PART TWO

Exempt Minutes of the Meeting held on 28 September 2016

(exemption paragraph 3)

61. **RESOLVED -** That the Exempt Minutes of the meeting held on 28 September 2016 be confirmed and signed by the Chairman.

Exempt Minutes of the Scrutiny and Performance Committee held on 19 October 2016

62. **RESOLVED** – That the Exempt Minutes of the Scrutiny and Performance Committee held on 19 October 2016 be received.

Exempt Minutes of the Service Improvement and Equality Committee held on 24 October 2016
(exemption paragraph 2)

63. **RESOLVED –** That **t**he Exempt Minutes of the Service Improvement and Equality Committee held on 24 October 2016 be received.

CHAIRMAN

MINUTES OF THE SCRUTINY AND PERFORMANCE COMMITTEE HELD ON 7 DECEMBER 2016

Present: R J Clarke (in the Chair)

Davies, M W	Marshall, R J
Irving, R A	Wood, Miss C B

Apologies:- Banks, Mrs K M; Day, W D and Winnington, M J.

Also in Attendance: Mr T Hyde, Director of Response, Mr B Moss, Lead Officer NSDG and Mr H Norris, Secretary and Monitoring Officer.

PART ONE

Documents referred to in these minutes as schedules are not appended but will be attached to the signed copy of the minutes. Copies, or specific information in them, may be available on request.

Minutes of the Meeting held on 19 October 2016

29. **RESOLVED –** That the Minutes of the Scrutiny and Performance Committee held on 19 October 2016 be confirmed and signed by the Chairman.

Retained Duty System Update

(Schedule 1)

30. Mr Hyde provided an update on the Retained Duty System (RDS). He recapped on the current crewing positions for the three duty systems in operation:

- Wholetime – crewed 24/7 at 8 locations
- Day duty system – crewed 0800 to 2000 daily at 2 locations
- Retained Duty System – crewed on call 24/7 at 30 locations

From 1 January 2017 the Retained Duty System will have an establishment of 394 firefighters. For comparison the wholetime establishment would be 248 and indicated that the firefighters in Staffordshire were conditioned to the Retained Duty System.

The RDS requires a firefighter to give a commitment to a number of hours on call for which they receive a retaining fee and during these committed hours respond to the fire station within five minutes, in order to crew the appliance and proceed to the allocated incident. In addition to the response duties a budget is allocated to each station to allow the firefighters to deliver risk reduction work within their own communities. The RDS had traditionally been aligned to the conditions of service contained in The Grey Book. Staffordshire was one of a number of Services that took steps in the early 2000's to renegotiate the payment mechanisms for Retained staff and a system of payment which recognised the number of hours on call delivered by an individual, along with the activity level of the station, was developed. As call rates dropped largely as a result of the successful prevention work carried out across the County, so the banding (and payments) at some stations began to fall. In addition, those stations which had opted to stay aligned to the Grey Book were also seeing proportionate reductions in their pay.

The Service was faced with a need to reduce establishments and make the RDS more attractive to current and potential staff and so entered into negotiation with the representative bodies. An agreement was reached that resulted in a reduction in the RDS establishment from 487 to 390 along with a new payment mechanism that, from 1 January 2017, would apply to all RDS staff.

The Service is currently running a County wide recruitment campaign and included within this is a positive action programme which seeks to recruit from under-represented groups within communities covered by RDS crewed appliances. There are also plans to secure the services of staff employed across the Service in non-response roles as RDS firefighters, by applying the firefighter selection tests to volunteers and then putting those successful applicants through the suite of training modules. The trained staff would then plan their work so that they could work from Rising Brook and, whilst there, keep that appliance available.

All RDS staff has been issued with a new contract of employment that will come into effect on 1 January 2017. A copy of the new policy which detailed the working arrangements and management of the RDS was attached to the report.

Mr Hyde advised Members that the deadline for the return of signed contracts was 1 December and they had now received the majority of signed contracts. The outstanding ones related to individuals that were known to them and this was being progressed. He reported that a meeting was taking place that afternoon at Kidsgrove Fire Station to discuss concerns and the door was still open for one to one meetings. Members of HR and the FBU would also be in attendance.

Miss Wood commented on the great work that had been undertaken for the change to go through so smoothly and enquired if staff had been given the opportunity to see the contract before it was sent out. Mr Hyde stated that consultation had identified staff concerns and that negotiations had been successful in terms of addressing most of these. Faced with the need to reduce budgets the Service could either pay the same number of staff and in most cases, increase the pay slightly. Staff had indicated that they preferred the latter options and this had been done.

Mr Irving complimented the Officers and the Unions at working together to achieve a solution and stated that overall it appeared to be a workable agreement. Mr Hyde added that the utilising of green book staff from non-operational roles had been useful in recruitment and he was pleased to report that 10 green book staff would be starting the new role in January. Worthy of note was that seven of the 10 staff assigned to Rising Brook were female which illustrated that the new policy also enhanced diversity across the Service.

In response to a Member's question regarding response times across the County, Mr Hyde stated that there was a need to review the standard five minute turn in time across the County as had been done at Longnor in 2009 when an eight minute standard had been implemented to make the crewing of the Station sustainable. A further Service wide review would be completed in 2017 that will look to enhance both the sustainability of recruitment and balance this with response standards from each Station.

