



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

PROPOSED CAPITAL AND REVENUE BUDGETS 2011/2012 TO 2014/2015 AND LEVELS OF COUNCIL TAX FOR 2011/2012

Report of the Chief Fire Officer

Agenda Item No:

Date: 25 February 2011

Purpose of Report:

To present the proposed budgets for 2011/2012 to 2014/2015 to the Fire Authority along with the recommendations of the Finance and Resources Committee with regard to Council Tax.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : (0115) 967 0880

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 Mindful that there was to be a difficult period ahead in terms of budget government grant funding and other budget pressures the Fire Authority meeting on 17th September 2010 set out the following general principles, within which the budget was to be developed:

The Priorities set out in the Community Safety Plan must remain the priority for the development of the budget.

Working balances are reassessed to enable any surpluses to be used to support the revenue budget during any possible transition phase.

Both general and earmarked reserves are critically examined to release as much funding as possible to aid transition.

Non-ringfenced grant funding received in previous years is also critically examined.

Areas of traditional underspend are robustly challenged.

The sustainable capital programme continues to be supported as far as practicable.

The assumption in respect of Council Tax should be an increase of between zero and 1.5%. Members will recall that 1.5% was the amount set in the February 2010 budget report.

- 1.2 Using this framework the Finance and Resources Committee met on 14th January 2011 to consider the position in relation to grant reductions and how the Authority might set a balanced budget within the constraints imposed by these reductions whilst at the same time making every effort to preserve the front line service and setting reasonable levels of Council Tax.
- 1.3 The Finance and Resources Committee resolved to recommend that the Fire Authority do not increase the levels of Council Tax from those levied in 2010/2011 for the reasons set out in this report.
- 1.4 Members will be aware that in previous years the Authority has sought to project budgets for a period of three years. This report projects budgets for a period of four years as government have announced that the grant reductions regime will be implemented over a four year period. Despite this grant proposals have only been given for the first two years.
- 1.5 The final budgets for 2011/2012 to 2014/2015 and the levels of precept and Council Tax are required to be set by a full meeting of the Fire Authority and this report seeks that approval.

2. REPORT

GRANT SETTLEMENT

- 2.1 There were two main issues affecting the grant settlement for 2011/12 and beyond, the first of which being a general statement by the minister that fire service grants would reduce by 25% over four years. Secondly there were to be formula grant changes for 2011/12 the impact of which was unclear.
- 2.2 In simple terms, the reduction in grant overall is a reduction in the total amount of money available to Fire Services in general, and a change to the formula will alter the way that this reduced grant is then distributed to individual Fire and Rescue Authorities.
- 2.3 It became clear in reviewing the proposals for grant changes that Nottinghamshire were unlikely to benefit from this and so a number of assumptions were made by officers in planning the revenue budget. In the event those plans have proved to be fairly accurate and therefore no radical rethinks around the budget plans have been required as a result of the announcement.
- 2.4 Government have announced that the grant settlement for each of the two years 2011/2012 and 2012/2013 will be £22,633,764 and £21,864,216 a reduction in each year of 9.5% and 3.4%. They have not however given any figures for 2013/2014 or 2014/2015 other than to say that the worst of the cuts are yet to come.
- 2.5 Within the grant figures above are amounts of transitional funding or "Floor Damping". These are amounts "top sliced" from other Fire Authorities to help poorer authorities maintain their grant reductions at or below 9.5%. Nottinghamshire then has the greatest grant reduction of any Fire Authority at 9.5% but this is only kept down by receiving "Floor Damping" payments. The impact of these payments is as follows:

	2011/2012	2012/2013
Grant before Floor payments	21,143,662	21,144,021
Floor Damping	<u>1,490,102</u>	<u>720,195</u>
Grant After Damping	22,633,764	21,864,216

Without these payments the reduction in grant in 2011/2012 would have been near to 15.5%.

- 2.6 It is important to realise however that floor damping is only a transitional arrangement and it will be removed over time. It would appear that the intention is to remove this over three years.

- 2.7 It is vital therefore that the budget planning of the authority takes into account not only the known impact on grant in 2011/2012 and 2012/2013 but also the expected impacts in 2013/2014 and 2014/2015. This is primarily because the extent of the budget reductions required to meet these targets may be far reaching and require longer term planning.
- 2.8 It has been necessary therefore to make some fundamental assumptions over and above the normal assumptions that are made within budget which will be discussed later. One of these assumptions is that government will continue to cut Revenue Support Grant (RSG) from the fire and rescue service to meet its overall declared target of 25% over the four year CSR period. The second is that the transitional floor damping will be recovered over a three year period.
- 2.9 It would appear from examining the figures for RSG closely that the government will need to cut a further 20% or so from the Fire and Rescue Service over the final two years of the CSR period. The budget assumptions that have been used by officers in their pre-planning were a little less in the first two years but approximately 20% in the final years. This means in effect that, as mentioned in 2.3 above, the work carried out to date holds good and can be used as a basis for future planning.
- 2.10 The conclusion from the known reductions in Revenue Support Grant and the assumptions for the final two years are that grant will reduce as follows:

