



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **BUDGET GUIDELINES 2012/13**

Joint Report of the Chief Fire Officer and the Treasurer

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**Agenda Item No:**

**Date:** 16 September 2011

**Purpose of Report:**

To inform Members of the likely budget position for 2012/13 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2012/13 to 2014/15.

## **CONTACT OFFICER**

**Name :** Neil Timms  
Head of Finance and Resources

**Tel :** 0115 967 0880

**Email :** [neil.timms@notts-fire.gov.uk](mailto:neil.timms@notts-fire.gov.uk)

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

## 1. BACKGROUND

- 1.1 At its meeting on 25 February 2011 the Fire and Rescue Authority set the capital and revenue budgets of the Authority for the years 2011/2012 to 2014/15 the precept for 2011/2012 and the anticipated levels of Council Tax for the period 2012/2013 to 2014/2015. These are:

	<b>Budget £ms</b>	<b>Band D £s</b>	<b>Increase</b>
2011/2012	46,407	69.69	0.0%
2012/2013	46,453	71.78	3.0%
2013/2014	45,135	73.93	3.0%
2014/2015	44,760	76.15	3.0%

Resolution 3 of the minutes of the 25<sup>th</sup> February 2011 meeting states that the Fire Authority wish to review the budget proposals for 2012/2013 to 2014/2015 before budget proposals are put forward.

- 1.2 The amount of Government grant for 2012/2013 has already been determined at £21.864m and it is estimated that subsequent settlements for 2013/2014 and 2014/2015 will be £19.704m and £18,455m respectively.
- 1.3 It is clear that the public finances remain under significant strain and therefore the same assumptions have been made for grant as were used in the 2011/2012 budget process.
- 1.4 It is important that the Authority considers its budgetary position going forward and provides the Finance and Resources Committee with guidance as to the parameters within which to develop a budget proposal for 2012/2013 and beyond which can then be consulted upon before final budget proposals are be considered by the Fire Authority.

## 2. REPORT

### FINANCIAL POSITION

- 2.1 The financial position of the Authority remains strong despite anticipating significant budget pressure during 2011/2012. This is the first year of a four year plan to implement a programme of budget reductions to enable the Authority to continue to set balanced budgets going forward.
- 2.2 Key to the financial strategy has been the maintenance of adequate reserves and balances to enable a planned reduction in revenue budgets without the requirement for drastic cuts in any given year. The slippage of savings anticipated to arise from the Fire Cover Review is being managed within the overall envelope of this financial strategy although there is still an anticipated shortfall of £759,000 in the revenue budget for 2014/2015.

2.3 The latest position in relation to the budget was set out in the report of the Treasurer to the Finance and Resources Committee in July 2011 and shows that the final position as regards the approved revenue budgets is:

	<b>2011/2012 £000s</b>	<b>2012/2013 £000s</b>	<b>2013/2014 £000s</b>	<b>2014/2015 £000s</b>
Council Tax	23,192	24,008	24,850	25,724
Government Grant	22,634	21,864	19,704	18,455
Freeze Grant	581	581	581	581
Total Budget	46,407	46,453	45,135	44,760
Budget Requirement	46,521	45,208	45,216	45,519
Allowable Budget	46,407	46,453	45,135	44,760
Annual Shortfall/Surplus (-)	114	-1,245	81	759

2.5 The impact of this proposal on the level of balances will be

	<b>2011/2012 £000s</b>	<b>2012/2013 £000s</b>	<b>2013/2014 £000s</b>	<b>2014/2015 £000s</b>
Opening Balance	7,595	4,967	6,212	6,131
Contribution to Balances	0	0	0	0
Contribution from Balances	-2,514	0	0	0
Interim Balance	5,081	4,967	6,212	6,131
Contribution to support budget	-114	1,245	-81	-759
Closing Balance	4,967	6,212	6,131	5,372

The budget surplus of £1.245m in 2012/2013 assumes:

- a) A council tax increase of 3%
- b) That all budget savings identified £1.837m in 2011/2012 are achieved
- c) Further budget savings of £1.650m from the Fire Cover Review are achieved in 2012/2013.

2.6 By the end of Year 4 the budget shortfall carried forward to year 5 will be £759,000 and surplus balances will stand at £1.972 million ie: the excess over the sum of £3.4m required for working balances as per the risk assessment.

2.7 It can be seen that the budget going forward into year five will need to be reduced by £759,000 albeit there will be £1.972m of reserves to enable that to be phased.