Miss Wood enquired if there were blue lights fitted on private cars. Mr Hyde advised that it was not legal to do so. The alerters issued to Retained staff raised the alarm only. If information was given regarding the address and nature of the call there was a risk that Retained staff could take unacceptable risks when responding to their Station.

Mr Marshall referred to the risk implications paragraph on the report and felt it needed to be expanded, as by definition it was reducing the budget. Mr Hyde advised that the figures demonstrated significant reduction in the numbers of Retained firefighters. The need to reduce the actual number of Retained staff on the establishment reflected the requirement to set the annual budget based on the establishment rather than the actual number of staff that the Service had.

Members asked for a further explanation on the new payment scheme for the Retained firefighters. Mr Hyde provided an example as detailed below:

- If a Retained firefighter worked 100 hours per week with no call outs, the payment would be 18% of a Wholetime firefighters rate – this will be the retaining fee for someone giving that number of hours on call.
- The percentage of the full retaining fee will be equivalent to the number of declared on call hours on a sliding scale e.g. 80 hours will attract 80% of the retaining fee and 115 hours would attract 115%.
- This recognised that the commitment should be rewarded in a fair and proportionate way and would be paid monthly in arrears to ensure it accurately reflected the hours provided.
- If an employee responded to a Station – a Disturbance Allowance is paid at the national rates of pay which was currently £3.90.
- If an employee attended a station and formed part of the crew that is immediately immobilised then a minimum of 1 hours pay would be paid in addition to the Disturbance fee.
- This amount would increase dependent on the length of the incident and if the crew was mobilised to subsequent incidents.
- In addition 2 hours per week is paid at the full hourly rate for the weekly drill period.
- Firefighters can also earn additional pay for delivering risk reduction activity.

Whilst earnings are dependent on a combination of: hours on call; the number of drill and community fire safety events attended and the number and duration of fire calls, the pay for a Retained firefighter would average £10,000 - £12,000; which was an increase on the average earnings based on recent payment schemes.

Mr Moss added that throughout the discussions held, the demand on the Retained firefighter was recognised. The demand of the busy urban appliance at for example Cannock was of equal value to areas such as Ipstones who were not as busy. There was also the need to recompense the retaining fee enhancement over those who were not so busy and equally rewarding those that were called out.

Mr Norris commented that whilst on a recent holiday in New Zealand, he visited a volunteer fire station where they were operating an interactive pager for call outs which then gave the firefighter the opportunity to press a button which indicated how many minutes they were away from the incident. Mr Hyde commented that the 999 system was currently being re-examined for its functionality and he felt the type of technology referred to by Mr Norris would soon be here i.e. working from smart phones etc.

Members thanked Mr Hyde for providing a comprehensive report.

31. **RESOLVED –** That the report be noted.

Impact of the 2015 Community Safety Options Changes
(Schedule 2)

32. Mr Hyde's report focused on the impact on community and firefighter safety following the implementation of changes to provision of resources across the County on 1 September 2015 and 1 January 2016. The recommendations that were made as a result of analysis of data collected by the Service over a number of years were made to the Authority in 2015 and were subsequently approved. The recommendations consisted of:

- The removal of the Targeted Response Vehicle from Burton-on-Trent. (1 Sept 2015)

- The removal of 16 wholetime posts from Burton-on-Trent. This resulted in the need for the five wholetime staff on duty at any time to switch crew the special appliances at Burton. This means that the five crew members of the first pump will, when required to do so by Fire Control, move from that pump to either the Aerial Ladder Platform or the Incident Response Unit in order to crew the required vehicle. In this event the Retained staff from Burton are immediately called in to reinstate the riders on the Pumping appliance so that it is again immediately available. (1 Jan 2016)

- The removal of the second pumping appliance at Stone. This had the effect of reducing the Retained establishment at Stone from 26 to 24. (NB: Stone has the Service Command and Control Unit as a second appliance). (1 Jan 2016)

- The removal of the second pumping appliance at Rugeley. This had the effect of reducing the Retained establishment at Rugeley from 26 to 24. (NB: Rugeley has the High Volume Pumping Unit in addition to its remaining Scania fire appliance). (1 Jan 2016)

- The replacement of the Scania fire appliance at Lichfield with a Targeted Response Vehicle. This had the effect of reducing the Retained establishment at Lichfield from 26 to 19. (1 Jan 2016)

Where appliances had been removed the data used to evaluate the impact was the attendance times of the responses made prior to removal in the station area concerned, compared to response times after the appliance had been removed.

It was anticipated that the changes made at Burton would have an impact on the availability of the Retained appliance because Retained staff would be used to crew the wholetime appliance on occasion. The data set used in this case was the availability, by month, of that appliance.

In all cases the outcomes from all attendances within the station area or appliance availability in the year immediately prior to the change was compared with the period since the change, up to 14 November 2016. The report contained a table which detailed the line of enquiry that resulted in the data shown. An analysis of the results from each station involved was provided:

Burton-on-Trent: The availability of the Retained appliance at Burton-on-Trent had marginally improved during the reference period since the change. The special appliances had mobilised 30 times and on each of these occasions the Retained crew would have been called in to the station to refresh the crewing of the first pump at the expense of the crewing on the second.