	Reduction £'s
2011/2012	2,375,920
2012/2013	769,548
2013/2014	2,160,216*
2014/2015	<u>1,249,000*</u>
	6,554,684

* These two estimated figures assume a rise in base grant of 2% for allowed inflation increases

BUDGET REDUCTIONS

- 2.11 The proposed budget has been developed having regard to the general principles set out above.
- 2.12 The reduction in grant figures does not itself however set out the full impact on budgets as this only considers the amount receivable from government and only therefore against the base budget of 2010/2011. There are a number of unavoidable budget increases which will need to be funded irrespective of externally imposed reductions, the biggest example of which is provisions for pay awards over a four year period which are estimated at £1.3m.
- 2.13 It is easy to see therefore how a headline figure for budget reductions of about £8m is derived.

COUNCIL TAX

- 2.14 The full implications for actual rates of Council Tax will be set out in the section Financing the Budget later in this report however the Fire Authority originally set the parameters for increases in Council Tax of between zero and 1.5%, however the assumptions being used within the proposed budget are:

2011/2012	0.00%
2012/2013	2.00%
2013/2014	2.50%
2014/2015	2.50%

- 2.15 The reason for this variation is that in 2011/2012 there is a logic to increasing Council Tax by either 0% or 2.5% but anything between 0% and 2.5% might be unwise. The reason for this is that government have announced that they will support authorities that do not increase their council tax rates by a grant equivalent to a rise in Council Tax of 2.5%. In Nottinghamshire this is worth about £581,000.
- 2.16 This is an “all or nothing” grant where any increase above zero will attract no grant at all. Increases to be of any real value therefore would need to be 2.5% or greater.
- 2.17 The Council Tax Freeze Grant is available to authorities throughout the whole of the CSR period and no authority will be disadvantaged by having a zero increase in 2011/2012. There is no presumption about council tax levels in subsequent years being zero hence the assumptions being used of 2.0% and 2.5% throughout this proposal.
- 2.18 Ordinarily it would be expected that a range of Council Tax options might be presented to this meeting but with cuts in grant being so dramatic and the Secretary of State’s comments as to unreasonableness giving a clue to likely capping levels an increase in excess of 2.5% might be vulnerable to capping action.
- 2.19 Whilst there are some proposals to introduce referenda to authorise higher levels of council tax, these will not be available to government in 2011/2012 leaving them with only reserve capping powers as an option.

USE OF BALANCES AND RESERVES

- 2.20 Members will be aware that the Authority has built up balances and reserves over a number of years and indeed during 2010/2011 has specifically set out to channel any underspendings into those balances.

- 2.21 One of the principles set out for the development of budget was that consideration would be given to the use of reserves and balances to support the transition down to lower levels of revenue budget going forward. It is always important to remember however that this money can only be used once and must not therefore be used to support the budget in the medium or long term.
- 2.22 Nevertheless it is possible to use balances intelligently to realise revenue savings in the longer term by using them to finance elements of capital expenditure. This reduces the authority's requirement to borrow and subsequent revenue costs over a number of future years but, as ever, a balance has to be struck between immediate revenue savings and long term sustainability. To this end balances are to be used to support a range of capital spending both short and long term but with a bias towards assets which will not require to be replaced.
- 2.23 The budget proposals assume that £4m of existing balances and reserves are used to support capital in this way thus reducing revenue impacts. The remaining balances of approximately £3.4m are considered sufficient to meet the risks that they were set up for. The validation of this figure is set out in a paper specifically addressing working balances elsewhere on this agenda.
- 2.24 This approach has the double advantage of not only reducing revenue costs going forward but also as a by product of that contributing to the authority remaining within its self imposed capital financing limits.
- 2.25 When making budget cuts it is considered important to be able to demonstrate that the Authority has made sensible use of its balances and is not simply allowing them to accumulate. This is an issue that the Secretary of State has been particularly interested in recently.

FIRE CONTROL

- 2.26 Members will be aware that the Regional Fire Control Project has been discontinued and at the time of writing any future arrangements are unclear particularly in relation to financing. It has been considered prudent therefore, notwithstanding balances being used to support capital, to set aside £750,000 as an earmarked reserve to act as a contingency to respond to a range of options that will need to be developed to replace the existing Fire Control systems.

BUDGET PROCESS

- 2.27 The process of building a budget proposal has involved every budget holder in the Service being required to identify budget reductions and set these out in order of risk priority. This is in addition to the usual one-to-one meetings with finance account managers to discuss budget requirements, reductions and proposals. This has been an iterative process where senior and middle managers and staff have discussed the budget proposals in detail before arriving at a final model.

