

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE & RESCUE AUTHORITY		
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JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE TREASURER OF THE FIRE & RESCUE AUTHORITY

CONSULTATION ON 2005/6 REVENUE BUDGET, PRECEPT AND COUNCIL TAX

1. PURPOSE OF REPORT

- 1.1 The Fire Authority now raises its own taxation via a precept levied upon all the tax payers of the City and County of Nottinghamshire. It is important therefore that the budget setting process of the Authority is as open and inclusive as possible and that an opportunity is created for consultation to take place on the budget proposals for the coming year.
- 1.2 Clearly the budget is driven by the corporate plans of the Authority, not least of which is the Integrated Risk Management Plan, which are also the subject of wide public consultation. Nevertheless it is still considered useful to discuss some of the thinking behind the budget and present some options for consultation.
- 1.3 This report sets out two budget options upon which the Fire Authority may wish to consult and seeks the approval of the Authority to carry out such consultations.

2. BACKGROUND TO THE BUDGET

- 2.1 Members will be aware that the Authority has been nominated for capping as part of the 2004/5 budget setting process. What this means in effect is that the Minister has set a "notional amount" for 2004/5 against which the Authority's budget for 2005/6 will be compared. The actual revenue budget in 2004/5 was £39,186,134, whilst the notional amount was £38,986,134 – a difference of £200,000.
- 2.2 Any increase in the revenue budget for 2005/6 will be measured against this notional sum.
- 2.3 The Formula Spending Share (FSS) of the Authority is the means by which the distribution of Revenue Support Grant is determined and is therefore key to the amount of external funding received by the Authority. The calculation of FSS is a complex process which involves considering all the activities of the Service and applying financial weightings to them. Whilst there are many arguments mounted in favour of, or against FSS (or indeed elements of it), it remains the way that grant is determined. FSS for the Authority has changed as follows between 2004/5 and 2005/6 :

	2004/05	2005/06	Increase
FSS	33,382	34,219	2.51%
Capital	227	325	43.2%
Total	33,609	34,544	2.78%

- 2.4 The figures for Revenue Support Grant (RSG) have been provisionally announced along with the figures for National Non-Domestic Rates (NNDR) as follows :

	2004/05	2005/06	Increase
RSG	9,909	9,814	-0.95%
NNDR	11,159	11,892	5.56%
Total	21,068	21,706	3.03%

Significantly there has been an overall increase in aggregate external finance of 3.03%.

2.5 After early consultations with the Management Team and the Chairman the primary objective of budget setting for 2005/6 was :

“To set a budget which would not attract the attention of the Minister in terms of his capping regime for 2005/6, whilst at the same time ensuring the continued provision and development of the Service for both 2005/6 and the years beyond, having proper regard to the aims and objectives of the Authority as set out in the business plan and the Integrated Risk Management Plan (IRMP).”

2.6 To do this a number of planning assumptions were made :

- i) That the overall increase in the Council Tax should be in the range of 3-5% when measured against the notional amount set by the Minister in his capping notification for 2004/5.
- ii) That the budget should demonstrate significant recycling of resources within the existing base budget.
- iii) That IRMP should be fully costed into the budget process.
- iv) That the transitional funding allowed by Government in 2004/5 of £500,000 would require to be repaid in 2005/6.

2.7 A capping risk matrix was drawn up which showed (on the basis of assumptions at the time) three variables mapped against each other, which were :

- Actual Council Tax increases
- Council Tax increases against notional Council Tax
- Actual budget increases

The matrix showed that on the basis of figures then available or estimated that the upper limits of the “safe zone” were :

Budget Increase	1.9%
Council Tax increases against notional Council Tax	4.0%
Actual Council Tax increase	2.82%

This effectively confirmed earlier thinking that the sorts of increases that would be permissible were within the range that had been set.

2.8 In the event two other factors, unknown at the time of the initial planning, served to influence these assumptions, these were :

- i) The Government’s decision not to recover the £500,000 in transitional funding until 2006/7.

- ii) A minor change in the tax base which increases the resources available to the Authority.

2.9 This settlement then, has caused some rethinking of the initial budget targets in that it allows some initiatives to be funded which otherwise would have needed to wait until 2006/7 or beyond. It also allows the Authority's earlier plans for the creation of balances to be advanced somewhat.