In the area of the County covered by the two pumps based at Burton-on-Trent, the Service had failed it’s attendance standard for the second appliance, that being 18, 20 and 28 minutes in high, medium and low risk areas respectively, on one more occasion since the changes at the station. This was a variation of 7% and was within the expected year on year variance and could not be attributed to the change with any certainty.

Stone: The number of failed attendance times for the second appliance in the area covered by Stone appliances had reduced from 14 to 9, a reduction of 36%. Again, variance was to be expected in those figures from one period to the next and whilst the improvement should not be attributed to the removal of the fire appliance, it was reassuring to note that the fears of the local communities that this figure would increase, had not been realised. The reduction in the average attendance time, for the second appliance within the Stone area was again reassuring and would indicate that reductions in community and firefighter safety have not resulted from the change at Stone.

Rugeley: The number of failed attendance times for the second appliance in the area covered by Rugeley appliances had reduced from 9 to 6, a reduction of 33%. Again, variance was expected in those figures from one period to the next and whilst the improvement should not be attributed to the removal of the fire appliance, it was reassuring to note that the fears of the local communities that this figure would increase, had not been realised. The reduction in the average attendance time, for the second appliance within Rugeley area was again reassuring and would indicate that reductions in community and firefighter safety have not resulted from the change at Rugeley.

Lichfield: The number of failed attendance times for the second appliance in the area covered by Lichfield appliances had reduced from 17 to 9, a reduction of 47%. Again, variance was expected in these figures from one period to the next and whilst the improvement should not be attributed to the removal of the fire appliance, it was reassuring to note that the fears of the local communities that this figure would increase, had not been realised.

To conclude Mr Hyde stated that the results as detailed above indicated that the savings were achieved without any additional risk to community or firefighter safety.

The report was well received by Members. Mr Irving commented that he recalled this was controversial throughout the process but Officers came back with assurances and he welcomed the report to confirm they were making savings without additional risk to the community or firefighters.

Mr Clarke felt it was realistic to give a word of caution as it had only been 12 months and circumstances could change. He was in full agreement with getting staff trained up to multi-task which would provide more flexibility. Mr Hyde added that they were also working with other Services to enhance that flexibility.

33. **RESOLVED –** That the report be noted.

Items for Future meetings

34. Members held a discussion on possible future items for scrutiny. Mr Hyde advised that Stuart Ruckledge, the Service’s Fire Engineer was actively promoting the fitting of sprinklers to buildings across the County. He referred to the recent fire that was deliberately started in an Amazon Distribution Centre. Sprinklers had been fitted which contained the fire and enabled the firefighters to put it out without extensive damage to the

building. The escalation was a matter of hours and enabled the business to continue its operating function.

Mr Irving commented that in his capacity as Chair of the Planning Committee in Stoke-on-Trent, the Fire Service was consulted on all major planning operations as it was considered far easier to fit sprinklers at the start of the planning process than retrospectively.

In response to a Member's question regarding enforcement of fitting sprinklers Mr Hyde advised that the Service could not impose the fitting of sprinklers, they could only operate in an advisory capacity.

With regard to the Slitting Mill Fire at Rugeley, Mr Hyde advised that they would be able to report on firm outcomes from the incident at the meeting scheduled for 19 April 2017. He added that there were now 45 such sites that had been identified across the County, some much larger than the site at Slitting Mill. The proceeds of the operations undertaken at some illegal sites equated to those of other organised crime but the penalties for those caught were far less. He advised that Amanda Milling MP was involved in lobbying Ministers to see if the legislation available to Local Authorities and the Environment Agency could be firmed up.

Mr Hyde stated that Doctors based at Portsmouth University were conducting a review on evaluating outcomes from RTC's. The data was currently being collated, therefore a report on outcomes of the EXIT programme would be submitted following the conclusion of the review.

Following discussions Members concurred that the following items be brought to future meetings of the Scrutiny and Performance Committee.

2 February 2017	Performance Report
	False Alarms Policy Update
	Benefits of Smoke Alarms/Fire Suppressant Systems and the consequent near misses (Amazon fire incident)
	Report on the Adrian Thomas review
19 April 2017	Slitting Mill Fire, Rugeley - firm outcomes following the incident
On-going over the Next 12 Months	Response Standards – following the impact of the Adrian Thomas Review
Future Items date not yet specified	Previous Working Group updates
	Scrutiny of the Innovations and Transformation Process
	Working with H M Prison Service Update – 12 month update due late spring
	Outcomes of the EXIT Programme

Date of next Meeting

35. Members were advised that the next meeting of the Committee would be held on Thursday 2 February 2017 at 2.15 pm.

Exclusion of the Public

Upon the motion of the Chairman it was:

36. **RESOLVED -** "That the public be excluded from the meeting for the following items of business which involved the likely disclosure of exempt information as defined in the paragraphs of Part I of Schedule 12A of the Local Government Act 1972 indicated below".