- 2.28 The reality of this process is that it did not reveal many options as almost every revealed reduction has been required in order to create a balanced budget. This is without doubt the most robust base budget review that has ever taken place within the service.

FIRE COVER REVIEW

- 2.29 Members will be aware that a Fire Cover Review was launched in January 2010 with a view to considering the Fire Cover across the City and County in response to the requirements of the IRMP. This review was commissioned long before the general election and also before any information about budget cuts became available.
- 2.30 Nevertheless the Fire Cover Review has revealed a number of potential savings which would ordinarily have been invested in further improving fire cover but which, under the present financial circumstances will need to be recycled into reducing costs. These reductions have been taken into account.
- 2.31 Although the Fire Cover Review is subject to extensive consultation it has been necessary to assume for the purposes of budget development that the changes it recommends will be implemented both in terms of Capital and Revenue.
- 2.32 If as a result of consultation some or all of the elements of the Fire Cover Review which generate cost savings are not implemented then it will be necessary for the Authority to consider other ways of further reducing budgets in other areas.

SUMMARY OF CAPITAL BUDGET PROPOSALS

- 2.33 Capital budgets for the four years up to March 2015 are difficult to estimate for a number of reasons:

The outcomes of the Fire Cover Review consultation will have a significant bearing on the property and transport programmes.

The ICT programme is impacted to some extent by uncertainties around the three counties ICT merger project.

- 2.34 It has therefore been necessary to put in some generic descriptions where for example the sustainable capital programme requires fire stations to be rebuilt or refurbished but where the Fire Cover Review has not yet determined which ones have the highest priority. There are also uncertainties around capital receipts which at present stand outside the capital programme but may be required to augment it as part of stand alone proposals within the FCR.

2.35 The programme for the purposes of budget preparation is therefore set out as:

	2011/12	2012/13	2013/14	2014/15
	£s	£s	£s	£s
Transport				
Rescue Pump Replacement	1,158,720	895,050	921,840	949,425
Special Appliance	0	0	500,000	
Targeted Response Vehicles	0	280,000	0	0
Small Vehicle Replacements	79,059	211,513	394,625	351,152
Transport Total	1,237,779	1,386,563	1,816,465	1,300,577
Property				
Refurbishment of Stations	750,000			
Purchase of Land	330,000	0	467,500	0
Refurbish and Rebuild		2,200,000	2,200,000	2,200,000
Property Total	1,080,000	2,200,000	2,667,500	2,200,000
IT and Communications				
Business Continuity	30,000	30,000	30,000	30,000
Upgrade HR System	107,000	0	0	0
Mobile Computing	22,000	22,000	0	0
Upgrade to Office 2010	150,000	0	0	0
Business Expansion	35,000	30,000	25,000	25,000
Replacement Equipment	90,000	90,000	85,000	85,000
Business Process Automation	25,000	25,000	25,000	25,000
CFRMIS Ops Intel Database	27,000	27,000	0	0
Total IT & Communications	486,000	224,000	165,000	165,000
Total Capital Programme	2,803,779	3,810,563	4,648,965	3,665,577

2.36 In terms of the transport programme this represents largely the continuation of the rolling replacement programme of rescue pumps and light vehicles. The Aerial Ladder Platform (ALP) will be delivered in 2013/14 and the purchase of two targeted response vehicles (TRV) are subject to the consultation process regarding the fire cover review.

2.37 As explained in 2.35 the property programme is deliberately vague but will allow for any of the options set out in the fire cover review to be implemented. It is important to note that the property programme has not significantly changed in terms of value since estimates were last produced in February 2010. This is because the property programme is largely driven by the sustainable capital plan and the organisational capacity to complete capital works. The differences are primarily due to the uncertainties around the Fire Cover Review and therefore the priorities for replacement/refurbishment.

- 2.38 The ICT programme is unremarkable but for the two large items of the HR System replacement and the migration to Office 2010 and Windows 7. The HR system is set to cost in excess of £200,000 part of which will be slipped from 2010/2011.
- 2.39 On 3rd February 2011 Government announced that they would not be inviting bids for capital funding for 2011/2012 but would instead be making capital grants as in previous years. The grant payable to Nottinghamshire is £1,486,207 for 2011/2012 and is not ringfenced other than for capital spending. Although this will have some impact on the revenue budget in 2012/2013 it cannot be used to support revenue expenditure. It is estimated that, depending on what type of capital expenditure is to be supported, approximately £100,000 of revenue will be offset in 2012/2013.