3. 2005/6 BASE BUDGET

3.1 The unadjusted base budget for 2005/6 would be £39,186,134 in accordance with the budget agreed by the Authority for 2004/5.

3.2 A review of base budgets however reveals that this can be adjusted as follows :

Heading	£
Reduction in one off training provision	-30,000
Reduction in General Rates	-150,000
External Interest	-50,000
Leasing Realignment	-246,000
Change in national Conditions of Service	-20,000
Office Equipment	20,000
Contract Cleaning	20,000
Comms Licences and Rentals	10,000
Working Together (recycled)	-50,000
Bought in IT Services	-40,000
Fire Safety Certificate income	10,000
Special Services income	-10,000
Telecommunications	35,000
Purchase of Fire Kit	-300,000
Reduced contribution to balances	-600,000
Reduction in transitional funding grant	-500,000
Total Adjustments to Base	-901,000

3.3 This creates an adjusted Base position of £38,285,134

4. PAY AWARDS

National pay awards for both uniformed and non-uniformed staff need to be provided for within the 2005/6 budget. It is necessary therefore to make some assumptions about these awards. The non-uniformed pay award has already been settled for 2005/6 as part of a national three year agreement at 2.95% and therefore this has been provided. The firefighters pay award is more uncertain, as to date the formula which is to be used is still unclear. It is considered by the Finance Officers throughout the region however, that a figure of 4% should be put into budgets. This produces a budget requirement of :

	£
Firefighters/Principal Officers/Control/Retained	1,019,540
Administrative Pay	105,000
Pension Contributions	-82,370
Total	1,042,170

5. PENSIONS

Calculations and estimates show that there is no requirement to boost the existing pensions budgets in 2005/6. Further contributions may however be required in 2006/7 if Government proposals to fund pensions from the centre do not go ahead.

6. REVENUE IMPACTS OF THE CAPITAL PROGRAMME

Part of the base budget review considered the issue of revenue support to the capital programme and it is considered that the existing levels of resources are sufficient to meet the Authority's needs in 2005/6. This is due largely to the levels of slippage in the programme over the past few years and a general re-adjustment of expectation around the delivery of capital projects. The basis of the calculations is the already agreed capital programme for 2005/6. However, the full Capital Programme will, of course, be brought to the Fire Authority for approval in February.

7. OTHER BUDGET ISSUES

7.1 There are a number of additional budget pressures which require to be addressed either as a result of national changes or local development. These are shown below :

Heading	£'s
Increased Insurance Premiums	70,000
Retained Medical Training	6,000
Fire Behaviour Instructors Course	36,000
GIS Mapping	36,000
Driver Training Simulator	30,000
BA Instructors Courses	15,000
Strategic Training for Managers	25,000
ACAS Training	20,000
Springboard	20,000
Project Management	70,000
Team Development	20,000
Positive Pressure Ventilation	60,000
General Inflation	101,000
Administrative Staff Superannuation Increase in Employers' Contributions	30,000
Total	539,000

7.2 In detail these headings are :

1 Increased Insurance Premiums (£70,000)

Most insurances will rise every year in accordance with the increase in perceived risks. These are based not only on claims made by the Service, but on the general level of claims in the courts and on the level of salaries. Consequently premiums rise every year. This figure is considered reasonable given all these factors.

2 Retained Medical Training (£6,000)

This sum is to reflect the costs of additional medical training to be delivered to Retained Personnel.

3 Fire Behaviour Instructors Course (£36,000)

This is a course which will require 12 instructors to attend the Fire Service College at Moreton-in-Marsh. The course costs £3,000 per student.

4 GIS Mapping (£36,000)

The Geographic Information Service is considered vital to the delivery of services in both the City and the County. The digitised maps that are used are licensed from the Ordnance Survey who have recently become a "next steps" agency. As a direct result of this they have raised their charges to what they regard as commercial rates with the result that the charges to Nottinghamshire have increased by several thousand percent.

5 Driver training Simulator (£30,000)

Heavy goods vehicle instruction is increasingly taking place in off-road environments and more particularly using simulation techniques and software. This has the major advantage in not placing drivers under instruction on busy roads and allows a range of diagnostic and teaching aids. Currently all the training of drivers is carried out using traditional teaching methods, but it is clear that it is only a matter of time before the use of computer simulation will become mandatory.