PART TWO

Exempt Minutes of the Meeting held on 19 October 2016

(exemption paragraph 3)

37. **RESOLVED -** That the Exempt Minutes of the Meeting held on 19 October 2016 be confirmed and signed by the Chairman.

Improving Community Cohesion

(exemption paragraph 3)

38 - 39. Members considered an update report on Improving Community Cohesion and made comments thereon.

CHAIRMAN

Item No. 5 on Agenda

Stoke-on-Trent and Staffordshire Fire and Rescue Authority

Strategy and Resources Committee

19 January 2017

Revenue Budget Report 2017/18

Report of the Chief Fire Officer/Chief Executive and the Director of Finance, Assets and Resources

Summary

This report advises Members on the potential Revenue Budget for 2017/18 and Council Tax options for their consideration and recommendation to the full Authority on the 15 February 2017.

The budget proposals contained within this report are based upon the multi-year settlement offer that has been made to all single purpose fire and rescue authorities as part of the Provisional Local Government Finance Settlement. This is following the submission of the Efficiency Plan for the Authority last October which has now been noted by the Fire Minister and funding allocations issued for 2017/18, 2018/19 and 2019/20 by the Home Office on 16 December 2016.

The assumptions contained within the Authority's Efficiency Plan and Medium Term Financial Strategy (MTFS) are therefore robust, being based upon the assumptions contained within the original four-year settlement and assumes that the Authority will increase Council Tax by a minimum 1.75% per year up to 2019/20, in addition the Council Tax base is forecast to increase by approximately 1.5% per year for the same time period and funding from Business Rates is also assumed to increase by £0.8m (9.2%). These assumptions partly mitigate the £4.8m reduction in Revenue Support Grant (RSG) included within the original settlement offer received in December 2015.

Following the Members Development Workshop on 6 January 2017, the budget proposal incorporates an option for Council Tax to be increased in 2017/18 by 1.75%, in line with the approved Efficiency Plan and MTFS, and also provides Members with a number of alternative Council Tax Options for their consideration (see **Appendix 2**). A 1.75% increase in Council Tax is equivalent to an additional £1.23 per annum (2.37 pence per week) and would increase Band D Council Tax for this Authority to £71.56 (£1.38 per week). It has been confirmed that a 2% referendum limit remains in place for this Authority for 2017/18.

The budget process for 2017/18 has involved full consultation with all budget holders and calculated from a zero base. Where possible all recurring efficiencies and savings achieved to date have been incorporated into the base budget.

Overall the settlement for 2017/18 is therefore in line with the approved Medium Term Financial Strategy and Efficiency Plan submission that included a total of **£4m** in required savings by 2019/20.

Recommendations

(a) To consider recommending to the Authority on 15 February 2017 a Council Tax increase of 1.75% **(see Appendix 1),** but to also to give due consideration to the alternative options available as contained within **Appendix 2,** as discussed at Members Development on 6 January 2017

(b) To note the position regarding reserves for each option as set out within **Appendix 3**

(c) To note that the budget for 2017/18 is consolidated and includes recurring and non-recurring revenue

(d) To note that the budget has been calculated to support the first year of the new Corporate Safety Plan for 2017-20 and also incorporates the principles established within the Staffordshire 2020 document and assumptions contained within the Efficiency Plan and approved MTFS

(e) To note that the budget includes £1.0m of saving to be achieved during the budget year, equivalent to a 2.5% reduction on total budget, and is the second year of an approved plan to deliver £4.0m of savings in the four years 2016/17 to 2019/20

(f) To note that the proposals within the report were discussed by Members on 6 January 2017 during the Members Budget Development Workshop

(g) To note that the Council Tax base is forecast to increase to 335,813 properties which is equivalent to an increase of 1.78%. The Council Tax collection fund is also estimated to be in surplus by £0.3m. Only two district councils have confirmed the Council Tax base and collection fund position at the time of writing this report.

(h) To note that upon finalisation of the Council Tax base, Council Tax surplus/deficit and local business rates allocation (NNDR1), there will be some amendments required to the information incorporated within this report, prior to submission to the Authority

Financial Implications

The financial implications are referred to throughout the report.

Legal Implications

The Authority is required to set a balanced budget. The strategy outlined in this report will ensure that this is achieved for 2017/18.

Equality and Diversity

Equality and diversity issues have been properly considered and addressed by managers during the compilation of this budget proposal.

Risk Implications

The 2017/18 budget has been developed on the assumption that savings of c.£1.0m will be identified and delivered in the year as part of the overall Efficiency Plan. Therefore, it is essential that these are implemented in a timely way, managed, monitored and that progress is regularly reported. This will be reported through this Committee on a quarterly basis.

Consultation and Engagement undertaken

The budget proposal has been compiled from a zero base following extensive consultation with budget managers, Directors and Members of the Authority.

Protective Security Implications

Protective security implications have been given due consideration when establishing the budget for ICT and the Data Management Team.

Procurement and Social Value impact

The procurement and social value implications have been given due consideration when establishing the budget for 2017/18.

Other implications

None

Background

Settlement Funding and Efficiency Plans

1. Following the release of the Autumn Statement by the Government on 25 November 2015, the Authority received the provisional Local Government Finance Settlement in December 2015 and an offer to councils for future years. This offered single purpose Fire and Rescue Authorities firm four-year funding allocations to 2019-20 in return for robust and transparent efficiency plans that can be scrutinised by local people.