SUMMARY OF THE REVENUE BUDGET PROPOSALS

- 2.40 Unlike previous years the development of the budget has had to commence not from the actual budget requirement but from the amount of revenue budget actually available. These can be summarised as follows:

	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
Council Tax	23,192	23,775	24,491	25,228
Government Grant	22,634	21,864	19,704	18,455
Freeze Grant	581	581	581	581
Total Budget	46,407	46,220	44,776	44,264

- 2.41 The Revenue Budget proposed for the four year period summarises as:

	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
Opening Base Budget	48,110	46,407	46,220	44,776
Base Budget Review	-221	-87	65	28
Outcomes				
One Off Additions	183	-204	43	-93
Further Reductions	-1,584	-829	-460	-239
Fire Cover Review Revenue	-474	-230	-234	-239
Fire Cover Review Capital	-11	-32	-14	-81
Contingency Changes	-522	610	699	717
Revenue Implications of Capital	-30	178	142	81
Revenue Contributions to Capital	4,000	-4,000	0	0
Fire Control Reserve	750	-750	0	0
Budget Requirement	50,202	41,163	46,461	44,951
Contribution to/from Balances**	-3,794	5,157	-1,262	0
Undefined Reductions*	0	0	-423	-686
Allowable budget	46,407	46,220	44,776	44,264

*The undefined reductions figure effectively implies a cumulative base budget shortfall of £1.1m by 2014/2015 which will require resolution.

**The figure of £5.057m which appears as a contribution to balances in 2012/2013 contains the reversal of £3.74m from 2011/2012. The balance of £1.262m is reversed out in 2013/2014.

- 2.42 The details of the budget proposal for 2011/2012 are given within Appendix A to this report.
- 2.43 Given the difficulty in meeting the budget targets and the fact that government are already forecasting further formula changes for 2013/14 onwards it is not considered appropriate to seek out the undefined reductions at this time.
- 2.44 The opening Base Budget figure of £48.110m is that which was agreed by the Fire Authority as part of the budget setting process for 2010/2011.
- 2.45 The base budget review outcomes figure of £-221,000 in 2011/2012 does not represent any actual budget cuts and might therefore be viewed as cashable efficiency savings (although not strictly meeting the DCLG definition). This was a process whereby managers took a hard look at existing budgets and added or subtracted from them in accordance with need. Examples of what is included here are:

Savings in vehicle maintenance from having a more modern fleet.
(-£57,000)
More prudent Pensions Assumption (-£68,000)
Reduction in scale of equipment issue (-£109,000)
Additional Insurance Costs (£55,000)
Savings in Personnel recruitment costs etc.(-£66,000).

- 2.46 The one-off additions to the base of £183,000 in 2011/2012 represent particular items of additional expenditure which are reversed throughout the CSR period, often the following year. These are additional costs arising from:

HR for advice to staff who may be affected by these or other proposals (£30,000)
Media and Business planning for the significantly increased costs of needing to carry out extensive consultations (£84,000)
Equipment for the continuation of the replacement of equipment for chemical protection and water rescue. (£70,000 over three years reversing in 2014/2015)
Transport for the continuation of the replacement of blue lights and sirens (£48,000)

- 2.47 Members will be well aware of the fire cover review and the fact that it contains options for changing and improving service provision. The details of the review's findings are to be presented to Members at the Fire Authority in February and a process of consultation commenced, however notwithstanding the comments in paragraph 2.32 above, current estimates are that it will deliver savings as set out in the summary above.
- 2.48 Changes to contingencies are a straightforward matter in that in 2011/2012 there had originally been provision for pay awards which it is understood will not now be made. There are some issues around low paid workers where salaries will be increased and also incremental changes primarily to non-uniformed staff. In future years provision has been made for increases of 2.0%.
- 2.49 Revenue implications of capital arise from the support that the revenue budget is required to give to the financing of capital. The figure of £4m is the amount that will be transferred from balances as set out above and the smaller figures of -£30,000 +£278,000 are the amounts that support the increases in the capital programme going forward. It is considered essential that the authority presses ahead with a capital programme in order to avoid a compression of problems in future years. The strategy of keeping levels of borrowing down to manageable levels continues and is managed via the prudential code.
- 2.50 Most of the actual budget cuts lie within the general description of "further reductions". These range from over £300k of savings in Estates and Procurement and savings of over £300k in capital programme support (note matches against the £291k referred to above) and small sums arising from changes to administrative procedures. Also within this area however are reductions in staffing both uniformed and non-uniformed which constitute the bulk of these savings over the CSR period. The details of a number of these proposals are not yet known but generalised savings targets in areas such as ICT, Corporate Services, HR, Learning and Development, Community Safety, Response and Finance have been set for departmental restructures in future years. Options already exist for many of these restructures which is why the figures can be used with some confidence. Further analysis of these proposed reductions is given in the following table:

