



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

BUDGET PROPOSALS FOR 2013/2014 TO 2015/2016 AND OPTIONS FOR COUNCIL TAX

Report of the Chief Fire Officer

Agenda Item No:

Date: 22 February 2013

Purpose of Report:

To present the Fire Authority with proposals for Revenue and Capital budgets for 2013/2014 to 2015/2016 to allow members to determine the level of Council Tax for 2013/2014.

CONTACT OFFICER

Name : Neil Timms
Strategic Director of Finance and Resources

Tel : (0115) 967 0880

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

**Media Enquiries
Contact :** (0115) 967 0880

1. BACKGROUND

- 1.1 At its meeting on 11 January 2013 the Finance and Resources Committee considered a report from the Chief Fire Officer setting out the latest budget position based on the provisional grant settlement and the indicative position with regard to Council Taxbase.
- 1.2 The Committee proposed a number of changes to the report and agreed that after these amendments it should be submitted to the Fire Authority along with two recommended options for the levels of Council Tax for 2013/2014.
- 1.3 The following report is that which was agreed by the Finance and Resources Committee with the exception that it has now been updated for the final figures for taxbase and Business Rates and includes a statement by the Authority Treasurer in relation to the robustness of estimates and the adequacy of reserves and balances as required by S25 of the Local Government Act. Final figures for grant settlement and taxbase were not received until 4th February.
- 1.4 The Fire Authority is required to set a precept before March 1st 2013 and notify this to the billing authorities.

2. REPORT

Capital Budget proposals 2013/2014 to 2015/2016

- 2.1 The Authority maintains a sustainable Capital Programme that has been planned over an extended period. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will both ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.

2.2 The proposed Capital Programme for 2013/2014 to 2015/16 is as follows:

	2013/2014 £s	2014/2015 £000's	2015/2016 £000's
Transport			
Rescue Pump Replacement	1,221,600	1,263,200	1,282,400
Special Appliance Replacement	816,250	0	0
Light Vehicles	444,570	350,750	292,430
Total Transport	2,482,420	1,613,950	1,574,830
Equipment			
Replacement Cutting Equipment	0	0	750,000
Total Equipment	0	0	750,000
Property			
Rebuild, Refurb	2,200,000	2,310,000	2,315,500
Total Property	2,200,000	2,310,000	2,315,500
Information Technology			
Replacement HR System	150,000	0	0
Business Continuity	30,000	30,000	30,000
Information systems development	0	100,000	100,000
Business Expansion	25,000	25,000	25,000
Replacement Equipment	85,000	85,000	85,000
Business Process Automation	150,000	0	0
Mobile Data Devices	75,000	0	0
Total Information Technology	515,000	240,000	240,000
Total Programme	5,197,420	4,163,950	4,880,330

2.3 Rescue pump renewals follow the usual practice of replacing four pumping appliances each year on a rolling basis to ensure that no appliance older than 12 years is in the fleet. The issue of targeted response vehicles has yet to be concluded and it is possible that some of this budget may be used to purchase this type of appliance should they be seen to be appropriate.

2.4 £650,000 of the special appliances budget relates to the aerial appliance due to be completed by June 2013 with £120,000 allocated to the Command Support Unit and a £40,000 to the upgrade of the flood response capability at Newark. The remaining budget of approximately £6,000 is to provide equipment for the Water Bowser.

- 2.5 The budget for light vehicles covers all non-HGV type vehicles from pool cars to station vans all of which are on a standard replacement programme which was examined in detail during 2011/2012.
- 2.6 The cutting equipment currently in use will have been in service for about 10 years by 2015/2016. Whilst spares are anticipated to still be available there remains an issue of technical obsolescence which will need to be considered. This budget provides for the possibility of this equipment being replaced.
- 2.7 The largest single item in the ICT Programme remains the replacement of the HR system which no longer meets the requirements of the service. The £150k in 2013/2014 represents the final phase of this project. A similar amount has been set aside for what is referred to as the business process automation project. This essentially relates to the purchase of some 'middleware' which will enable business processes to be streamlined to meet the service's aspirations to continue to deliver improved services within a shrinking resource envelope. It still remains possible that the middleware purchased as part of the tri-service control project may be suitable for this purpose and this will be used if possible.
- 2.8 Mobile Data Devices are to be implemented as part of the tri-service control project for, whilst not actually part of the project per se, implementation at the same time will be more cost effective. These devices will allow officers and crews to access up to date information in much the same way that the mobile data terminals do on front line appliances. Budget is also set aside for the general replacement of ICT equipment as well as a small amount of business growth in this area. From 2014/2015 onwards there is acknowledgement within the budget of the need to continue to develop business systems within the service beyond those specifically related to HR and Control. The estimates of £100k in each year provide a broad estimate of what may be required even though specific projects have yet to be identified.
- 2.9 The capital programme for property replacement / modernisation is based on the premise that NFRS will rebuild or carry out a major refurbishment of one of its fire stations per year and the capital spending profile is based on this principle. With this in mind the life cycle of a typical construction project for a wholtime station can be at least three years but in some cases longer if there is a requirement to find and buy land. This life cycle will include 10 to 15 months of planning, design, tendering and for the relocation of the fire station staff to a temporary site; up to 12 months to demolish, rebuild and re-occupy the new station; then a further 12 months for the defects liability period. The highest level of capital expenditure for a project (circa 70 to 80% of the total project costs) will occur part way through the second year and in to the next year of the project when the new station is being constructed.
- 2.10 Since the Fire Cover Review (FCR) was ratified in December 2011 the initial plan was to relocate Central Fire Station to a site on London Road, the planning for this started early in 2012 with the negotiations to purchase our preferred site which after agreeing the price in mid-2012 has now been abandoned due to the vendors unwillingness to enter into any further

negotiations to sell the site to the Fire Authority. Negotiations for the purchase of an alternative site have now started, this effectively has delayed the project by 12 months. If suitable land can be obtained within a reasonable timeframe then construction of a new station could start within financial year 2014 / 2015.