2. The Authority received further information from the Home Office regarding this offer and in May 2016 the then Fire Minister Mike Penning formally wrote to the Chairman of the Authority setting the requirements for applying to accept this offer.

3. On behalf of the Authority, Strategy and Resources Committee, who had received delegated authority, approved the Efficiency Plan submission on 28 September 2016

and the Plan was submitted to the Home Office prior to the deadline of 14 October 2016.

4. This historic 2016/17 settlement offered local authorities greater certainty over elements of their funding until the end of Parliament and 97% of authorities have now accepted this offer. The budget year 2017/18 is the second year of this multi-year settlement. The offer includes certainty over the following funding streams; Revenue Support Grant (RSG), Business Rates tariff and top-up payments, and also Transition Grant.

5. The budget proposals contained within this report are based upon the multi-year settlement offer that has been made to all single purpose fire and rescue authorities as part of the Provisional 2017/18 Local Government Finance Settlement received on 16 December 2016. This document is now out for consultation until 13 January 2017.

6. The original Local Government Finance Settlement incorporated a total reduction in Revenue Support Grant of £4.8m by 2019/20 which was incorporated into the approved Medium Term Financial Strategy and Efficiency Plan for the Authority, as follows:

- 2016/17 - £1,429,471
- 2017/18 - £1,822,582
- 2018/19 - £ 964,695
- 2019/20 - £ 580,849

TOTAL - £4,797,979

7. The above is equivalent to a reduction in RSG of c.50% during the period 2016/17 to 2019/20.

8. Settlement Funding comprises of three funding streams shown below as incorporated within the draft settlement issued for 2017/18:

	2016/17 £	**2017/18 £**	**Movement £**
1% share of Local Business Rates	3,419,946	3,785,301	365,355
Business Rates Top-up	5,304,304	5,640,795	336,491
Revenue Support Grant (RSG)	8,042,651	6,220,069	(1,822,582)
Total Settlement Funding	**16,766,901**	**15,646,165**	**(1,120,736)**

Business Rates / Business Rates Top-up

9. The Authority currently receives a 1% share of local business rates, in addition to a business rates top-up. The actual 1% share of local business rates figures will not be finalised until the 31 January 2017 when the district, borough and city council have all completed their NNDR forms (Non-Domestic Rating Income Calculation and Estimate of Collection Fund Surpluses and Deficits), and the above forecast is based upon

estimates received to date for total business rates for 2017/18 and surplus or deficit on the collection funds.

10. The 1% local share of business rates is forecast to increase significantly in 2017/18 due to a marked improvement in the forecast collection fund position. This has moved from a substantial deficit position in 2016/17 (c.£250k) to a position that is closer to break even for the budget year. This is a cautiously optimistic position that will not be confirmed until 31 January 2017 upon completion of all NNDR forms as discussed above.

11. The Provisional Settlement received in 2015 assumed that there would be growth in business rates of 9.2% by 2019/20 (£0.8m), as follows:

	2015/16	**2016/17**	**2017/18**	**2018/19**	**2019/20**
1% share of Business Rates	3,469,728	3,498,642	3,567,455	3,672,697	3,790,083
Business Rates Top-up	5,260,466	5,304,304	5,408,630	5,568,189	5,746,158
Total Business Rates	**8,730,194**	**8,802,946**	**8,976,085**	**9,240,886**	**9,536,241**
Percentage Increase on 2015/6		***+0.8%***	***+2.8%***	***+5.8%***	***+9.2%***

12. The business rates top-up estimate included within this budget report are based upon the Settlement Funding estimates received with the Provisional Financial Settlement.

13. The Business Rates Top-up received from Government has also been adjusted for the following in 2017/18, 2018/19 and 2019/20:

- **Rates Revaluation 1 April 2017** – The next business rates revaluation takes place from 1 April 2017 and at a local level bills will increase or fall depending upon whether rateable values in our area have performed above or below the average for England, after allowing for appeals. When the Government introduced the 50% business rates retention scheme it signalled that it would adjust each authorities tariff or top-up following a revaluation to ensure that retained income is the same after revaluation as immediately before.
- **Section 31 Grants** – Following the recent technical consultation on the 2017/18 local government finance settlement, the government proposes that each tariff and top-up should be issued which also incorporates a number of reliefs previously received as a S31 grants, these include; small business rates relief, long-term empty properties, newly built empty properties, transitional payments and retail relief. Therefore, whilst the overall business rates top-up has increased, income in the form of S31 grants have been removed to compensate for this.

Council Tax

14. The setting of Council Tax is under the control of the Authority. The Band D Council Tax for Stoke-on-Trent and Staffordshire Fire and Rescue Authority is currently £70.33.

15. The Authority previously accepted freeze grants for the four years 2011/12 to 2014/15, which have all been incorporated into Settlement Funding (total £1.1m), with the exception of the 2012/13 freeze grant of £0.7m which was removed from funding

completely. Freeze grant compensation has not been offered by the Government for 2017/18 and subsequent years to 2019/20.