Analysis of Further Reductions				
Heading	2011/12	2012/13	2013/14	2014/15
	£000's	£000's	£000's	£000's
Restructure of Corporate Services	0	-200	0	0
Other Corporate	-49	-20	0	0
Engineering	0	-4	-2	0
Multi Activity Contract	-40	-20	-10	0
Deletion of Environment Post	-34	0	0	0
Catering Subsidy removal	-56	0	0	0
Other Contracts	-33	-8	0	0
Purchasing Restrictions	-50	0	0	0
Targeted Procurement Savings	-38	-15	-8	0
Control of Uniform Issues	-50	0	0	0
Impact on contingencies of changes	0	-32	-7	-3
Finance System	-3	0	0	0
Capital Financing (result of £4m RCCO)	-310	-56	-70	-50
Lease out Clifton Site	0	-29	-28	0
Restructure of ICT	-37	0	-152	0
Restructure Engineering	0	0	-19	0
Restructure Finance	0	0	-25	-10
Abandoned Vehicle Budget	-30	0	0	0
Youth Commissioning change	-30	0	0	0
Vacant Crewing Officer	-24	0	0	0
Changes to Catering	-35	-105	0	0
Wholetime posts on development pay	-139	0	0	0
Surplus Co-Responding Budget	0	-52	0	0
Special Services Income	0	-25	0	0
Restructure Prevention	-133	-252	0	0
Non-Ridership operational pay	-446	0	0	-96
Reduction in external Training Budgets	0	0	-40	0
Restructure of L&D and HR	0	-23	-99	-80
Personnel Supplies and Services	-18	-4	0	0
Other	-29	16	0	
Total	-1,584	-829	-460	-239

2.51 Members will note that there are a number of contributions both to and from balances over the CSR period and these net to a reduction in balances of approximately £4m over the period.

BUDGET OPTIONS

- 2.52 It would be usual to present Members with a range of budget options which could be discussed, however the scale of the budget reductions required has meant that where ordinarily an optional cut of say A, B, or C would be available in 2011/2012 it has been necessary to take all of the options.
- 2.53 Referring back to the general principles set by the Fire Authority for budget development it is clear that the overriding priority is to continue to seek to achieve the objectives set out in the Integrated Risk Management Plan and to seek to protect front line service delivery. The fire cover review will, subject to public consultation and agreement by the Fire Authority, achieve efficiency savings of over £1m whilst actually improving service delivery overall. The remaining budget reductions can only be secured by taking a hard look at the back office and support mechanisms.
- 2.54 There are always options for further reductions in budgets however this could only be achieved by:
- i) Impacting directly on front line services
 - ii) Reducing commitment to the capital programme
- 2.55 The Fire Cover Review represents the best available fire cover model and anything outside of this may place communities at increased risk and would therefore conflict with the main principle for the development of the budget.
- 2.56 The Capital Programme can be slipped from one year to another but this would impact negatively on the authority's ability to progress the proposals of the fire cover review and potentially create problems for the vehicle fleet as it would need to be allowed to become older on average and probably have a negative impact on maintenance costs.
- 2.57 As set out above, the Secretary of State has made no formal announcement as to the level of Council Tax increase that would be considered unreasonable and therefore exposed to the risk of capping. It is however probably reasonable to suppose that given his comments in relation to previously capped authorities keeping their increases down to 2.5% and the level of government support to authorities having a zero increase being set at 2.5% that 2.5% might be the crucial number.
- 2.58 It would appear therefore that a risk of capping would exist above 2.5%
- 2.59 There is always a worry that grant support from government can always be withdrawn and although assurances have been given that the Council Tax freeze grant is fully supported throughout the CSR period there are no guarantees thereafter.
- 2.60 The proposed budget as set out in 2.41 above is only balanced in 2011/2012 and 2012/2013 and as explained in that section falls into deficit in 2013/2014

and 2014/2015. In order for this deficit to be made up from increases in Council Tax rather than further budget cuts increases of 4.25% and 5.7% for 2013/2014 and 2014/2015 respectively would be required. Any number of options above 2.5% continue to be available.

- 2.61 Despite the magnitude of the percentage figures it must be considered that a 1% increase in Council Tax generally equates to about 71p per annum at Band D and that most of the County's residents are in Bands A and B.

FINANCING THE BUDGET

- 2.62 As set out in paragraph 2.15 Government are making a grant of £581,000 available if the Fire Authority do not increase Council Tax. This grant will be protected throughout the CSR period and The Finance and Resources Committee are recommending that the Fire Authority do not increase Council Tax but instead take advantage of this grant. The following figures therefore assume that this grant is accepted.