- 2.11 Running concurrently during 2012, Edwinstowe Fire Station was re-designated from a Retained Duty Station (RDS) to a Wholetime Duty Station (WDS). The physical work to convert the station was carried out in two phases, the first being completed by April 2012 with the provision of temporary accommodation as an interim measure until the station could be fully converted. The planning, design and tendering of Phase 2 finished in October 2012 and a contractor appointed for the main conversion works in November 2012; these works are due for completion in May 2013.
- 2.12 The planning phase for Retford Fire Station is now well underway, this process started in early 2012. The station will be demolished and rebuilt on the existing site, the fire station function and staff will relocate to a temporary site in Retford in late July this year. The demolition and rebuilding of a new Retford Fire Station will start in August / September with an estimated completion for August September 2014. The main capital expenditure for this project will occur during the demolition and construction phase spanning financial years 2013 and 2014.
- 2.13 Option appraisal and feasibility studies will be carried out for Newark, Arnold, Worksop, Hucknall, Eastwood, Ashfield and Stockhill fire stations between February and June 2013; these studies are to determine what should be done with regards to the what needs to be done for the capital programme (rebuild or refurbish) and in which priority.
- 2.14 The Capital Programme will be financed in part from the receipt of government grant for capital of £1,087,672 for both 2014/2015 and 2013/2014 as well as assumed Capital receipts of £2m in 2013/2014 for the sale of the former Dunkirk fire station. No capital receipts have been assumed for the sale of Central fire station as this is not anticipated to generate funds during the budget period.

Revenue Budgets 2013/2014 to 2015/2016

- 2.15 The Authority had been faced with significant budget reduction targets over the years from 2011/2012 to 2014/2015 and these have been factored in to previous budgets for 2011/2012 and 2012/2013. As part of a longer term financial plan the Authority has undergone a significant restructure both of back office and front line services to achieve these savings over a period of years.
- 2.16 Due to the uncertainties around the 2013/2014 settlement and the impact of changes to both Council Tax and Business Rates it was decided to maintain, as far as possible, those existing budget assumptions to provide organisational stability and to take up any shortfall by the use of balances.

- 2.17 Nevertheless there have been changes to the underlying assumptions within the budget plans for 2013/2014 and 2014/2015 as previously published and these are as follows:

	2013/2014 £m	2014/2015 £m	2015/2016 £m
Requirement Identified in 2012/2013 budget	44.393	43.986	n/a
Requirement now calculated	43.964	44.272	44.808
Difference	-0.429	+0.286	n/a

- 2.18 Members may recall however that the base budget requirement for 2012/2013 was £46.494m and therefore the requirement for 2013/2014 represents a reduction of £2.530m on this figure. A full list of budget variations showing a breakdown of all the changes to base budgets being proposed over the three year period is given as Appendix A to this report but summarises broadly as follows:

Changes to Base Budgets	2013/2014 £000's	2014/2015 £000's	2015/2016 £000's
Adjustments to Contingencies	3	0	0
Minor Adjustments	83	0	-8
Changed Requirements	106	0	1
Additional Requirements	295	81	121
Inflation	382	452	415
Approved by CMB	196	-175	-35
Effects of previous decisions	-96	99	0
One Year Reversing Items	88	-92	-37
Pay increments	52	29	21
Revenue implications of Capital	-1,344	-2,027	97
Replacement Equipment	64	-28	-34
Savings	-1,560	-31	-5
Transactions with reserves	-816	2,000	0
Declared Surplus on collection	17	0	0
Total	-2,530	308	536

- 2.19 The minor adjustments figure of £83,000 relates to the recalculation of previous budget estimates in the light of better information being available since these estimates were made in 2012 or where items should have been included in the estimates but were excluded in error.
- 2.20 The changed requirements heading reflects items that were included in the budget but where the basis for the inclusion has now changed. The most significant of these is the loss of income of £106,000 from the CLG for a seconded officer where the secondment has now ended. There is however a corresponding reduction in costs as this officer has now retired and not been replaced.

