

## report

meeting	<b>NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE &amp; RESCUE AUTHORITY</b>	
date	<b>24 February 2006</b>	agenda item number

### **REPORT OF THE CHAIR OF THE FIRE & RESCUE AUTHORITY**

#### **CAPITAL BUDGET 2006/2007 TO 2008/2009 REVENUE BUDGET 2006/2007 TO 2008/2009 SETTING OF THE 2006/7 PRECEPT**

#### **1. PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek the approval of the Fire Authority to the proposed Capital Programme for the years 2006/2007 to 2008/2009 and the Revenue Budget for 2006/2007 and indicative Revenue Budgets for 2007/2008 and 2008/2009.
- 1.2 This report also requires the Fire Authority to make a decision as to the level of the precept to be levied in 2006/2007 and thus the levels of Council Tax.

#### **2. CORPORATE CONTEXT**

- 2.1 The proposed budget presented to Members for approval has been developed against the backdrop of the Community Safety Plan and fully supports the aims and aspirations of the Authority as set out in the Corporate Strategy.
- 2.2 Going forward into 2007/2008 and 2008/2009 the budget again reflects the Authority's commitment to investment in the safety of our communities, whilst preserving and enhancing the response options of the Service.

#### **3. FINANCIAL CONTEXT**

- 3.1 Members will be aware from budget seminars that have been held, that there have been significant changes to the Fire Service Revenue Support Grant Formula which have resulted in significant reductions in Revenue Support Grant (RSG).
- 3.2 Government for the first time have declared the grant settlement over a period of two years rather than one and therefore realistic estimates can be prepared for 2007/8 as well as 2006/7.
- 3.3 The Revenue Support Grant mechanism is now driven by RNF (Relative Needs Formula) which replaced the previous FSS (Formula Spending Share) and therefore it is impossible to make direct comparisons between these two figures. Nevertheless it is still possible to compare the amounts of grant and National Non-Domestic Rates (NNDR) received between years. The following table shows the comparisons of grant and NNDR between 2005/6, 2006/7 and 2007/8 :

	2005/6 £000s	2006/7 £000s	Increase %	2007/8 £000s	Increase %
RSG	9,814	3,277	-66.6	N/a	N/a
NNDR	11,892	16,975	+42.7	N/a	N/a
Total	21,706	20,252	-6.7	21,073	+4.1

Breakdown of RSG/NNDR not available for 2007/8.

- 3.4 Clearly the Authority has lost £1.454m in grant from 2005/6 levels and this will create significant difficulties. But it is important to understand why this has happened.
- 3.5 Members will be aware that for many years Fire and Police Authorities have complained to Government that the volatility of the unfunded pension schemes should be removed from local budgets. After extensive consultations Government have agreed to do this and from 1<sup>st</sup> April 2006 the responsibility for the payment of all ongoing liabilities arising from the Fire fighters pension scheme will be funded by Government. In order for them to do this they have introduced two significant contributions that Fire Authorities must make :
- i) They must pay pension contributions for each employee amounting to 21.3% of pensionable pay.
  - ii) They must pay all the costs of Ill Health retirements and injury awards.
- 3.6 To compensate for, on the one hand taking all ongoing liabilities to the centre and on the other hand requiring Authorities to make contributions etc. the level of RSG has been adjusted. In Nottinghamshire's case this has been reduced by some £2.2m. However, after taking account of both the costs and benefits to the Authority of the new arrangements the actual savings accruing to Nottinghamshire amount to only £900k. This means that whilst in theory the Authority had the funds to sustain this reduction in grant in practice it does not. This in simple terms is the reason for £1.3m of the shortfall in grant. The balance of the shortfall appears to be related to increased funding of the damping mechanism which ensures that all Authorities receive at least a basic uplift in grant levels against calculated "alternative notional amounts" (see 3.8 below). This has to be paid for by all other Authorities
- 3.7 Nevertheless as can be seen from the above figures the grant position for 2007/8 is a little improved and it is by considering the budget across these two years that a realistic budget for 2006/7 can be drawn up.
- 3.8 As well as reducing the levels of grant payable the Government have also drawn up "alternative notional amounts" which are supposed to reflect the amount of money that the Authority would have spent in 2005/6 if the same pension arrangements had been in place. This is to assist with comparisons of budget levels year on year.
- 3.9 In setting a budget it has been necessary to try to achieve three objectives :
- i) Keep any Council Tax increases below the 5% informal "capping limit" determined by the Government.
  - ii) Keep actual budget increases to within 5% of the Governments declared "alternative notional amount".