6 BA Instructors Courses (£15,000)

The Service is always short of Breathing Apparatus (BA) trainers as qualified staff get promoted and/or move on in the Service. In recent times very little has been done in terms of training more BA instructors as the Service has been able to rely on staff who are already trained. This can however sometimes be disruptive. This budget would allow further instructors to be trained.

7 Strategic Training for Managers (£25,000)

Currently strategic managers are well trained and have a large number of professional and management qualifications. What is required however is a cohesive set of strategic management training that will not only bind these managers together to a common management ethos, but also provide a template for the training of middle managers who will become the strategic managers of tomorrow. The proposed budget will allow an external training provider such as a major university to provide such training and guidance to senior staff.

8 ACAS Training (£20,000)

The new national pay agreement and national terms and conditions abolish a number of the practices contained within the old Grey Book. Importantly one of these relates to disciplinary matters, appeals and other related issues. Some training is required for managers to understand the differences between these two approaches and to ensure that they are able to operate effectively within ACAS guidelines.

9 Springboard (£20,000)

Springboard is a programme which seeks to encourage women employees to enter management. It has been successful in a number of areas, notably the County Council, and would give a strong message that the Authority is serious about creating a level playing field in order for its women employees to compete as equals for managerial positions.

10 Project Management (£70,000)

The Government, the Regional Management Board and other organisations have adapted Prince 2 Project Management as their preferred system. Nottinghamshire Fire and Rescue Service have introduced project management training previously ; using the County Council's system originally and a limited bespoke model in 2000. To bring the organisation in to line with the Government and others, it would be appropriate to equip the organisation with Prince 2. In order to support the Service in the future, a full-time Project Manager would enhance the ability to project manage, which in turn would support business planning.

Training	£20,000
Manager	£50,000 (including on-costs)

11 Team Development (£20,000)

When District Teams were created as a part of the 'local' service delivery arrangements introduced by the Chief Fire Officer, facilitators were used to assist the process of team development. This facility was also extended to HQ departments. With the review of Districts, the revised Fire Prevention structure and improved Community Safety team, it is considered appropriate to re-introduce this facility. Based on original costs, this option is estimated at being £20K in 2005/06.

12 Positive Pressure Ventilation (£60,000)

The Service currently has 14 units located on shift crewed appliances. To extend this facility to all pumping appliances would require the purchase of an additional 13 units. The estimate for this, to include training provision is £60K.

13 General Inflation (£101,000)

The Service needs to take account of general levels of inflation particularly in areas such as energy costs and road fuel. An increase has been made in all budget heads (excluding pay) for inflationary pressure but the addition to each head reflects the likely inflation of the type of expenditure. For example, road fuel and energy have high inflationary pressure whereas stationary and furniture have low inflation allowances.

14 Increase in Employers Superannuation Contributions (£30,000)

Most non-uniformed and fire control staff are members of the Local Government Pension Scheme (LGPS) which is administered by the County Council on behalf of all the member employers in the County. The LGPS is a funded scheme and relies for its ability to pay pensions not only on employee and employer contributions, but also on earnings from investment. Periodically it is necessary for the Nottinghamshire Pension Fund to be examined and valued by independent actuaries to determine whether the value of the fund is sufficient to meet its long term liabilities. Such a valuation has recently concluded and the view of the actuary is that employer contributions must rise to "top up" the fund. It is not possible to increase the contributions made by employees to the fund as these are fixed by statute. When the investment climate is more favourable however, employers may reduce their contributions whereas employees cannot. The proposed budget will meet the short term effects of this rise in contributions however further rises will be required in future years to restore the fund to its appropriate value.