2.21 Growth is clearly an area in which Members will be interested as this represents areas of the budget which are increasing beyond the 2012 estimates. These areas are therefore set out in detail in the table below:

Additional Requirements				
Heading	2013 2014 £000's	2014 2015 £000's	2015 2016 £000's	Reason
CCTV on vehicles	5	0	0	Health and Safety Requirement
Building Maintenance	86	0	0	Estates budget has been reduced by £70k but has had no inflation applied for three years. This amount enables this budget to recover the inflation element.
Officers Car Leasing	19	0	0	Costs in prior years have been artificially low due to officers anticipating a provided car scheme.
Pension Costs	36	0	40	Based on the assumption of 1 Ill Health retirement in 2013/2014 and 1 in 2015/2016
Insurance Costs	25	0	0	General Rises in premiums
Occupational Health	18	0	0	Discontinued seafarers medicals for which income was received.
Job Evaluation	20	20	20	Assumes changes in roles from restructure.
Trading Co Dividend	15	0	0	Removal of budget assumption
Auto Enrolment	0	5	0	Cost of enrolling previously opted out members of the pension scheme
Cuts to Community Safety Budgets unobtainable	24	0	0	Areas of the previous £300k reductions in this budget which cannot be achieved.
Tri-Service Control	33	-3	0	Specific costs relating to the upgrade of the wide area network
Extra Bank Holidays	0	31	61	The effect of easter moving between financial years.
Motor Insurance	0	52	0	Additional Insurance premium already forecast
Interview Expenses	0	1	0	External recruitment
Special Service Charges	0	-25	0	Review of charges should result in increased income
MDT Update System	14	0	0	Safety requirement for improvements to update service.
Total	295	81	121	

- 2.22 Inflation broadly divides into two areas the largest of which is pay inflation which has been assumed to run at 1% for each of the following three years. This takes up £223k, £328k and £332k of the total inflation figures. Of the remainder fuel price inflation constitutes the largest amount (£58k, £30k and £32k), followed by the CPI effects of injury allowances (£16k, £12k and £12k). Also within this heading is the anticipated rise in cleaning costs of (£51k, £3k and £6k) following the re-tender which will be carried out in 2013/2014.
- 2.23 Approvals by CMB show those items which have been submitted to the management team for approval and are generally concerned with the implementation of previously agreed budget reductions. There are essentially two items the first of which is the appointment of three watch manager roles (£192k, -£156k and -£36k) to temporarily expand the establishment of the Fire Safety Department until such time as the Non-Uniformed inspectors are properly qualified. Secondly there is a requirement to increase the budget for consultation on the IRMP for one year only (£52k).
- 2.24 The effects of previous decisions largely relate to two items of income the first being the expected additional interest yield of £75k in 2013/2014 which is reduced back by £39k in 2014/2015. Secondly there has usually been a surplus on the collection fund of approximately £57k which been assumed to continue although this is not certain given the issues around Council Tax Benefits. The one item of expenditure under this heading is that of business rates on new, revalued or refurbished properties (£37k, £60k and £10k).
- 2.25 Single year reversing items are one off costs which generally only affect the 2013/2014 budget and reverse out in future years. Amounts shown under this heading are £10k for the biennial equal pay review, £20k for the recruitment of two principal officers and £58k for operational equipment.
- 2.26 Pay increments are the annual increases in the salaries of non-uniformed staff who are on pay scales as opposed to pay points. The falling nature of this amount over the three year period is indicative of staff reaching the top of their grades.
- 2.27 The reductions in the revenue implications of capital are a direct result of the decision to fund large elements of the capital programme in previous years from balances and revenue contributions. This coupled with the decision to make voluntary additional contributions to minimum revenue provision has had a significant effect on revenue budget requirements going forward.
- 2.28 Replacement equipment relates chiefly to three items. The replacement of chemical protection suits (£55k), the replacement of tyre compressors (£8k) due to the higher rating requirements of Scania appliances and some small equipment replacements in media services.
- 2.29 In terms of savings the following areas combine to generate the sums shown:

Budget Savings			
Heading	2013/2014 £	2014/2015 £	2015/2016 £
Net change to Wholetime pay from FCR / restructure	-697,724	0	0
Net change to Admin pay from restructure	15,909	-4,881	0
Net change to Retained pay from FCR	-383,131	0	0
Net change to Control pay from restructure	-34,328	0	0
Other minor items	-11,642	0	0
One less bank holiday	-16,332	0	0
Media Services - printing savings plus online distribution of Council Tax leaflet	-24,093	0	0
Transport - motor tax / PPV & LPP for reserve fleet / fleet modifications	-25,705	-1,555	0
Equipment - various savings identified in 2011	-9,000	0	0
Insurance - arising from improved claims record in areas other than motor	-10,240	-2,700	0
Base budget review of employee benefit schemes	-13,897	0	0
Recruitment advertising costs reduced due to electronic methods	-5,500	-5,000	0
Base budget review of FireLink costs and grant funding	-85,541	0	0
External audit fees	-23,990	0	0
Members' allowances reduced post-RMB, LGA membership cost has reduced	-22,548	-1,323	0
Consultancy fees budget reduced to cover only regular, on-going costs	-23,125	0	0
Reduction in Legal fees	-46,600	0	0
Learning and Development- identified in 2011, less staff post-FCR/restructure	-80,233	0	0
Review of utilities budgets, savings in gas identified	-40,000	0	0
Income generated from solar panels	-10,000	-5,000	-5,000
Income from premises rental identified in 2011	-9,000	0	0
Pensions costs	0	-9,653	0
Total	-1,559,520	-29,112	-5,000

2.30 The remaining figures for transactions with reserves are essentially accounting transactions reflecting the use of or contribution to reserves in previous years. These are required to be 'written back' into the base budget.

