



SCOTTISH
FIRE AND RESCUE SERVICE

Working together for a safer Scotland

Report To:	SCOTTISH FIRE AND RESCUE SERVICE BOARD
Report Number:	B/FCS/27-14
Date:	27 NOVEMBER 2014
Report By:	CHIEF OFFICER ALASDAIR HAY

Subject:	BUDGET STRATEGY 2015 - 2016
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1 PURPOSE

1.1 The purpose of this report is to seek approval of the strategy to be adopted in developing the SFRS budget for 2015 – 2016.

2 RECOMMENDATION

- 2.1 The Board is asked to approve the following recommendation(s):
- 1) That the proposed budget strategy for 2015 – 2016 be adopted,
 - 2) That the Board arrange to meet on 26th February with a view to agreeing 2015/16 budgets.

3 BACKGROUND

3.1 Within the context of the UK Spending Round, the Scottish Government publishes an annual Draft Budget in September which follows parliamentary process over the autumn and winter, whereby a Budget Bill is developed and ultimately enshrined in legislation as the annual Budget Act.

- 3.2 As an Other Significant National Body sponsored by Scottish Government, SFRS is funded directly through Grant in Aid as detailed in the annual Budget Act.
- 3.3 The SFRS Resource DEL (Departmental Expenditure Limit) Budget for 2013/14 was set at £277.238million and its Capital DEL budget at £15.3million.
- 3.4 This funding is provided to enable SFRS to deliver against its priorities and objectives as laid out in the Fire and Rescue Framework for Scotland 2013, and as further elaborated within the SFRS Strategic Plan 2013-2016.

4 SCOTTISH DRAFT BUDGET 2015/16

- 4.1 2015/16 marks the final year within the current UK Spending Round and also the final year of Fire & Rescue Reform, as envisaged within the High Level Blueprint.
- 4.2 The Scottish Government published its Scottish Draft Budget 2015/16 on 9th October 2014. Figures for the Scottish Fire & Rescue Service, as published and further analysed, are shown in the table below:

SFRS	2014/15 (£m)	2015/16 (£m)
Total Resource DEL	310.116	283.900
Resource DEL (Non-Cash)	22.625	24.679
Resource DEL (Cash)	287.541	259.221
Capital DEL (Cash)	-	25.300
TOTAL CASH	287.541	284.521

- 4.3 In 2014/15 the figures for Capital and Resource DEL were combined. These have now been stated separately, as is normal practice, for 2015/16. The indicative allocation in 2014/15 was Resource £265.241million; Capital £22.3million.
- 4.4 These figures are in line with expectations however represent a further reduction in Resource DEL budget of £6.020million in 2015/16. As the decision was taken in 2014/15 to utilise the flexibility afforded by a combined figure for resource and capital, allocating a further £1.0m from capital to resource, the total reduction required in resource expenditure to meet this budget is £7.020million.
- 4.5 There is no transitional funding available in 2015/16.

- 4.6 Going forward, it is anticipated that there will be a UK Spending Round following the 2015 General Election, and thereafter the Scottish Government will develop its draft budget proposals for 2016/17 and plans for future financial years.

5 TIMETABLE AND APPROACH

- 5.1 This Budget Strategy outlines the principles and assumptions that will be adopted in arriving at detailed budget proposals for 2015/16.
- 5.2 SFRS is required through its Governance & Accountability Framework to provide the Scottish Government with detailed budget plans no later than 28th February.
- 5.3 In order to give sufficient time to develop fully costed budget proposals and to allow for satisfactory consultation with key stakeholders, it is proposed to hold an additional Board meeting on 26th February 2015 in order to agree budgets for 2015/16.
- 5.4 A series of Board strategy sessions are proposed during December and January, as required, to consider options.
- 5.5 Budget plans will be developed in consultation with representative bodies through the Employee Partnership Forum.

6 BUDGET SETTING PRINCIPLES

- 6.1 In seeking to address the cost reductions required, SFRS will continue to build on work done in previous years and focus on delivering the benefits of reform, as outlined within the Fire & Rescue Framework for Scotland and our Strategic Plan, with the overall aim of improving outcomes for our communities.
- 6.2 Budget plans, both resource and capital, will take account of the corporate strategies that have been approved by the Board, as well as the Corporate Risk Register, and will be developed in conjunction with the Annual Operating Plan for 2015/16.
- 6.3 In summary, there will be a focus on aligning the available budget to organisational priorities.

7 JOINT WORKING ON COMMUNITY PLANNING & RESOURCING

- 7.1 SFRS recognises its responsibilities to work together with community planning partners as outlined within the “Agreement on Joint Working on Community Planning and Resourcing” and as such will work with local partners to identify practical opportunities to add real value in this area.

8 INFLATION ASSUMPTIONS

- 8.1 SFRS is required to consider the wider principles of Public Sector Pay Policy when negotiating pay settlements and as such notes the 2-year policy in relation to 2014/15 and 2015/16 published by Scottish Government in September 2013. This policy broadly sets a maximum increase of 1% in each year.
- 8.2 Within this context, and recognising the current situation with existing national pay bargaining arrangements, budget plans will at this stage assume pay inflation at 1% per annum across all categories of staff.
- 8.3 There will be no provision for general non-pay inflation however specific unavoidable cost increases will be provided for.

9 CAPITAL EXPENDITURE

- 9.1 The Board approved a 3-year Capital Programme in February 2014 covering 2014-2017. This was intended to be a rolling 3-year programme and as such will be refreshed and rolled forward to cover 2015-2018, providing firm proposals for 2015/16.
- 9.2 Work to develop the refreshed programme will be carried out in conjunction with the development of our Asset Management Strategy over the next Quarter. Specific options will be detailed within the Board strategy sessions.
- 9.3 Planned expenditure in relation to implementing our Property Estate – Strategic Intent will be fully integrated within the Programme, alongside the requirement to maintain a core asset base that is fit for purpose, and invest in various strategic non-property assets eg single Command & Control System, Breathing Apparatus and Digital Strategy.
- 9.4 It is recognised that funding levels are unknown beyond 2015/16 and require to be estimated. Consistently with last year, it will be assumed that this is maintained at 2015/16 levels.
- 9.5 While it is our aspiration to develop a 10-year capital plan, it is not considered that the long term strategic vision of the Service is sufficiently developed to make it meaningful at this stage.

10 FINANCIAL IMPLICATIONS

- 10.1 The financial implications are outlined within the report.

11 EMPLOYEE IMPLICATIONS

- 11.1 Employee implications of budget plans will be fully evaluated and discussed with representative bodies.

12 LEGAL IMPLICATIONS

- 12.1 SFRS is required through its Governance & Accountability Framework to provide the Scottish Government with detailed budget plans no later than 28 February.

13 EQUALITY IMPACT ASSESSMENT AND CONSULTATION ARRANGEMENTS

- 13.1 A detailed equality impact assessment will be carried out as part of the budget setting process.
- 13.2 Budget plans will be developed in consultation with representative bodies through the Employee Partnership Forum.

ALASDAIR HAY
Chief Officer

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