- 2.63 The external financing of the Fire Authority is therefore:

	2011/2012 £ 000's	2012/2013 £ 000's	2013/2014 £ 000's	2014/2015 £ 000's
Budget requirement	46,407	46,220	44,774	44,277
Government Grant	22,634	21,864	19,704*	18,455*
Freeze Grant	581	581	581	581
To be met from Council Tax	23,192	23,775	25,489	27,041
Band D Council Tax	69.69	71.08	72.86	74.68
Increase	0%	2.00%	2.50%	2.50%

* Estimated

- 2.64 In order to raise the amounts required from Council Tax the level would need to be increased from £69.09 per annum in 2011/2012 to £74.68 by 2014/2015.
- 2.65 Specifically in 2011/2012 it is recommended that Council Tax is set at the same level as in 2010/2011 which is:

	£
Band A	46.46
Band B	54.20
Band C	61.95
Band D	69.69
Band E	85.18
Band F	100.66
Band G	116.15
Band H	139.38

2.66 The level of Council Tax at Band D is then multiplied by the taxbase to calculate the precept to be set for each of the District Councils and the City Council as follows:

	Taxbase £	Percentage	Precept £
Ashfield	35,350.80	10.62%	2,463,597.25
Bassetlaw	36,217.26	10.88%	2,523,980.85
Broxtowe	35,635.49	10.71%	2,483,437.30
Gedling	38,206.85	11.48%	2,662,635.38
Mansfield	31,618.90	9.50%	2,203,521.14
Newark and Sherwood	39,229.55	11.79%	2,733,907.34
Rushcliffe	41,157.00	12.37%	2,868,231.33
 Nottingham City	 75,380.00	 22.65%	 5,253,232.20
 Total			 23,192,542.78

COMMENTS OF THE TREASURER

2.67 Under Section 25 of the Local Government Act 2003, the Treasurer is required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

2.68 The Treasurer is satisfied that, on the basis of the financial risk assessments, the working balances are adequate.

2.69 The Treasurer has been consulted fully concerning the build up and calculation of the budget, and is content that these have been prepared in an accurate and robust manner, such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

2.70 A statement by the Authority Treasurer is included as Appendix B to this report.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are significant implications for human resources arising from this report. Extensive consultations will be required with both staff and trade unions to comply with relevant statutes for both establishment changes and possible redundancies. The HR Committee will also be greatly involved in these issues.

5. EQUALITY IMPACT ASSESSMENT

There has been a full equalities impact assessment carried out in respect of this report which is attached as Appendix C.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2011/2012 and must set a precept for 2011/2012 before the end of February 2011.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 In order to manage the implementation of the extensive budget changes a dedicated team is to be set up to ensure that implementation is achieved in a timely manner.
- 8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. RECOMMENDATIONS

- 9.1 That Members approve the capital budgets for each of the financial years 2011/2012 to 2014/2015 as set out above.
- 9.2 That Members approve the revenue budgets for each of the financial years 2011/2012 to 2014/2015 as set out above.
- 9.3 That Members approve the levels of Council Tax for 2011/2012 as set out in Paragraph 2.65 above.
- 9.4 That Members approve the precept figure of £23,192,542.78 which will be applied to the whole of the City and District Council areas as general expenses.
- 9.5 That Members note that the precept for 2011/2012 will be collected from City and District Councils in accordance with their agreed taxbases with payments in equal instalments on dates agreed between financial officers.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER

Appendix A

Detailed Cash Limit for 2011/2012 by Subjective Heading

DESCRIPTION	Opening Budget for 2010/11	Virements		Revised Estimate	Reversals	Base Budget for 2011/12	Policy Changes	Inflation	Opening Budget 2011/2012
	£	Temp	Perm			£	£	£	£
WHOLETEIME OPERATIONAL PAY	24,075,927	0	64,892	24,140,819	0	24,140,819	-817,168	0	23,323,651
PART TIME OPERATIONAL PAY	3,334,900	0	0	3,334,900	0	3,334,900	-474,000	0	2,860,900
CONTROL STAFF	1,067,003	0	38,209	1,105,212	0	1,105,212	0	0	1,105,212
ADMIN & CLERICAL	5,177,511	0	203,151	5,380,662	0	5,380,662	-376,902	0	5,003,760
OTHER EMPLOYEE EXPENSES	810,232	0	-7,735	802,497	0	802,497	-106,749	220	695,968
PENSION COSTS	817,190	0	0	817,190	0	817,190	-125,540	7,353	699,003
PREMISES OPERATIONAL	2,021,994	0	130,168	2,152,162	0	2,152,162	-59,894	0	2,092,268
EQUIPMENT	813,247	0	-22,558	790,689	0	790,689	-39,958	0	750,731
OTHER SUPPLIES AND SERVICES	3,896,874	10,603	29,863	3,937,340	-10,603	3,926,737	-247,956	2,605	3,681,386
TRANSPORT	2,078,154	0	-5,816	2,072,338	0	2,072,338	-52,946	1,000	2,020,392
SUPPORT SERVICES	541,394	-10,603	10,603	541,394	10,603	551,997	-78,330	5,310	478,977
CAPITAL FINANCING	2,714,435	0	0	2,714,435	0	2,714,435	3,970,207	0	6,684,642
DEMOCRATIC COSTS	165,702	0	0	165,702	0	165,702	7,610	1,550	174,862
INCOME	-985,550	0	117,456	-868,094	0	-868,094	262,363	0	-605,731
CENTRAL	36,311	0	-30,000	6,311	0	6,311	3,044,162	0	-3,037,851
CONTINGENCIES	1,544,211	0	528,231	1,015,980	0	1,015,980	-577,585	41,078	479,473
					0				
TOTAL (SUM OF ABOVE)	48,109,535	0	0	48,109,537	0	48,109,537	-1,761,010	59,116	46,407,643