2.31 A small item of £17,000 is included for the surplus on the collections funds being less than in previous years.

Financing the Budget

- 2.32 The Authority receives income from Revenue Support Grant, Business Rates and Council Tax. The government usually make announcements as to the provisional levels of business rates and revenue support grant that will be paid at the beginning of December however this year the announcement was delayed until 21st December 2012 and detailed settlement figures were unavailable until 4th February 2013.
- 2.33 The figures are very complicated this year due to the changing rules relating to Council Tax Benefit (support) and business rates and therefore direct comparisons to previous years are slightly more difficult. Nevertheless the provisional amounts of grant to be received are as follows:

	2013/2014 £	2014/2015 £
Revenue Support Grant	11,790,301	12,141,024
Council Tax Benefit Support	2,104,185	0
Council Tax Freeze Grant 2011/2012 continuation	348,180	341,075
Total Revenue Support Grant	14,242,666	12,482,099
Formula Funding	7,868,989	9,527,133
Council Tax Benefit Support	1,399,856	0
Council Tax Freeze Grant 2011/2012 continuation	231,634	238,739
Business Rates Baseline	9,500,479	9,765,872
Individual Authority Baseline	3,266,170	3,340,350
Tariff/Top Up	6,234,309	6,425,522
	9,500,479	9,765,872
Total Grant Yield	23,743,145	22,247,971

The above figures are however somewhat misleading in that whilst overall grant figures of £23.7m and £22.2m look quite attractive compared with the current level of grant funding they include £3.5m of Council Tax Support Grant which is an additional grant to take account of falling council tax bases due to the localisation of this support. The underlying grant figures are therefore much lower. It is also noticeable that the £3.5m grant is absorbed into general grant in 2014/2015.

- 2.34 As mentioned above business rates is another area where there have been huge changes this year due to the localisation process. In previous years the Fire Authority's share of business rates has been notified as part of the grant settlement. This year the grant settlement only provides an estimate of this figure along with the amount of grant that is being provided by central government as "top up payments". The top up payments are supposed to bridge the gap between the amount of locally collected business rates and the

business rates baseline but in reality the Billing Authorities “budgeted figure” for business rates collection is substituted for the figure in the grant settlement. Nottinghamshire Billing Authorities have declared a figure for the Fire Authority of £3,266,291 for 2013/2014.

- 2.35 There also been some uncertainty around the levels of Band D taxbase across the Authority’s area however these have now been resolved and the Billing Authorities have declared a taxbase of £285,857.28 at Band D. This means that Council Tax yield for 2013/2014 would be £19,921,395 if council tax is sustained at £69.69 per band D property. This compares with a yield of £23,293,833 for the same level of council tax in 2012/2013 and reflects the drop in council taxbase as a result of the localisation of council tax support.
- 2.36 This Council Tax yield is £323,852 less than that estimated in the report to the Finance and Resources Committee in January
- 2.37 Government have however offered a further Council Tax freeze grant for those authorities that do not increase their council tax. This is £234,073 for the Fire Authority which broadly equivalent of what a 1% rise would have been in 2012/2013.
- 2.38 The Secretary of State has also announced that if the authority is seeking to have a Council Tax rise above 2.0% it must hold a referendum to gain local democratic support for such a rise. For all practical purposes Council Tax can only rise by 0% or 1.9% without the requirement for a referendum which is the position that was anticipated at the last Finance and Resources Committee meeting.
- 2.39 Putting all of the figures together for the two years where grant levels have been declared the financial position looks reasonably healthy in 2013/2014 but fairly bleak for 2014/2015 as shown in the following table:

	2013/2014	2014/2015	Assume a 1.9% rise in 2014/2015
Freeze Council Tax and take the grant			
Revenue Support Grant	11,790,301	12,141,024	12,141,024
Council Tax Support	2,104,185	0	0
Freeze Grant 2011/2012	348,180	341,075	341,075
Total Revenue Support Grant	14,242,666	12,482,099	12,482,099
Formula Funding	7,868,989	9,527,133	9,527,133
Council Tax Support	1,399,856	0	0
Freeze Grant 2011/2012	231,634	238,739	238,739
	9,500,479	9,765,872	9,765,872
Freeze Grant 2013/2014	234,073	234,073	234,073
Council Tax Yield	19,921,395	19,921,394	20,298,726
Total Funding	43,898,613	42,403,438	42,780,770
Budget Requirement	43,963,813	44,272,309	44,272,309
Surplus	0	0	0
Deficit	65,200	1,868,871	1,491,539
Raise Council Tax by 1.9%			
Revenue Support Grant	11,790,301	12,141,024	12,141,024
Council Tax Support	2,104,364	0	0
Freeze Grant 2011/2012	348,180	341,075	341,075
Total Revenue Support Grant	14,242,666	12,482,099	12,482,099
Formula Funding	7,868,989	9,527,133	9,527,133
Council Tax Support	1,399,856	0	0
Freeze Grant 2011/2012	231,634	238,739	238,739
	9,500,479	9,765,872	9,765,872
Freeze Grant 2013/2014	0	0	0
Council Tax Yield	20,298,726	20,298,726	20,684,633
Total Funding	44,041,871	42,546,697	42,932,604
Budget Requirement	43,963,813	44,272,309	44,272,309
Surplus	78,058	0	0
Deficit	0	1,725,612	1,339,705