16. The Authority increased Band D Council Tax in 2015/16 and 2016/17 by 1.95% and 1.99% respectively.

17. In order to partly mitigate the significant reduction in Settlement Funding the Provisional Financial Settlement includes assumptions that the Authority will increase Council Tax by a minimum 1.75% per year up to 2019/20 and in addition the Council Tax Base will increase by approximately 1.5% per year for the same time period. This assumption generates additional Council Tax of approximately £2.7m up to 2019/20.

18. Should the Authority decide to increase the Council Tax for 2017/18 the referendum limit has been set at 2%, the maximum Council Tax increase without triggering a referendum would therefore be 1.99%. A 1.99% increase in Council Tax is equivalent to an increase in Band D of £1.40 per annum (2.7p per week) and would raise an additional c.£470,100 in Council Tax revenue every year.

19. A Council Tax increase of 1.75% would generate an additional £413,000 per annum. This increase would be equivalent to £1.23 per annum (2.37 pence per week) and would increase Band D Council Tax for this Authority to £71.56 (£1.38 per week).

20. The Council Tax base is currently forecast to increase to 335,813 properties in 2017/18 which is equivalent to an increase of 1.78%. The Council Tax collection fund is also estimated to be in surplus by £0.3m. This information will be finalised prior to the final budget report being completed and a verbal update on the latest position will be available to Members during the meeting.

21. In addition, alternative Council Tax options are provided within **Appendix 2**, should Members wish to consider an alternative Council Tax approach for the Authority.

Revenue Budget 2017/18

22. The Revenue Budget sets out to support and enable the delivery of the first year of the Authority's new Corporate Safety Plan covering the period 2017/18 to 2019/20.

23. **Appendix 1** sets out the proposed revenue budget of £39,980,000 for 2017/18 based upon a Council Tax Increase of +1.75%. The total Revenue Budget requirement for alternative Council Tax options is shown within **Appendix 3**.

24. The key features of the budget, are as follows:

(i) Pay costs Recurring budget

The overall pay costs budget for 2017/18 at £28.0m, is £1.1m lower than last year's budget, this also incorporates £0.7m of savings and efficiencies to be delivered during the year 2017/18.

The reduction in pay budget reflects the impact of the reduction in headcount as approved by the Authority. It also reflects the impact of the 1% assumed pay award for 2017/18.

The following bridge explains the net reduction in pay costs:

	£m
Pay Budget - 2016/17	**29.1**
Impact of wholetime reductions (28 posts from 1/1/17)	(1.1)
Impact of wholetime reductions (12 posts from 1/1/18)	(0.1)
Impact of reduced executive team	(0.1)
Impact of revised retained payment scheme	(0.4)
Reduction in pay efficiency target	0.1
Apprenticeship Levy Introduction	0.1
Other Costs including pension	0.2
Pay increase 1% award budgeted	0.2
Pay Budget - 2017/18	**28.0**

(ii) Non-pay costs

Non-pay costs are budgeted to remain at the same level in 2017/18. Some of the main movements in non-pay costs are as follows:

- Premises costs have increased by £0.1m which has been mainly attributable to an increase in business rates following the 2017 revaluation exercise
- Transport costs have reduced by £0.1m due to efficiencies and savings in the repairs and maintenance costs and also the impact of lower insurance costs
- The budget now includes the costs of all community safety equipment that is provided during Safe and Well Visits (formerly HFRC) and includes smoke alarms, specialist equipment and provision of sprinklers. Total budget 2017/18 £0.4m. This is following the change in accounting treatment reported to the Authority following the 2015/16 external audit findings by Grant Thornton
- Savings in Clothing and Uniform, Supplies and Services, Equipment and materials have delivered a budget reduction of £0.5m in year
- The targeted non pay efficiency saving has been reduced by £0.1m
- Non Pay includes a charge of £1.0m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control which is continuing to delivering savings of approximately £0.5m per annum

(iii) Income

Income for 2017/18 is budgeted to increase by £0.1m to £1.4m with the marginal increase due to a number of minor changes incorporated into the budget proposal.

(iv) Capital Charges

Total capital charges at £5.2m are budgeted to increase by £0.3m in 2017/18:

- The £1.5m minimum revenue provision requirement for 2017/18 has increased by £0.1m in the year driven by the capital financing requirement within the capital programme for 2016/17, however the reducing programme and direct funding from reserves may reduce this impact during the budget year
- The budget assumes that the overall level of borrowing (loans) for the Authority will not be increased during 2017/18 and interest payments on existing debt will again remain unchanged at £0.9m for the budget year
- The unitary charge will increase by £0.2m during 2017/18 reflecting the full unitary charge following commissioning of all 11 new community fire stations completed as part of the PFI2 programme

25. **Non Recurring Budget 2017/18**

The total non-recurring funding brought forward into 2017/18 has now been fully incorporated and consolidated into the Revenue Budget. The overall programme of non-recurring spend has now reduced to a level where it is no longer considered necessary to separately report this for the new budget year.

26. **Budget Monitoring 2017/18**

Members will receive budget monitoring reports throughout the year on a quarterly basis. A monthly Resource Control Report will be issued to members of the Service Delivery Board (SDB) and also published on the Intranet available for all staff.