- 7.3 It is acknowledged that the above represents a fairly substantial list of budget demands, all of which it may not be possible to deliver within a reasonable precept increase. Management have therefore examined this list critically to consider which items are absolutely essential and which could either be put off until a future year, re-prioritised along with existing activities, or abandoned. The absolute essential items are considered to be :

Increased Insurance Premiums	£ 70,000
GIS Mapping	£ 36,000
General Inflation	£101,000
Superannuation Increases	£ 30,000
	£237,000

8. **IMPACT OF LOCAL RISK MANAGEMENT PLAN (PHASE 1)**

- 8.1 Members will be aware that the Local Risk Management Plan (LRMP) for 2004/5 contained within it a number of areas where funding and/or resource allocation would be required during 2005/6. A number of initiatives have been implemented within 2004/5 budgets with others spanning financial years and others impacting solely on 2005/6. The following is a summary of those areas which impact on the 2005/6 budget year :

Ref	Heading	£
1	Abandoned Vehicle Recovery	159,000
2	Unwanted Fire Signals	-69,500
3	Hoax Reduction	-4,000
4	Fire Safety Enforcement	10,000
5	Additional Vehicles for Enforcement	5,667
6	Contribution to Risk Watch	200,000
7	Arson Task Force	15,773
8	IPDS – Competency	137,559
9	Co-Responder – Extension	132,225
10	Risk Watch Co-ordinator	28,800
11	HRA Co-ordinator	23,700

12	CS Development Worker (BME)	18,333
13	Firesetters	28,000
14	HRA Operative	15,500
15	Young Persons/ASB Worker	28,000
16	Community Safety Workers	121,040
17	Budget Recycled from Administration	-86,333
18	Training	20,000
19	Smoke Alarm (Ordinary)	72,000
20	Alarms for the Deaf	10,000
21	ODPM Alarm Grant	-120,000
22	Movement of Aerial Ladder Platform	-561,434
	Total	184,330

8.2 In detail these initiatives are as follows :

1 Abandoned Vehicle Recovery (£159,000)

This is an initiative to staff a vehicle to recover abandoned vehicles in partnership with Nottinghamshire Police and Local Authorities in order to remove them quickly from the streets to prevent them being targets for arson. In addition it is anticipated that this initiative will also provide a facility for dealing with non-emergency chemical spills etc. to which wholetime crews are currently deployed. The vehicle was purchased from Nottinghamshire Police in 2004/5, but will require staffing in 2005/6 and beyond. The anticipated staffing requirement is for six personnel.

2 Unwanted Fire Signals (-£69,500) and Hoax Reduction (-£4,000)

By continuing to drive down the number of Automatic Fire Alarms (AFAs) and also changing the Pre Determined Attendances, money will be saved on Retained call outs. There may also be some benefits in fuel costs, risk reduction and other small costs associated with the Wholetime.

3 Fire Safety Enforcement (£10,000) and Additional Vehicles (£5,667)

This money will fund some extensive legal advice and training which will need to be done following the Fire Authority becoming a "prosecutor" rather like the Health and Safety Executive. The Service has no experience of this and initially officers will need to be supported by lawyers in order to take these prosecutions. The vehicle costs relate to the leasing associated with two small vans which will be used by enforcement officers in carrying out these new duties.

4 Contribution to Risk Watch (£200,000)

Risk Watch has been piloted in a number of schools during 2004/5 and it is expected that the roll out to all schools will constitute the most significant action by the Fire Authority to reduce accidents and injuries to young people. The full cost of this initiative is of the order of £500,000 and it is hoped that some of this can be met by sponsorship. In order to make an initial impact however, it will be necessary to invest significantly in this area. If sponsorship cannot be achieved for the full cost of the remaining start up costs, a sum such as this in the base budget would allow a more phased roll out of this scheme.

5 Arson Task Force (£15,773)

This is a relatively insignificant amount of money, but represents only the net cost to the Authority in 2005/6. In reality the gross cost is of the order of £135,000, but the Authority receives a grant of £119,000 from the ODPM. This grant funding ceases at the end of 2005/6 and therefore the Authority should continue with this work by making an addition to the budget in 2006/7.

6 Co-Responder (£132,225)

The Co-Responder scheme is one to which not only would the Service want to subscribe, but there is a specific expectation that all Fire and Rescue Services will do so within the National Framework Document. The costs relate to the expected number of calls that will be attended by Retained personnel based on East Midlands Ambulance Service (EMAS) predictions. The costs of defibrillators will be met from outside sponsors whilst the costs of consumable stores will be met by EMAS.