- 2.40 The situation revealed by the above table gives serious cause for concern in 2014/2015 whichever option is taken for Council Tax although it is perhaps impractical to assume that there would not be a rise in Council Tax in 2014/2015. If there was to be a rise and if this was kept below 2% then the 2014/2015 deficit would be reduced to £1,491,539 with a zero increase in 2013/2014 and £1,399,705 with a 1.9% increase in 2013/2014.
- 2.41 The outlook for 2015/2016 is potentially much worse than for 2014/2015. Government have released no figures and are planning another spending review before 2015/2016 nevertheless the Fire Finance Network and the LGA are speculating that further reductions in grant of about 6.25% per annum might be anticipated over the next CSR period. Assuming that the budget reductions required for 2014/2015 can be achieved the likely outlook for 2015/2016 is as follows:

Funding Streams	£
Business Rates	8,931,687
Council Tax	20,684,634
Revenue Support Grant	11,382,210
11/12 Freeze Grant	0
13/14 freeze grant	0
Total Funding	40,998,531
Budget requirement	44,808,450
Shortfall	3,809,919

- 2.42 The above figures can only be described as the broadest of estimates as there are so many unknown variables. All of the following issues are unknown:

Will 2011/2012 Council Tax Freeze grant be crystallised to grant?
 Will 2013/2014 freeze grant be continued?
 Will Council Tax increases be capped to below 2%?
 Will Grant reductions be 6.25%?

It is nevertheless clear that substantial budget reductions can be anticipated if these figures are in any way accurate. The cumulative budget problem which will require to be addressed is £3.81m which will need to be planned for the beginning of 2015/2016 as reserves and balances will not cover this.

Potential Effect on Balances

- 2.43 Both options for Council Tax increases will have some effect on balances and there remains an opportunity for balances to be used to mitigate the short term effects of budget shortfalls. The Authority currently enjoys a level of balances generated in part by the early implementation of budget reductions by management.
- 2.44 A report elsewhere on this agenda considers the likely out-turn position for the Authority for the financial year 2012/2013 and this therefore enables an estimate of the level of opening balances for 2013/2014 to be made. The

effect on balances of the two possible council tax increases of 0% and 1.9% are estimated to be as follows:

	Freeze Grant and 0%		1.9% no Freeze Grant	
	2013/2014 £000's	2014/2015 £000's	2013/2014 £000's	2014/2015 £000's
Total Funding	43,899	42,403	44,042	42,932
Budget Requirement**	43,964	44,272	43,964	44,272
Surplus		0	78	0
Deficit	65	1,869	0	1,340

	2013/2014 £000's	2014/2015 £000's	2013/2014 £000's	2014/2015 £000's
Opening Balance	8,200*	6,135	8,200*	6,296
Additions To Balances	0	0	96	0
Contributions From Balances	2,065	1,869***	2,000	1,340***
Closing Balance	6,135	4,266	6,296	4,956

* Assumed level of opening balances see below

** Assumes a rise in Council Tax of 1.9% in 2014/2015

*** Assumes that any shortfalls are met from balances

- 2.45 As reported previously to Members it is important to consider that balances can only ever provide a short term solution to budget problems as underlying shortfalls within the base budget will ultimately require permanent solutions.
- 2.46 The £8.2m of opening balances is an estimate of what the balances figure may be by the end of 2012/2013 based on the opening level of balances plus reported underspendings assuming that all of these are transferred to general fund balances. It also includes the write back of earmarked reserves to revenue following the recent review which is reports elsewhere on this agenda.
- 2.47 The above table demonstrates that it is possible to deal with the budget shortfall in 2014/2015 by using balances to cushion the effect of future budget reductions, however the underlying problem with the base is beginning to escalate to levels which cannot be contained by balances and so action will be required.

Budget Options

- 2.48 The Finance and Resources Committee considered that, notwithstanding the obvious budget problems arising in 2014/2015 and beyond, the decision required of the Fire Authority at this time is whether to opt to raise Council Tax

by up to 1.9% or whether to take the freeze grant and not raise Council Tax in 2013/2014.

- 2.49 In terms of 2013/2014 the difference between the two options is £143,000. Raising council tax generates a surplus of £78,000 whereas holding it at zero gives rise to a deficit of £65,000. This should not be a surprise in that this was what was being predicted during the 2011/2012 budget phase and most of the assumptions underpinning budget thinking for the past two years have been proven accurate. The problem that arises is for 2014/2015 and the question is simply whether or not to raise Council Tax now to support the base budget later.
- 2.50 It must be borne in mind that the council tax freeze grant currently on offer is good for two years only as is the continuance of the previous freeze grant. This creates a form of 'cliff edge' for the base budget which will also need to be recovered.
- 2.51 It is proposed therefore that Members should make a decision on the level of Council Tax for 2013/2014 and also indicate a preference for a council tax freeze or rise in 2014/2015. This will need to be tempered by the knowledge that the Chief Fire Officer and his team will need to bring back to the Authority, proposals to deal with the issues that will arise in 2014/2015 and beyond.
- 2.52 These proposals will need to form part of the thinking behind the current IRMP process in order to ensure that proper consultations take place with stakeholders.
- 2.53 Appendix E(i) and E(ii) show the effect on the cash limit of each of the two options. This is particularly relevant to the movement in reserves and balances under each option.