## **INFLATIONARY AND OTHER PRESSURE**

2.8 Inflation is beginning to rise to levels above 4% across the sector and this will bring with it demands for pay awards for staff who have effectively had a pay freeze for two years. General Inflation has not been allowed for in any of the budget figures going forward however pay inflation in 2012/2013 is almost inevitable to the point where provision must be made to accommodate this.

2.9 The cost of pay awards is difficult to estimate however a conservative estimate of £642,000 has been made within the above figures. If awards go over this level then provision will need to come from reserves.

## **RESERVES AND BALANCES**

2.10 As set out above, the Authority has a number of earmarked reserves which have been set aside for specific purposes which will be consumed in the next year or so. It is not proposed at this time to seek to reduce general reserves.

2.11 Nevertheless the Authority set aside £250,000 in the 2011/2012 budget for the transitional costs of a new Fire Control option of which about £190,000 remains. This, coupled with the further contribution of £25,000 during 2012/2013 will be removed as it is anticipated that any such remaining costs will be met by grant.

2.12 As set out above balances will be used to cushion the effects of budget reductions over the period up to 2014/2015. This is part of an overall financial strategy which will allow the organisation to take measured responses to budget reductions.

## **FIRE FORMULA**

2.13 Whilst considering the potential for unforeseen events it must be remembered that the Formula Spending Share (FSS) for Fire and Rescue Services is currently being completely revised. It is impossible to speculate as to what this will mean in terms of grant settlements from 2013/2014 onwards however, previous experiences would indicate that quite large swings in grant can result from formula changes.

## **CAPITAL PROGRAMME**

2.14 Again, at the meeting on 25 February 2011 a Capital Programme for 2011/12 to 2014/15 was set as follows:

	<b>2011/2012</b>	<b>2012/2013</b>	<b>2013/2014</b>	<b>2014/2015</b>
Transport	1,237,779	1,386,563	1,816,465	1,300,577
Property	1,080,000	2,200,000	2,667,500	2,200,000
IT and Comms	486,000	224,000	165,000	165,000
	<b>2,803,779</b>	<b>3,810,563</b>	<b>4,648,965</b>	<b>3,665,577</b>

2.15 Work continues to be carried out on the Capital Programme to determine the sustainability of Capital expenditure over the long term. This work shows that in order to maintain the asset base for the future and remain within the affordability guidelines it will be necessary to contain the revenue implications of capital within approximately 8% of the total revenue budget. Although this is a significant commitment, it is necessary to preserve the authority's assets base for future service delivery.

## **PROPOSED GUIDELINES**

2.16 Taking all of the above variables and considerations into account the following strategy would seem appropriate for the Finance and Resources Committee to adopt in its development of the budgets for the coming three years:

- i) Continue to maintain a Capital Programme following the guidelines set above within the sustainable capital plan.
- ii) Council Tax increases to be 3% for 2012/13 to 2014/15 subject always to the availability of any renewed Council Tax Freeze Grant.
- iii) Any use of balances to be matched by planned reductions to take place in later years.
- iv) Existing budgets to be re-engineered where possible to take account of inflationary pressure.

2.17 The priorities for budget development will be:-

- i) Fire Cover Review outcomes.
- ii) Financial stability.
- iii) Partnership working.
- iv) Equalities.

2.18 Finance and Resources Committee will begin to consult stakeholders as the budget develops.

## **3. FINANCIAL IMPLICATIONS**

Financial implications are set out in full within the body of the report.

## **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT**

## **IMPLICATIONS**

There are no human resources or learning and development implications arising from this report.

## **5. EQUALITY IMPACT ASSESSMENT**

An initial equality impact assessment has not been prepared in relation to this matter.

## **6. CRIME AND DISORDER IMPLICATIONS**

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

## **7. LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

## **8. RISK MANAGEMENT IMPLICATIONS**

The primary corporate risk is that sufficient financial resources are not available to the Authority. An early guide for the Finance and Resources Committee in terms of the development of the budget will help to manage this risk.

## **9. RECOMMENDATIONS**

Members are requested to approve guidelines set out in Paragraph 2.16 as a framework for the Finance and Resources Committee to develop the Authority's draft budgets for 2012/13 to 2014/15, and to make recommendations to the Fire Authority.

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

None.

Peter Hurford  
**TREASURER TO THE FIRE AUTHORITY**

Frank Swann  
**CHIEF FIRE OFFICER**