7 Items 10 to 18 – Community Safety (£197,040 – Total)

There are a number of posts around Risk Watch and Community Safety in general which the Authority has funded from within existing budgets during 2004/5. This proposal formalises this arrangement and acknowledges the transfer of funds from administrative budgets of some £86,333 to fund some of these. The Community Safety posts are funded from transfers of resources from elsewhere (primarily ALP).

8 Items 19,20, and 21 – Provision of Smoke Alarms (-£38,000)

Ordinary smoke alarms are already provided in fairly large numbers directly to the public and this initiative seeks to add a further £72,000 to this provision. In addition a further £10,000 will be spent on specialist alarms to meet the needs of the deaf community. A Government grant has been received for £120,000 to defray both these costs and also some of the money already spent on this provision.

9 Movement of Aerial Ladder Platform (-£561,434 net)

Within LRMP 1 there were proposals to relocate the Aerial Ladder Platform (ALP) based at Central Fire Station to Beeston and to crew both this appliance and the ALP at Mansfield with Retained personnel. The redeployment of staff from these appliances to other roles will realise over £700,000. This saving will be recycled into Community Fire Safety as set out in the Service's IRMP. The net figure is lower due to the associated costs of recruiting, training and equipping Retained crews to staff these appliances.

9. IMPACT OF LOCAL RISK MANAGEMENT PLAN (PHASE 2)

- 9.1 The second phase of the Local Risk Management Plan (LRMP) sets out a number of initiatives and activities with which the Service wishes to engage. Many of these do not realise savings immediately, but do continue to reach out into communities in pursuit of the overall objective of driving down avoidable injuries.

9.2 A summary of LRMP2 activities is given in the following table :

Ref	Heading	£
1	Impact Roadshow	8,834
2	Working with Young People	70,000
3	Immediate Appointment of CFS Staff	125,000
4	Policy Officer	-38,000
5	Avoidable Injuries Officer	38,000
6	Administrator	10,000
7	Avoidable Injuries Project	4,000
8	Sponsorship Funding	-4,000
9	Civil Contingencies Bill	59,274
10	Cross Border Incidents	-15,000
11	Regional Management Board	50,000
12	Performance Management	30,000
13	Performance Management Grant	-20,000
14	Retained Initiatives	89,000
15	DDA Training	10,000
16	FSEC	19,430
17	Specialist Equipment	100,000
	Total	536,538

9.3 In detail these initiatives are as follows :

1 Impact Roadshow (£8,834)

This is an initiative directed specifically at young people for reductions in road traffic accidents and arson connected with vehicles. It is focussed on disaffected youth who are most likely to be involved in this type of activity. The costs related to presentation equipment and the lease costs of a suitable vehicle.

2 Working with Young People (£70,000)

This again is an initiative directed towards young people in schools and funds the appointment of two outreach workers to work with Youth Offending Teams (YOTs) and others to drive down the incidence of offending (particularly relating to fire) amongst this group.

3 Immediate Appointment of Community Fire Safety Staff (£125,000)

This budget will “pump prime” the appointment of a number of Community Safety staff who can start work immediately in the community. Whilst there are a number of proposals that are dependent upon the transfer of staff from other locations, it is considered important to demonstrate use of some of the transitional funding to facilitate more immediate change.

4 Deletion of Post of Policy Officer (-£38,000)

The re-organisation of Information Services and of Community Safety has meant that the role currently being undertaken by the Policy Officer is no longer required. The post has been re-designated as the Avoidable Injuries Officer (see below).

5 Creation of Avoidable Injuries Officer (£48,000)

Led by an Avoidable Injuries Officer (who had previously been the Policy Officer) this unit is a highly innovative initiative which sets up an office specifically charged with examining and stimulating activity around reducing avoidable injuries. Its' innovation comes from the partnering arrangements which have been set up with Primary Care Trusts and other partners to second staff into this office to create some genuine "joined up" approaches to this problem.

6 Civil Contingencies Bill (£59,274)

The Civil Contingencies Act places statutory responsibility on the Fire and Rescue Service for a number of areas around Civil Contingencies. Prior to this, these issues had been dealt with in a very "low key" way by Local Authority Emergency Planning departments, but now these have been given a much higher priority by Government. The budget required will create a new post of Group Manager to co-ordinate civil contingency matters and also fund the necessary training in order for the Service to be able to comply with this legislation.