Comments of the Treasurer

- 2.53 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.
- 2.54 The Treasurer is satisfied that, on the basis of the financial risk assessments, the working balances are adequate and plans exist to for using any surplus balances.
- 2.55 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.

2.56 A statement by the Authority Treasurer is included as Appendix D to this report.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are many human resources implications within the underlying savings relating to restructuring proposals and those related to the Fire Cover Review although most of these will have been considered elsewhere.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken.

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 2013/2014 but may acknowledge potential budget shortfalls for future years.

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 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 set a council tax and precept based on a 1.9% increase in council tax as given at Appendix B or set an increase in council tax and precept of 0% as set out in Appendix C.
- 9.2 That Members indicate a level of council tax increase for 2014/2015 to enable further budget planning to take place.
- 9.3 That Members approve the payment of Members Allowances for 2013/14 in accordance with the existing scheme.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Appendix A

Proposed Changes to Base Budgets 2013/2014 – 2015/2016

	2013/14	2014/15	2015/16
	£	£	£
Prior Year Base Budget	46,494,397	43,947,188	44,255,685
Budget virement	0	0	0
Adjustment to previous contingencies	2,638	0	0
Minor Adjustments			
Correction of errors from last budget process	54,000	0	0
Adjustments to pensions costs	-18,367	0	0
Travel & subsistence	9,370	0	-10,392
Premises costs	12,677	0	0
Pensions contributions	17,481	0	0
Other	8,150	38	2,005
Changed Requirements			
Review of travel budgets post-restructure	-37,143	0	0
End of secondment - loss of income	106,413	0	0
Special Services income budget not achieved - review pending	20,000	0	0
Loss of fire alarm agreement income - Tri-Service Control impact	6,600	0	0
Other adjustments due to changed requirements	11,875	0	0
Minor adjustments to Trading Company recharges for services provided	-1,851	0	0
Chemical suits	0	0	0
Retirement / long service awards	0	0	1,350
Additional Budget Requirements			
CCTV on appliances for H&S reasons	5,000	0	0
Building maintenance	86,030	0	0
Officers car leasing	19,111	0	0
Pensions costs	36,212	0	39,900
Insurance costs	24,700	0	0
Occupational health costs	17,500	0	0
Maintain job evaluation contingency	20,000	20,000	20,000
Remove Trading Company dividend income	15,000	0	0
Additional costs of auto-enrolment of pension schemes	0	5,000	0
Community safety savings target from 2010 not achievable	23,565	0	0
Tri-Service Control project	33,000	-14,000	0
2 extra bank holidays	0	31,127	60,720
Tri-Service Control project	0	11,427	0
Motor insurance cost due to claims record	0	51,700	0
Interview expenses - recruitment of 2 Principal Officers	0	1,000	0
Increased income following review of Special Service Charges	0	-25,000	0
Electronic system to update MDTs to assist with decisions at RTCs	14,575	0	0
Inflation			
Pay inflation	222,876	327,969	175,006
CPI inflation re pensions	17,209	12,903	13,148
Members' allowances inflation	2,455	2,504	1,130
Nonpay inflation - premises costs	58,425	67,786	32,701
Nonpay inflation - travel costs	2,895	3,650	3,571
Nonpay inflation - fuel costs	58,000	30,225	32,492
Other nonpay inflation	19,677	24,804	22,755
Firelink Contract	0	-18,818	-22,564

	2013/14 £	2014/15 £	2015/16 £
Approved by CMB			
Fire protection - 3 additional WMs	140,574	-105,430	-35,144
Expansion of Prince's Trust teams	-2,476	0	0
IRMP consultation	51,638	-55,000	0
Equalities - positive action & peer review	5,000	-15,000	0
Ongoing Effects of previous decisions			
Increase in business rates due to refurbishment / rebuild of property	36,994	60,000	0
Increase in investment income due to increased level of reserves/balances	-75,000	39,000	0
Budget for Surplus / Deficit on Collection Fund	-56,705	0	0
One-year or Reversing change			
Tri-Service Control project - one-off implementation costs	0	0	0
Equal pay review – biennial	10,000	-10,000	0
Re-tender Westfield contract, employee survey etc.	0	-5,000	5,000
Recruit 2 Principal Officers (over 2 years)	20,000	0	-20,000
Operational equipment – various	23,000	-63,000	0
Media training – biennial	0	6,000	-6,000
Red Kite rollout	0	0	0
Helmet lamps	35,000	-20,000	-16,000
Pay Increments	51,924	28,598	21,028
Revenue Implications of Capital Expenditure	-1,344,274	-2,027,175	97,034
Replacement equipment			
Media Services	600	3,800	-3,800
Chemical suits & fleeces	55,000	-25,000	-30,000
Tyre compressors	8,000	-6,500	0
Savings			
Net change to Wholetime pay from FCR / restructure	-697,724	0	0
Net change to Admin pay from restructure	14,409	-4,881	0
Net change to Retained pay from FCR	-383,131	0	0
Net change to Control pay from restructure	-34,328	0	0
Other minor items	-11,642	0	0
One less bank holiday	-16,332	0	0
Media Services - savings plus online distribution of Council Tax leaflet	-24,093	0	0
Transport - motor tax / PPV & LPP for reserve fleet / fleet modifications	-25,705	-1,555	0
Equipment - various savings identified in 2011	-9,000	0	0
Insurance - arising from improved claims record in areas other than motor	-10,240	-2,700	0
Base budget review of employee benefit schemes	-13,897	0	0
Recruitment advertising costs reduced due to electronic methods	-5,500	-5,000	0
Base budget review of FireLink costs and grant funding	-85,541	0	0
External audit fees	-23,990	0	0
Members' allowances reduced post-RMB, LGA membership cost has reduced	-22,548	-1,323	0
Consultancy fees budget reduced to cover only regular, on-going costs	-23,125	0	0
Legal fees budget will normalise post-Dunkirk	-46,600	0	0
L&D - identified in 2011, less staff post-FCR/restructure	-80,233	0	0
Review of utilities budgets, savings in gas identified	-40,000	0	0
Income generated from solar panels	-10,000	-5,000	-5,000
Income from premises rental identified in 2011	-9,000	0	0
Pensions costs	0	-8,653	0
Reversal of contribution to general reserve to bring budget back to zero	-1,816,336	0	0
Adjustments re Revenue Contributions to Capital	1,000,000	2,000,000	0
	<u>43,947,188</u>	<u>44,255,685</u>	<u>44,634,625</u>