A monthly Finance Publication is also issued alongside the detailed Resource Control Report.

Efficiency Plan Update

27. The budget year 2017/18 includes a cash efficiency target of £1.0m. This is the second year of an overall programme to deliver £4.0m of savings by 2019/20 of which £2.7m is forecast to be delivered within the two years to March 2018.

28. Of the required £2.7m in savings £1.7m has already been either delivered or approved by the Authority as part of; the agreed reduction of 40 wholetime posts phased in by 1

January 2018, the approval of the revised retained payment scheme, and the Executive Team restructure which has seen the removal of one Director post.

29. Additional savings of £1.3m are therefore required to be delivered in 2018/19 to 2019/20 and have been incorporated into the updated MTFS.

30. Work to ensure delivery of all areas of the Efficiency Plan will continue into 2017/18 and beyond in order to deliver this significant level of cost reduction on the five key areas contained within the approved Efficiency Plan, namely:

Structures - The Authority is committed to ensuring that the staffing structures at all levels are appropriate and as efficient and as effective as possible

Prevention and Protection - The Authority will continue to work with local Clinical Commissioning Groups (CCG's) and also NHS England as the concept of safe and well visits for our communities is better supported by the local NHS

Efficient Response Options and capability reviews - The Authority has demonstrated that continued development of how we provide our front line services and the technology we use has resulted in more efficient ways of working

Collaboration Opportunities -The Authority will continue to work with all partners but will also support the Police and Crime Bill and work closely with the Police and Ambulance Services

Procurement and Cost Efficiencies - The Authority has a strong track record of delivering cost savings which includes more efficient procurement. In addition, opportunities to develop our Community Interest Company and market our enhanced training facilities will lead to more commercial opportunities and additional income generation that will support our prevention agenda

Reserves and Balances

31. The Authority holds two reserves, a Specific Reserve which is build up through any surplus within the Income and Expenditure account and the utilisation of this fund has been established with the approved Reserves Strategy that was last updated in September 2016; and a General Reserves which is held to protect against any spate or emergency conditions which may arise.

32. At 1 April 2016 the Authority held £1.9m in General Reserves and a risk assessment for this reserves was undertaken as part of the budget setting process for 2017/18 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.75% of the proposed revenue budget set for the year.

33. At 1 April 2016 the Authority held £9.1m in Specific Reserves. **Appendix 3** demonstrates the impact on Specific Reserves for the Council Tax options discussed within this paper. The schedule also assumes utilisation of capital spend as

incorporated within the Reserves Strategy and assumes that 50% of the vehicle replacement programme will be supported by this reserve in addition to the reserve utilisation required to support the Revenue Budget. It does not assume use of reserves for other contingency areas that are incorporated within the Reserves Strategy (e.g. for future integration funding).

Medium Term Financial Strategy

34. The MTFS has been updated to reflect the budget proposals for 2017/18 and incorporates the assumptions contained with the Provisional Financial Settlement for 2017/18 to 2019/20 which will include the increases in Council Tax for the period to 2019/20 of 1.75%. A summary of the financials covering 2017/18 to 2021/22 will be included within the Revenue Budget submission to the Authority on 15 February 2017.

35. Should the Authority choose not to increase Council Tax for 2017/18 and beyond then the broad assumptions around saving targets and use of reserves will need to be re-visited.

36. The Full MTFS will be considered in detail by this Committee in March 2017.

Capital Programme

37. The Capital Programme for 2017/18 will be reported in full to Members at the next Strategy and Resources Committee meeting, alongside the Treasury Management Strategy. The programme will be in the region of £2.9m for 2017/18, £2.5m for 2018/19 and £1.6m for 2019/20.

Report Author: - David Greensmith ACMA CGMA
Telephone: - 01785-898690
Email:- d.greensmith@staffordshirefire.gov.uk

Stoke on Trent and Staffordshire Fire & Rescue Authority **Appendix 1**

Recurring Revenue Budget 2017/18

Council Tax Increase - 1.75%

	Budget 2016/17	Budget Proposal 2017/18	Year on Year Change
	£000s	**£000s**	**£000s**
Pay			
Pay Costs	28,001	26,618	(1,383)
Other Employee Costs	1,925	2,125	200
Pay Efficiency Plan Saving	(800)	(700)	100
Total Pay	29,126	28,043	(1,083)
Non Pay			
Premises Costs	2,754	2,790	36
Transport Costs	893	806	(87)
Supplies & Services Costs	5,613	5,121	(492)
CFS Costs and Initiatives		460	460
Non Pay Efficiency Plan Saving	(400)	(300)	100
Total Non Pay	8,861	8,877	16
Income			
Income - General	(1,240)	(1,368)	(128)
Interest Receivable	(39)	(45)	(6)
Total Income	(1,279)	(1,413)	(134)
Capital charges	1,435	1,499	64
Interest Payable	895	882	(13)
PFI Unitary Charge	2,598	2,857	259
Total Capital Charges	4,928	5,238	310
Total Revenue before Reserves	**41,636**	**40,745**	**(891)**
Transfer to/(from) Reserves	(1,120)	(765)	355
Total Revenue Budget	**40,516**	**39,980**	**(536)**
FINANCED BY:			
Settlement Funding			
Revenue Suppport Grant	8,043	6,220	(1,823)
Local Busines Rates (1%)	3,420	3,785	365
Government Top-up (business rates)	5,304	5,641	337
Total Settlement Funding	16,767	15,646	(1,121)
Council Tax	23,749	24,334	585
Total Financing	**40,516**	**39,980**	**(536)**