- iii) Put together a budget which not only maintains service levels but which can sustain these beyond 2006/7.

3.10 It is customary for the Authority to consider a number of budget options before determining its final budget but due to the huge task of trying to construct a reduced budget within the above constraints this is considered unrealistic. A Net Revenue Budget of £39,847,091 is proposed which is a reduction of 1.09% on the 2005/6 budget. This budget fits in with the above constraints as well as supporting the continued development of the Capital Programme. If accepted this budget will have the following implications for Council Tax after taking grant into account:

Heading	£
Revenue Budget	39,847,091
Revenue Support Grant	3,276,798
NNDR	16,975,099
Balance From Taxation	19,595,194
Council Tax Base at Band D	322,034
Council Tax at Band D	60.85
Increase over Notional Amount	4.52%
Actual Increase in Council Tax	4.9%
Decrease in Base Budget	1.09%

3.11 The proposed budget needed to take a number of factors into account which were not discussed at the Members seminar nor as part of the consultation :

A decrease in the actual Council Taxbase from the original estimate

A reduction of £25,000 in the surplus on collection funds

A retrospective grant adjustment for 2005/6 which results in 2006/7 grant being reduced by £73,000.

Actual Grant Settlement announced on 31<sup>st</sup> January being some £84,000 lower than the provision amount.

3.12 In order for this budget to be achievable however it has required some balances to be used and some carry forward expenditure from 2005/6 to be assumed. The full details of this approach are detailed later in this report.

#### 4. PROPOSED CAPITAL BUDGET 2006/7

4.1 The Capital Budget proposed for the three years 2006/7 to 2008/9 sets out the Authority's plans for capital investment to support the ongoing and development needs of the organisation within affordable limits required by the Prudential Code. The full budget is set out below.

	2006/7	2007/8	2008/9
	£	£	£
<b>Transport</b>			
Pumping Appliances	952,000	960,000	925,000
Water Carrier	0	160,000	0
Breathing Apparatus Unit	0	160,000	0
Environmental Protection Unit	160,000	0	0
Command Support Unit	160,000	0	0
Foam Unit	160,000	0	0
Community Safety Outreach	100,000	0	0
Small Vehicles	224,569	130,000	160,000
Heavy Rescue Unit	160,000	0	495,000
Recovery Vehicle	0	0	150,000
Fuel Tanks	168,000	0	0
GP Lorry	0	0	80,000
<b>Property</b>			
Retentions	25,000	25,000	25,000
Harworth	150,000	0	0
Beeston Dunkirk	1,300,000	0	0
Acquisitions/Extensions	1,100,000		
Major schemes	0	0	700,000
Minor Schemes	400,000	400,000	400,000
Fuel Tank Renewal	20,000	300,000	0
SDC Garage	80,000	0	0
<b>IT. Comms</b>			
Infrastructure refreshment	142,154	66,514	50,000
HR System	300,000	0	0
MOBs Upgrade	20,000	0	0
MOBS Upgrade(secondary)	115,000	0	0
Wifi networking	40,000	0	0
WAN Upgrade	0	50,000	0
IT Security Business Continuity	350,000	30,000	30,000
Replacement Equipment	100,000	0	0
Information systems developments	40,000	40,000	40,000
Workflow business process automation		150,000	
Mobile Computing	250,000		
EISEC (CLI)	16,000	10,000	10,000
RCC	0	0	100,000
Business expansion	100,000	100,000	100,000
Vector Command Simulation	65,000	0	0
	<b>6,697,723</b>	<b>2,581,514</b>	<b>3,265,000</b>

- 4.2 Although the figure for 2006/7 appears high this is due in the main to items slipping forward from 2005/6 and for which there is already approved revenue cover within the Base Budget. This is evidenced by the fact that additions to the revenue budget in 2006/7 are £74,000.
- 4.3 The Transport programme consists primarily of £952,000 for the replacement of pumping appliances but also has provision of £480,000 for the replacement of the Environmental Protection Unit and the Command Support Vehicle as well as a

Heavy Rescue Unit to replace the existing Rescue Tender which is due for renewal. £224,569 of small vehicles are also to be replaced in 2006/7.