7 Cross Border Incidents (-£15,000)

This is a small process to reduce the amount of the charges currently being made by other Services for attending incidents in Nottinghamshire. It has been identified that there are a lot of occasions when other Services attend incidents which could be attended by Nottinghamshire appliances thus reducing these charges.

8 Regional Management Board (£50,000)

This is an estimate of the level of contribution required from Nottinghamshire to fund the activities of the Regional Management Board. This includes the work on the Regional Control Project.

9 Performance Management (£10,000)

This is a net figure of £10,000 which takes account of the £20,000 the Authority receives in grant funding for this project. The grant funding will expire in late 2005/6 however, and the post of Performance Manager will need to be continued. This has a minor implication in 2005/6, but will need to be considered for continued funding in the 2006/7 budget.

10 Retained Initiatives (£89,000)

This budget relates to a number of initiatives around the recruitment, retention and training of retained personnel. It is recognised nationally that the Service is facing a difficult time for the recruitment and retention of retained staff and demands upon their time in respect of training are increasing. Some of this budget is to be spent on training aids, but £30,000 of this is specifically to stimulate recruitment particularly in areas where day time cover is difficult to achieve.

11 Disability Discrimination Act Training (£10,000)

The Disability Discrimination Act has already had a significant impact on the Service, in terms of policy development etc. It is necessary however, to buy in some specialist training in the area of DDA in order that the Service is seen to be responding positively to this change in the law.

12 Specialist Equipment (£100,000)

New statutory duties on the Service, particularly relating to Urban Search and Rescue (USAR) and Water Rescue mean that an assessment of the adequacy and range of equipment carried on front line pumping appliances will need to be reviewed. Nottinghamshire are already regarded as being at the forefront of thinking in relation to Water Rescue however responses to incidents such as building collapse will need to be reviewed in the light of Government proposals around USAR. This budget will allow the purchase of some equipment to be carried on front line appliances both for the protection of the public and the safety of crews.

10. SUMMARY OF 2005/6 BASE BUDGET

On the basis of the figures presented above the Base Budget for 2005/6 therefore can be considered to be within a range from £40,285,172 to £40,587,172 depending upon which items are deleted from the budget pressures list. In practical terms it is perhaps sensible to consider these as two options as follows :

	Option 1 £'s	Option 2 £'s
Existing Base 2004/5	39,186,134	39,186,134
Adjustments to the Base	-901,000	-901,000
Pay Awards etc.	1,042,170	1,042,170
Other Budget Pressures	539,000	237,000
LRMP1	184,330	184,330
LRMP2	536,538	536,538
New Base for 2005/6	40,587,172	40,285,172
Increase in budget of :	3.57%	2.80%

11. COUNCIL TAX

11.1 To finance either option Council Tax at Band D would need to be as follows :

Budget Heading	Option 1 £'s	Option 2 £'s
Revenue Budget	40,587,172	40,285,172
Revenue Support Grant	9,814,336	9,814,336
NNDR	11,891,765	11,891,765
Balance From Taxation	18,881,071	18,579,071
Council Band D Taxbase	319,463	319,463
Council Tax at Band D	£59.10	£58.16
Increase over "notional" Council Tax	£56.43	4.73%
Increase over actual Council Tax	£57.08	3.54%
Increase over "notional" Budget	£38,986,134	4.11%
Increase over actual Budget	£39,186,134	3.57%

- 11.2 A Council Tax figure of £58.16 would represent an increase over the Minister's notional amount of 3.06% and an increase on actual levels of council tax of 1.89%. A Council Tax figure of £59.10 on the other hand would show increases of 4.73% and 3.54% respectively.