Stoke on Trent and Staffordshire Fire & Rescue Authority — Appendix 2

Alternative Council Tax Scenarios for 2017/18

Council Tax Options	1.99%	1.75%	1.50%	1.00%	0.75%	0.50%	Base
	Percentage Increase		→				"freeze"
Council Tax Band D							
- Per Year Cost	71.73	71.56	71.38	71.03	70.86	70.68	70.33
- Per Week Cost £	1.38	1.38	1.37	1.37	1.36	1.36	1.35
- Per Year Increase £	1.40	1.23	1.05	0.70	0.53	0.35	
- Increase in CT (Pence) - Per Week	2.69p	2.37p	2.02p	1.35p	1.02p	0.67p	
Council Tax Base Population 335,813							
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Council Tax Yield (£m)	24,087.8	24,030.7	23,970.3	23,852.8	23,795.7	23,735.2	23,617.7
Collection Fund Surplus	302.7	302.7	302.7	302.7	302.7	302.7	302.7
Total Council Tax 2017/18	24,390.6	24,333.5	24,273.0	24,155.5	24,098.4	24,038.0	23,920.4
Settlement Funding 2017/18	15,646.2	15,646.2	15,646.2	15,646.2	15,646.2	15,646.2	15,646.2
Revenue Budget Requirement	40,036.7	39,979.7	39,919.2	39,801.7	39,744.6	39,684.1	39,566.6
Surplus (Deficit) to 1.75% increase	57.1		(60.4)	(178.0)	(235.1)	(295.5)	(413.0)

Stoke on Trent and Staffordshire Fire & Rescue Authority **Appendix 3**

Revenue Budget 2017/18

Specific / (Earmarked) Reserves for 2017/18 to 2019/20, based upon selected Council Tax options as detailed below

	SPECIFIC RESERVE BALANCE £000s				
	1.99% Increase	**1.75% Increase**	**1.50% Increase**	**1.00% Increase**	**0.75% Increase**
Balance 31 March 2016 (£000s)	**9,107**	**9,107**	**9,107**	**9,107**	**9,107**
Reserves Utilisation - Non Recurring	(454)	(454)	(454)	(454)	(454)
Reserves Utilisation - Budget requirement	(665)	(665)	(665)	(665)	(665)
Reserves Utilisation - Capital Investment	(800)	(800)	(800)	(800)	(800)
Forecast 31 March 2017 (£000s)	**7,188**	**7,188**	**7,188**	**7,188**	**7,188**
Reserves Utilisation - Non Recurring					
Reserves Utilisation - Budget requirement	(708)	(765)	(825)	(943)	(1,000)
Reserves Utilisation - Capital Investment	(670)	(670)	(670)	(670)	(670)
Forecast 31 March 2018 (£000s)	**5,810**	**5,753**	**5,693**	**5,575**	**5,518**
Reserves Utilisation - Non Recurring					
Reserves Utilisation - Budget requirement	(632)	(752)	(874)	(1,116)	(1,236)
Reserves Utilisation - Capital Investment	(455)	(455)	(455)	(455)	(455)
Forecast 31 March 2019 (£000s)	**4,723**	**4,547**	**4,363**	**4,004**	**3,827**
Reserves Utilisation - Non Recurring					
Reserves Utilisation - Budget requirement	(248)	(435)	(621)	(994)	(1,178)
Reserves Utilisation - Capital Investment	(315)	(315)	(315)	(315)	(315)
Forecast 31 March 2020 (£000s)	**4,160**	**3,797**	**3,427**	**2,694**	**2,335**

Notes
1. All options assume that the same Council Tax increase each year to 2020

Stoke on Trent and Staffordshire Fire & Rescue Authority **Appendix 4**

Revenue Budget 2017/18

Risk Assessment of General Reserves for 2017/18

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment for general reserves was undertaken as part of the budget setting process for 2017/18 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.75% of the revenue budget set for the year.

Whilst not a complete list of all the financial risks, the assessment focused on those most likely (High and Medium risks) to have a significant impact on the budget year. This is in line with the update reserves strategy approved by the Authority in September 2016.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2017/18 Provision £000
Loss of Employees	High	Spate conditions caused by for example; prolonged severe weather conditions, unexpected loss of staff through Avian Flu / Ebola	400
Failure to achieve efficiency savings	Medium	Risk of efficiency plan target savings not being delivered in year / during the settlement period to 2020	500
Insurance loss / impact of data breach	Medium	Risk of incurring uninsured losses Risk of breach due to inappropriate information sharing	300
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	400
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, unplanned IADS spend	150
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	150
TOTAL			**1,900**

Level of Balances – Summary

Level of Risk	**£'000**
High and Medium	1,900