- 4.4 The two main additions to this budget in terms of “new money” are the Community Safety outreach vehicle and a provision for the replacement of fuel tanks.
- 4.5 Underground fuel tanks in the Service are a legacy which requires some action. These tanks are deteriorating and will require replacement if the Service is to avoid the risk of a serious pollution hazard. Consideration will be given to rationalising the amount of “bunkered fuel” to minimise this risk in the future but the Service has to remain aware that some measure of resilience against fuel crises and disruptions to supply must be maintained.
- 4.6 The Community Safety Outreach Vehicle is seen as a means of taking the Service directly into communities as an imaginative alternative to a permanent base in a shop unit. The problem with shop units is that they are permanently located in a given area and anecdotal evidence shows that they are little used and therefore represent poor value for money. As an example the rental alone on a small kiosk in the Victoria Centre could exceed £100,000 per annum.
- 4.7 The service will continue to explore the possibility of joint ventures with other public service providers for “one stop shops” but the idea of a purpose built unit which can be located at particular points of public contact such as markets, supermarket car parks, schools etc. on a flexible basis and as a sort of travelling exhibition would seem to represent exceptional value for money. Such an initiative in Cheshire is proving to be very successful.
- 4.8 The property programme reflects the continuing requirement to complete the Harworth rebuild project and also to pay out retention monies on previous building works. The main areas of change however relate to the Beeston/Dunkirk project and acquisitions.
- 4.9 It had always been hoped that the Beeston/Dunkirk project would be largely self financing however difficulties with land prices of the land to be acquired, the requirement for improved access facilities and most importantly the requirement for the new development to accommodate a wider range of equipment and appliances due to new dimensions and resilience have caused the project estimates to rise. Whilst it is still difficult to be precise about the exact costs due to the sale value of Dunkirk not having yet been confirmed the above estimate of £1.3m takes the prudent view that only the original offer that has been received for Dunkirk is realised. This may rise as the site is exposed to the market and as co-operation with Nottingham City Council begins to add value to the site but at this stage it is considered prudent not to take these factors fully into account.
- 4.10 Acquisitions/Extensions covers two main areas, the proposed purchase of the Red Cross training centre site at Lenton and an extension and redesign of Fire Headquarters.
- 4.11 A short time ago the Authority had the opportunity to acquire the old Red Cross training centre at Lenton which would meet many of the Authority’s needs in terms of Community Fire Safety and engagement. The site is perfect for the Authority’s needs in this area and has the added advantage that it is in the Dunkirk area, thus allaying the fears of the public over the closure of the Fire Station at Dunkirk. After consultations with the Chair and opposition group members the Authority has made a bid on the property in a competitive tender process and currently awaits the outcome of this offer after which a full report will be brought to the Fire Authority for final approval.

- 4.12 The Service has had considerable difficulties with accommodation at headquarters for a number of years. Staff have been located in portacabins and there are constant complaints from representative bodies about the conditions that some staff are required to work in. Even after trying more imaginative solutions such as “hot desking” there is still a shortfall in accommodation to the extent that some new approved posts have not been able to be appointed. The availability of meeting space is completely inadequate and the costs of having meetings in external venues is becoming a drain on resources.
- 4.13 In addition a Disability Discrimination Act survey revealed that headquarters had some fundamental problems with disabled access not the least of which was the access to the current reception area which is both down and then up several staircases. In addition the situation where the management team are split up over the building rather than being located in a single area is considered undesirable. It was decided to consider a scheme which addressed all these issues in a single cost effective way.
- 4.14 The scheme proposed extends the existing canteen area to provide flexible meeting space which would accommodate anything from small meetings to large seminar events. It would also be an appropriate venue for the Fire Authority itself. This area also provides a number of smaller meeting rooms and a new reception area which is fully DDA compliant and has easy access to new toilet facilities. The scheme also includes for the conversion of the existing “command suite” conference room into two offices for the two Assistant Chief Officers and converts the exiting reception area into a new Command suite conference room and a more flexible area.
- 4.15 Clearly the full details and cost estimates of this scheme will need to be brought to the Fire Authority for full approval.
- 4.16 The minor schemes budget is one which has existed for a number of years and will continue the Authority’s general process of making improvements to property in respect of issues such as DDA compliance and equalities.
- 4.17 The IT proposal contains most of the usual issues for equipment replacement and continued development of the infrastructure but does contain a number of specific items which require explanation.
- 4.18 The current HR system was implemented in 1997/8 and whilst this was sufficient to meet the needs of the organisation at that time it is becoming increasingly apparent that it no longer is. Information from the existing system is difficult to obtain making issues such as the monitoring of absence and the management of staff development and training virtually impossible. As these areas are now becoming much more important both nationally and locally it is vital that this system is renewed.
- 4.19 Items relating to MOBS upgrades relate to costs that are unavoidable in keeping the existing mobilisation system running prior to the commissioning of the new Regional Control Centre.
- 4.20 Business continuity is a major issue for the organisation not only in terms of IT but also more widely. The implementation of the Civil Contingencies Act places wider responsibilities on the Authority and the area of business continuity is one which requires to be addressed. In other areas this is usually a matter of planning but in I.T it will be necessary for resilient systems and process to be devised, tested and implemented.