APPENDIX B

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY

STATEMENT BY AUTHORITY TREASURER

Under Section 25 of the Local Government Act, the Treasurer is specifically required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations ; and
- The adequacy of reserves and working balances.

I have consulted with the Head of Finance and Resources and note that the required level of working balances as calculated using the risk assessment methodology has now been achieved. I am therefore satisfied that, on the basis of those risk assessments, the proposed level of balances is adequate.

Reserves are held for specific purposes, and include amounts for Unapplied LPSA Reward Grant, The Community Safety Fund, Pensions, Operational Equipment and Environmental Schemes.

I have also been consulted fully concerning the build up and calculation of both the Revenue and Capital budgets and am content that these have been prepared in an accurate and robust manner such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

Peter Hurford CPFA B.Soc.Sc
Fire and Rescue Authority Treasurer

Full Equality Impact Assessment – Policies and Services

Title of policy/service being assessed:	Annual Budget 2011/2012 – 2014/2015
Name of Department:	All
Name and role of the employee(s) completing this assessment:	Neil Timms – Strategic Director of Finance and Resources
Contact Telephone Number (s):	0115-9675894
Date assessment completed:	10/01/2011

Defining the policy/service
1) Why is the policy or service necessary? What are its aims and objectives? What outcomes is the policy or service designed to achieve and for whom?
<p>The annual budget is put together to enable the implementation of the IRMP and to create and sustain a stable financial platform for the ongoing delivery of services.</p> <p>The period 2011/2012 – 2014/2015 requires significant budget cuts as a result of reductions in government grants and it has been necessary therefore to curtail the Authority's ambitions in terms of service development and concentrate instead on the maintenance of core services in a time of financial restraint.</p>
2) How have these aims, objectives and outcomes been determined? What research has been undertaken/used to inform the design and delivery of the policy or service? Have the needs of different equality strands been factored into the policy or service?
<p>The budget has been developed following a series of detailed discussions, seminars and briefings for budget managers as well as meetings of the strategic management team and discussions with the Strategic Director of Finance and Resources and the Treasurer.</p> <p>The budget is constructed within guidelines set out by the Fire Authority at its meeting of 17th</p>

September 2010 one of the parameters being that the budget must be developed having due regard for the priorities and objectives set out in the Service Plan 2010-2013.

The fifth of these objectives relates to Diversity.

3) What measures and methods have been designed to consult users on the application of the policy or service? What are the outcomes of any consultation? How frequently will the consultation be conducted and who will be made aware of the analysis and outcomes?

The usual statutory consultations will take place but the bulk of consultation will be around one of the major drivers of the budget; the Fire Cover Review. This is to be led by ORS a private consultancy well experienced in this type of activity.

4. What measures and methods have been designed to monitor the application of the policy or service? What are the outcomes of any monitoring? How frequently will the monitoring be conducted and who will be made aware of the analysis and outcomes?

None at present although there will be a requirement to monitor against some of the action points arising.

5. Are there ways in which the policy development process could bring different groups of people together? Does the implementation of the policy have the potential to lead to resentment between different groups of people? Are these implications or decisions being explained to those affected? How can you compensate for perceptions of preferential or differential treatment?

The policy development process is in itself quite robust in that it brings together the views and expertise of every element of the service. However in times of significant budget reduction some key decisions remain to be made by Strategic Managers in isolation albeit still within the overall envelope of the Service Plan.

There is no doubt that in times of financial restraint there is potential for budget cuts to be seen to impact more in some areas than others. There is clearly no intention for this to be the case and management seek to ensure that wherever possible impacts are "even handed".

6. Consider the answers given above and assess whether the policy or service and its implementation results, or could result in, adverse impact on or discrimination against different groups of people. If you consider that there is adverse impact or discrimination, or the potential for either, please outline below and state whether it is potentially justifiable and give your reasons for this.

Having considered the budget proposals carefully the following areas have been identified as potentially having adverse impacts upon different groups as follows:

Recruitment

A reduction in the number of posts overall will mean that recruitment will be curtailed or temporarily suspended. The Authority has put significant efforts and resources into positive action initiatives and sponsorships to promote the service as a career particularly to disadvantaged groups. A reduction in recruitment may negate this good work and the longer it is before recruitment begins again the more work will need to be done to re-energise these groups.