12. SUMMARY

- 12.1 Both budget options meet all the objectives set out in Sections 2.5 and 2.6 in that they deliver :
- i) An increase in actual Council Tax between 1.89% and 3.54%.
 - ii) An increase of between 3.06% and 4.73% on notional Council Tax as set by the Minister (lower than his informal 5% target).
 - iii) A significant demonstration of the recycling of resources.
 - iv) Fully costed implications of both LRMP1 and 2.
 - v) A year on year budget increase of between 2.8% and 3.57%.
- 12.2 In terms of capping risk, neither of the options exceeds the Minister's informal guideline of 5%, either against the notional amount, or the actual amount of Council Tax set in 2004/5. In theory therefore both options are feasible. It is true to say however that in terms of Fire Authorities, Nottinghamshire did not get a particularly good grant settlement for 2005/6 when compared with Derbyshire and Leicestershire. This will mean that these Authorities will get more ability to spend without increasing Council Tax at all and therefore could make even a modest increase by Nottinghamshire appear excessive. Nevertheless the Minister has been fairly explicit in his view and it may be reasonable to rely upon this.
- 12.3 The Authority should be comfortable with these budget estimates and be prepared to consult on both of these before finally reaching a view about the actual budget to set for 2005/6.

13. RISK MANAGEMENT IMPLICATIONS

- 13.1 There are a range of risk issues associated with this report but they broadly divide into two areas :
- i) External risk of capping and/or change in final settlement ;
 - ii) Internal risk of budget assumptions not being correct.
- 13.2 In terms of capping the Minister has already announced his intention to cap any Local Authority that has an increase in Council Tax of over 5% and so, in theory at least, spending below this level should not give rise to a problem with capping. Nevertheless guidance on this matter in 2004/5 proved unreliable and therefore it is only possible to be as prudent as possible. Both of the budget options presented are below this 5% ceiling.
- 13.3 History generally shows that any changes in the final settlement are likely to be insignificant. If in the worst case scenario however, there were major changes then the Authority would need to reconsider it's position.
- 13.4 On the second point there are four key budget assumptions built into this report which are :
- i) National pay awards ;
 - ii) Stability in pensions ;
 - iii) General inflation ;
 - iv) Ability to deliver the savings within IRMP to match additional costs.

The failure of any one of the above could give the Authority significant problems.

- 13.5 In terms of the firefighters pay award a figure of 4.0% has been built into the budget. If this is in error then the effect on the budget would be approximately £180,000 for each 1% difference. The Authority maintains a level of reserves for dealing with such unexpected demands and levels of reserves in 2005/6 will be of the order of £1.5m. Accepting that all of this should not be spent on pay, there is probably still enough resilience to cope with an award of up to 7% which is considered highly unlikely.
- 13.6 An assumption has been made that pensions costs can be met from the pensions revenue budget and the pensions reserve. The work done so far indicates this to be a good assumption, but consideration is needed on the impact of this being wrong and that pensions continue to be volatile and eat into revenue budgets. Again reserves are available to meet this type of difficulty and this has been built into the risk matrix which underpins the levels of reserves. Even a small movement in the underlying assumptions around pensions can have a large effect on the revenue impact. Nevertheless the budget and the pension reserve could probably cope with assumptions being 50% wrong.
- 13.7 General inflation is to some extent an unknown as are other areas such as interest rates. Nevertheless Government targets on inflation are being consistently achieved and it is considered unlikely given the strict controls imposed by the Bank of England that either general levels of inflation or interest rates will increase or decrease significantly. A 1% increase in the rate of inflation would be significant nationally, but the cost to the Authority would be of the order of £70,000. This could potentially be met from balances or the curtailment of some initiatives.
- 13.8 The biggest risk to the budget is the inability to release savings from the IRMP to fund the new initiatives within it. This has been managed by drawing up careful business plans which control the timing of projects and by making sensible assumptions about what can realistically be achieved. The performance management of these projects will ensure that they stay "on track" and deliver to expectations.

14. FINANCIAL IMPLICATIONS

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

15. PERSONNEL IMPLICATIONS

There are no specific implications for personnel, although clearly many of the initiatives proposed for the coming year will impact upon the area of personnel support and training.

16. EQUAL OPPORTUNITIES IMPLICATIONS

There are no specific equal opportunities implications arising from this report.

17. RECOMMENDATIONS

That Members approve the above report being used as a consultation document in respect of the 2005/6 revenue budget, Council Tax and precept levels as set out in the body of the report.

18. BACKGROUND PAPERS FOR INSPECTION

None.

Paul Woods
CHIEF FIRE OFFICER

Alan Sumbly
TREASURER TO THE FIRE & RESCUE AUTHORITY