- 4.21 Mobile Computing is an area of considerable development and expansion. New methods of working particularly in Fire Safety have released a considerable amount of staff time but the benefits of this can only be fully realised when staff are able to access systems "on the move". The organisation already gets significant benefits from some senior managers being able to access networks, diaries, and email from remote locations and this process is to be both expanded and improved.
- 4.22 Business Expansion is a general recognition that the IT department need to respond as the general business expands. This is particularly apparent when posts are transferred from operational areas to community fire safety and staff require access to a range of desktop IT products.
- 4.23 Vector Command Simulation is a virtual reality command and control simulator which has been in existence for a number of years for training staff to handle very complex scenarios in ways which cannot be realistically simulated in any other way. The Authority has not invested in this product before, but increasingly it is becoming the de facto standard. It is considered that the Authority is significantly exposed to the risk of accusations of inadequate training if staff are not given access to this system.

## **5. PROPOSED CAPITAL BUDGETS 2007/8 TO 2008/9**

- 5.1 Again, using the table in Section 4 above, the Capital Programme for 2007/8 and 2008/9 shows a marked decrease in value over that for 2006/7 being £2.582m and £3.265m respectively. This reflects the effect of carrying forward capital slippage into 2006/7.
- 5.2 The Transport plans contain provision for the replacement of 4 pumping appliances in each year meaning in effect that all 12 front line wholtime appliances will have been replaced by the end of 2008/9. In addition the provision of the Heavy Rescue Unit in 2006/7 can be augmented by the replacement of the three remaining rescue tenders with appropriate vehicles in 2008/9. This budget also includes for the purchase of a water carrier (put off from 2006/7) and the Breathing Apparatus Unit in 2007/8 and another specialist vehicle in 2008/9. A general purpose lorry is also to be purchased in 2008/9.
- 5.3 The property plan for 2007/8 reflects the continuance of the fuel tank replacement programme and continues with the minor schemes initiative. 2008/9 however makes provision for a major scheme which has not yet been determined by the property strategy group.
- 5.4 The IT budget remains relatively stable and deals mostly with equipment replacement. The only significant development areas are the introduction of workflow business process automation and £100,000 set aside in 2008/9 for IT systems in support of interfaces etc. to the new regional control centre.

## **6. CAPITAL FINANCING**

- 6.1 As the Authority is now subject to the Prudential Code rather than the highly centralised issue of credit approvals, the flexibility exists for a number of capital financing options to be explored. The Revenue implications of the capital programme at this stage are based on the most likely capital financing methods rather than those which will actually be employed.
- 6.2 It will be necessary throughout the period covered by the capital programme to carry out detailed options analysis before deciding on the precise manner of financing be that operating leases, finance leases or borrowing.