The possibility of redundancies amongst the Retained Staff means that any recruitment that might have been taking place to fill vacancies will be offered to these staff as a priority. This again tends to presume against external recruitment.

A reduction in Retained Staff generally may remove an area of potential recruitment for women where it might have been possible to recruit those with daytime childcare responsibilities into the retained service.

Learning and Development

There is no reason to suppose that budget cuts in this area will impact adversely on minority groups with the possible exception of the removal of the bursaries budget.

The uniformed staff which is predominantly male has a well defined and supported career development process and in order to be promoted, move to a different role or demonstrate competence. This is not the case for non-uniformed staff whose career development opportunities are more limited and certainly less "mapped out". The bursary scheme was very helpful for these staff and management will need to ensure that non uniformed staff continue to have access to appropriate development opportunities even though budgets are reducing.

Community Fire Safety

Community Fire Safety is an area that has been at the vanguard of the Authority's interface with vulnerable groups and minorities. The Authority is seeking to make significant budget savings in this area by reorganising and restructuring its service provision. The claret objective of this restructure is not to remove services but to enhance and improve them by refocusing resources.

It will be essential for the Authority to ensure that the services it currently provides to minority groups and vulnerable people are not affected by this reorganisation.

Service Delivery

Again there is no intention to have any adverse effect on service delivery and initial discussions show that this would be unlikely.

Other Issues

One of the risks of this budget strategy is not that the Authority's commitment to equality and diversity is diminished in terms of the withdrawal or diminution of services but that it fails to develop this commitment further and build upon the "Achieving" status that it has attained with a view to "Excellence".

Opportunities

It is difficult to draw positive messages from a time of severe budget cuts however, there are a number of areas which merit further consideration:

The Authority has forged a number of partnerships over the years with various voluntary groups. These groups will now be under severe financial pressure as a result of grants from local councils being withdrawn. This may make them more amenable to taking on some commissioning work on behalf of the Fire Authority or even helping in a more general way with the implementation of our safety agenda.

The Authority has for a number of years maintained a small fund (the "on fire fund") to support and energise the voluntary sector. This fund is held on the balance sheet and therefore will continue to exist after the budget cuts have been implemented. As external sources of funding become more important to the third sector opportunities may arise for this to be used in a more effective way. There is currently approximately £180,000 in this fund.

Lastly, the Authority is to be granted the power of general competence which means in effect that it can now spend money on anything which it believes will further its agenda and improve the lives of communities. This means that the Fire Authority can, for the first time, begin to invest in capacity building activity within communities. This can be a very powerful means of building relationships with voluntary groups and vulnerable groups which was previously unavailable.

Capital Budgets

The sustainable capital programme that was devised some time ago still remains an overall objective within the capital programme and areas such as ICT and Transport remain as planned. In terms of property however the programme may need to be accelerated to deal with the demands of the Fire Cover Review (FCR). This will have positive effect of making more of our stations accessible by design as well as improving unisex facilities. This is essentially bringing forward what would have been achieved over a longer time period.

Impact on Staff

There are a number of proposals within this budget which will ultimately impact upon individual members of staff as it is anticipated that there will be a number of redundancies as a result of the reorganisation and restructuring of HQ Departments. It is not possible to be specific about these at present but clearly there will need to be impact statements prepared for these restructures.

EQUALITY IMPROVEMENT PLAN

Please list all of the actions that result from the Equality Impact Assessment that will enable you to;

- discover more about the potential, unknown impact of the policy/service(For example, fill gaps in monitoring data)
- reduce the adverse impact of the policy/service (continue on separate sheets as necessary).

These now need to be used in order to establish objectives to be included in the relevant business plan for mainstreaming and performance management purposes.

Equality Objective	Action	Officer responsible	By when
To ensure that Women are not unduly affected by changes to training budgets	Ensure that Non-Uniformed staff training is not adversely affected by budget reductions	R Heffer	Ongoing
Ensure that the reorganisation of CFS does not have an adverse effect on vulnerable and target groups	Consider this in the redesign of CFS	ACFO J Buckley	2012
Attempt to mitigate effects of reduced recruitment on target groups	Consider whether there is any scope for targeted retained recruitment in those remaining areas of RDS	HR	Ongoing
Improve access to services for vulnerable and target groups	Consider specific partnership/commissioning opportunities opening up as a result of reducing third sector budgets.	Partnership Officer/CFS	From April 2011

Equality Objective	Action	Officer responsible	By when
Build closer ties with minority groups	Consider using the "on fire fund" to build capacity amongst poorly represented groups	CFS	From April 2011

1st Authorising signature (Policy Owner/Writer)

..... **Date:**

2nd Authorising Signature (Equality and Diversity Officer)

..... **Date:**