Appendix B

Proposal for Council Tax Increase of 1.9%

In order to raise the amounts required from Council Tax as set out in the above report the Band D level of Council Tax would need to be set at £71.01 per annum in 2013/2014.

Specifically in 2013/2014 Council Tax would be set at the following levels:

Band A	47.34
Band B	55.23
Band C	63.12
Band D	71.01
Band E	86.79
Band F	102.57
Band G	118.35
Band H	142.02

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	29,870.30	10.45%	2,121,090.00
Bassetlaw	31,409.55	10.99%	2,230,392.15
Broxtowe	31,907.95	11.16%	2,269,453.53
Gedling	33,396.13	12.03%	2,465,038.19
Mansfield	26,524.26	9.28%	1,887,272.70
Newark and Sherwood	36,015.00	12.60%	2,557,432.25
Rushcliffe	38,948.00	13.62%	2,775,729.48
Nottingham City	56,786.00	19.87%	4,032,373.86
Total	285,857.19		20,338,782.16

The above figures are calculated after taking account of the declared surplus/deficit on collection for each of the billing authorities.

Appendix C

Proposal for Council Tax Increase of 0%

In order to maintain Council Tax at the same level as in 2012/2013 the Authority will need to set a Band D Council Tax of £69.69 per annum in 2013/2014.

Specifically in 2013/2014 Council Tax would be set at the following levels:

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

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	29,870.30	10.45%	2,081,661.15
Bassetlaw	31,409.55	10.99%	2,188,931.48
Broxtowe	31,907.95	11.16%	2,227,334.98
Gedling	33,396.13	12.03%	2,419,635.23
Mansfield	26,524.26	9.28%	1,852,260.63
Newark and Sherwood	36,015.00	12.60%	2,509,892.25
Rushcliffe	38,948.00	13.62%	2,724,318.05
Nottingham City	56,786.00	19.87%	3,957,416.23
Total	285,857.19		19,961,450.00

The above figures are calculated after taking account of the declared surplus/deficit on collection for each of the billing authorities.

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 a risk assessment methodology. I am satisfied that, on the basis of those risk assessments, the proposed level of balances is adequate.

I note however that the actual level of balances will significantly exceed this recommended level during 2012/2013 but need to be considered in the context of reducing external support via government grants in future years and uncertainties around business rates income and limits on council tax increases without the requirement to mount expensive referenda.

I also note that there is a proposal to use some of the Authority's balances to fund capital expenditure thereby reducing revenue expenditure in future years.

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

Appendix E(i)

Cash Limit Assuming 1.9% increase in Precept

	Opening Budget 2012/201 3 £000's	Revised Budget 2012/2013 £000's	Budget Required 2013/14 £000's	Budget Required 2014/15 £000's	Budget Required 2015/16 £000's
Employees					
Direct Employee Expenses	33,661	33,401	32,925	33,228	33,634
Indirect Employee Expenses	563	563	497	499	493
Pension	740	740	775	779	833
	34,964	34,704	34,197	34,506	34,959
Premises-Related Expenditure					
Cleaning and Domestic Supplies	272	241	295	298	304
Energy Costs	405	405	373	383	395
Fixture and Fittings	1	1	1	1	1
Grounds Maintenance Costs	27	27	24	25	25
Premises Insurance	27	27	26	26	26
Rates	615	615	652	712	722
Refuse Collection	27	27	34	35	36
Rents	104	104	107	107	107
Repairs Alterations and Maintenance of Buildings	394	394	488	532	533
Water	53	53	53	55	57
	1,927	1,896	2,054	2,175	2,207
Supplies & Services					
Catering	56	57	55	55	55
Clothes Uniforms and Laundry	218	272	328	304	274
Communications and Computing	1,522	1,670	1,714	1,679	1,705
Equipment Furniture and Materials Expenses	972	827	925	846	826
Grants and Subscriptions	33	32	49	49	49
Miscellaneous Expenses	40	40	40	41	41
	275	597	578	579	581

Appendix E(i)