6.3 A report elsewhere on this agenda deals specifically with application of the Prudential Code.

## 7. PROPOSED REVENUE BUDGET 2006/7

7.1 The changes to the Base Budget are as follows:

	£
<b>2005/6 Base Budget</b>	<b>40,285,281</b>
Pay Awards and Increments	700,500
Net Effect of Pensions	-905,000
Reductions in Balances	-700,000
Reductions/Additions to Capital Financing	74,000
Base Budget Review Target	-78,500
Specific changes to the Base	-496,590
Support to Shift Change	464,980
IRMP1 reversals etc.	-237,580
IRMP2 Impact	42,000
Technical Fire Safety	34,000
Community Fire Safety	115,000
Human Resources	125,000
Information Services	35,000
I. T Services	85,000
Finance, Resources and Corporate	298,000
Training	-92,000
Prior Year Grant Adjustment	73,000
Reduction in surplus on collection	25,000
<b>2006/7 Base Budget</b>	<b>39,847,091</b>

7.2 Pay awards and increments are composed of the following elements :

	£	Notes:
Wholetime and Control	530,000	Assumes a pay award of 3.5%
Non-Uniformed	91,000	Already settled at 2.95%
Retained	94,000	As Wholetime
Principal Officers	14,000	As Wholetime
Overtime	-40,500	See Below
Training Reserve	-90,000	See Below
Increments	102,000	National Conditions
<b>Total</b>	<b>700,500</b>	

There is an assumed reduction in overtime as a result of the implementation of the new shift system. The new system requires less overtime at the start and end of shift and the saving has been estimated as £40,500.



The Training Reserve is an amount of money set aside to allow the early recruitment of new entrants to take account of the long lead time before they are able to ride appliances. This sum is forgone in 2006/7 due to the heavy recruiting at the end of 2005/6 but is returned to the base in 2007/8.

- 7.3 As explained above, the net effect of changes to the financial arrangements for the fire-fighters pension scheme amounts to a saving of £905,000. This is made up of:

	£
Remove Existing Pensions Deficit budget 2005/6	(5,515,000)
Employer Contributions to new scheme	3,686,000
Employer Contributions to new scheme entrants	317,000
Ill Health Deposit	356,000
Ill Health Charges	251,000
<b>Total</b>	<b>(905,000)</b>

The new arrangements are similar in many ways to the local Government pension scheme in that both employees and employers will make contributions to a pensions account. These contributions take two forms; those to the new scheme and those to the old scheme. All new entrants from 1<sup>st</sup> April 2006 will enter the new scheme.

Employers are also required to make contributions to the pensions account for any staff who are in receipt of injury benefits or who retire on the grounds of ill health. This is to “encourage” employers to reduce the number of ill health retirements as in future these will have a direct impact on the Revenue Account.

- 7.4 As mentioned above the budget proposes reductions in the level of balances of £700,000, which sounds far more significant than it really is. When the Authority became precepting in 2004/5 a desired level of balances of £1.8m was set, although this was to be phased over a number of years. The phasing was subsequently adjusted in 2005/6 budget to give a full level of balances by the end of 2007/8.

The Current position regarding balances is:

	£
Balances at 31 <sup>st</sup> March 2005	1,266,000
Contribution during 2005/6	300,000
Budgeted Balance at 31 <sup>st</sup> March 2006	1,566,000
Contribution during 2006/7	300,000
Budgeted Balance at 31 <sup>st</sup> March 2007	1,866,000

However the balances assumption contained money to cushion the authority against adverse effects of pensions both in terms of unforeseen transfer values (£300,000) and excessive pension payments (£500,000).

New arrangements for pensions mean that there is no requirement to maintain balances at this level and although the full risk assessments have not yet been carried out it is considered that a figure of about £1.2m will be sufficient to cover risk exposures during 2006/7. What is proposed for balances therefore is :

<b>Narrative</b>	<b>Effect on Balances £</b>	<b>Effect on 2006/7 Base £</b>
Opening Balance 2005/6	1,266,000	
Contribution 2005/6	300,000	
Closing Balance 2005/6	1,566,000	
Contribution From Balances 2006/7	-500,000	-500,000
Contribution to Balances 2006/7	100,000	-200,000
Closing Balance 31/3/07	1,166,000	-700,000

In addition to the above it is also proposed that any underspending within the 2005/6 budget is transferred to balances to provide additional support during 2006/7. This is estimated at £200,000. The full details of the risk assessments and proposals for balances can be found in the report on Balances elsewhere on this agenda.