Cash Limit Assuming 1.9% increase in Precept

	Opening Budget 2012/2013 £000's	Revised Budget 2012/2013 £000's	Budget Required 2013/14 £000's	Budget Required 2014/15 £000's	Budget Required 2015/16 £000's
Printing Stationery and General Office Expenses	106	110	86	86	86
Services	512	504	484	456	442
	3,733	4,109	4,257	4,093	4,058
Transport-Related Expenditure					
Car Allowances	475	482	420	424	417
Direct Transport Cost	1,044	1,044	1,082	1,110	1,142
Public Transport	36	29	26	26	26
Recharges Total	213	213	189	171	141
Transport Insurance	188	188	207	259	259
	1,957	1,957	1,924	1,990	1,985
Support Services					
Corporate Services	43	43	42	43	45
Finance	172	172	175	183	186
	215	215	218	226	231
Third Party Payments					
Other Local Authorities	147	147	100	102	103
Private Contractors	23	23	24	24	24
	170	170	124	126	127
Income					
Customer and Client Receipts	-436	-522	-664	-694	-699
Government Grants	-196	-196	-222	-250	-283
Interest	-50	-50	-165	-126	-126
Other Grants/Reimbursements and Contributions	-1,424	-1,424	-2,026	-1,449	-114
	-2,107	-2,192	-3,076	-2,519	-1,222
Capital Financing Costs					
Debt Management Expenses	4,543	4,543	3,286	1,305	1,360
Interest Payments	1,092	1,092	1,059	1,030	1,103

Appendix E(i)

Cash Limit Assuming 1.9% increase in Precept

Opening Budget	Revised Budget	Budget Required	Budget Required	Budget Required	Budget Required
2012/2013	2012/2013	2013/14	2014/15	2015/16	
£000's	£000's	£000's	£000's	£000's	£000's
5,636	5,636	4,345	2,336	2,463	
46,494	46,494	44,042	42,933	44,808	

Budget

Appendix E(ii)

Cash Limit Assuming 0% increase in Precept

	Opening Budget 2012/13 £000's	Revised Budget 2012/13 £000's	Budget Required 2013/14 £000's	Budget Required 2014/15 £000's	Budget Required 2015/16 £000's
Employees					
Direct Employee Expenses	33,661	33,401	32,925	33,228	33,634
Indirect Employee Expenses	563	563	497	499	493
Pension	740	740	775	779	833
	34,964	34,704	34,197	34,506	34,959
Premises-Related Expenditure					
Cleaning and Domestic Supplies	272	241	295	298	304
Energy Costs	405	405	373	383	395
Fixture and Fittings	1	1	1	1	1
Grounds Maintenance Costs	27	27	24	25	25
Premises Insurance	27	27	26	26	26
Rates	615	615	652	712	722
Refuse Collection	27	27	34	35	36
Rents	104	104	107	107	107
Repairs Alterations and Maintenance of Buildings	394	394	488	532	533
Water	53	53	53	55	57
	1,927	1,896	2,054	2,175	2,207
Supplies & Services					
Catering	56	57	55	55	55
Clothes Uniforms and Laundry	218	272	328	304	274
Communications and Computing	1,522	1,670	1,714	1,679	1,705
Equipment Furniture and Materials Expenses	972	827	925	846	826
Grants and Subscriptions	33	32	49	49	49
Miscellaneous Expenses	40	40	40	41	41
	275	597	578	579	581

Appendix E(ii)

Cash Limit Assuming 0% increase in Precept

	Opening Budget 2012/13 £000's	Revised Budget 2012/13 £000's	Budget Required 2013/14 £000's	Budget Required 2014/15 £000's	Budget Required 2015/16 £000's
Printing Stationery and General Office					
Expenses	106	110	86	86	86
Services	512	504	484	456	442
	3,733	4,109	4,257	4,093	4,058
Transport-Related Expenditure					
Car Allowances	475	482	420	424	417
Direct Transport Cost	1,044	1,044	1,082	1,110	1,142
Public Transport	36	29	26	26	26
Recharges	213	213	189	171	141
Transport Insurance	188	188	207	259	259
	1,957	1,957	1,924	1,990	1,985
Support Services					
Corporate Services	43	43	42	43	45
Finance	172	172	175	183	186
	215	215	218	226	231
Third Party Payments					
Other Local Authorities	147	147	100	102	103
Private Contractors	23	23	24	24	24
	170	170	124	126	127
Income					
Customer and Client Receipts	-436	-522	-664	-694	-699
Government Grants	-196	-196	-222	-250	-283
Interest	-50	-50	-165	-126	-126
Other Grants/Reimbursements and Contributions	-1,424	-1,424	-2,169	-1,601	-114
	-2,107	-2,192	-3,220	-2,671	-1,222
Capital Financing Costs					
Debt Management Expenses	4,543	4,543	3,286	1,305	1,360
Interest Payments	1,092	1,092	1,059	1,030	1,103

Appendix E(ii)

Cash Limit Assuming 0% increase in Precept

Opening Budget 2012/13 £000's	Revised Budget 2012/13 £000's	Budget Required 2013/14 £000's	Budget Required 2014/15 £000's	Budget Required 2015/16 £000's
5,636	5,636	4,345	2,336	2,463
46,494	46,494	43,899	42,781	44,808

Budget