- 7.5 Reductions and additions to the capital financing budget are made up of two amounts, an additional £214,000 to support the costs of borrowing to sustain the capital programme and a consequent reduction of £140,000 in leasing costs.
- 7.6 A Base Budget Review process has recently begun under the supervision and direction of the recently appointed Principal Accountant. It is anticipated that £78,500 can be removed from the existing base budget as a result of this process.
- 7.7 The heading Specific changes to base encompasses a number of items as follows:

	<b>£</b>
Retained IPDS	-350,000
Specialist Equipment	-100,000
Additional Training for Co-Responding	-20,000
General Contingency	-40,000
Business Rates	16,410
External Interest Earned	-80,000
GIS Mapping	3,000
Loss of Certificate Income	10,000
LGPS Superannuation increases	34,000
VMDS Running Costs	30,000
<b>Total</b>	<b>-496,590</b>

Retained IPDS is the most significant reduction in this section and relates to additional money that was put into the base to cope with additional requirements for the training of Retained personnel. This money has not been used partly because of delays in the implementation of IPDS, partly due to the capacity of the Retained Service to participate in additional training and partly because the Training budget itself has been able to respond to the additional demands from within existing resources. This position is likely to continue into 2006/7 and beyond and therefore the base can be reduced.

Specialist equipment and additional training for co-responding both relate to items within the 2005/6 base budget that were to meet specific one off costs and therefore are no longer required in 2006/7.

£40,000 had been included in the budget as a generalised contingency. It is considered that this sum should be contained within the overall figure for working balances and can therefore be removed from the base.

The other items in this category are largely self explanatory with the exception of the £80,000 additional income from interest earned. This is a sum which will raise our overall income target to £160,000 which is considered ambitious but achievable. Since a number of changes have been made to the Treasury Management process and strategy which have resulted in a more aggressive approach to the management of cash, the amount of income being earned has increased considerably. This budget increase reflects this.

7.8 The Authority's proposals for shift change will ultimately return huge benefits to the service. However, this will not be without some costs. At nearly £0.5m these costs appear significant however the resultant savings in terms of increased productivity are enormous. The largest of these costs is the additional 2.5% productivity payment to staff (£339,980), however there are some costs of administering any new scheme. It is considered, initially at least, that it would be prudent to use the services of an outside provider to administer the new annualised hours system.

7.9 IRMP1 reversals is a term which is used to describe a number of items which were included within the 2005/6 base budget but which will no longer be required in 2006/7 or beyond. The majority of this relates to "pump priming" money or other one off expenditure.

7.10 The Impact of IRMP 2 is of itself a very small issue consuming as it does only £26,000 of this addition of £42,000. The remaining £16,000 relates to the Authority's contributions to the Regional Management Board after taking into account payments from the Board for staff involvement in Regional business. The additional items are £6,000 for the impact roadshow and £20,000 for additional costs of replacing the existing Holmatro equipment as a result of the RTC review.

7.11 The remaining items of expenditure relate to individual departmental bids for additional resources. It is in this area where bids have been examined carefully and only those items deemed essential to the delivery of the Authority's plans have been considered.

7.12 The Technical Fire Safety bid consists of three items:

Electronic filing of fire safety materials	£ 7,000
Advertising the effects of the new Fire Safety Order	£ 2,000
Additional Legal costs relating to the new FSO	£25,000

7.13 The Community fire Safety budget is the one where the Authority's plans and aspirations have needed to be curtailed, however the following items remain:

Firesetters Interventions	£54,000
Development of Home Risk Assessments	£10,000
RTC awareness day	£ 1,000
Fire Safety Advocates	£50,000

Fire Safety Advocates were appointed in 2005/6 with this additional money required to make up the full year effect of salary costs.

7.14 The Human Resources bid of £125,000 consists of :

£60,000 for the Firstcare contract. Firstcare are the company which the Authority is using to attempt to manage sickness more effectively. The basis of the quotation that Firstcare have given for the pilot scheme has been extended forward to allow this to continue throughout 2006/7 if the policy is seen as successful after the trial period. In any event the Authority will need to make resources available to maintain some process for reducing sickness levels.

There is a national requirement for Job Evaluation and job sizing to take place for uniformed staff. This process will be complex and, given the experience of the recent non-uniformed job evaluation process, will require external expertise and validation. It is estimated that £40,000 will be required for consultancy costs associated with this work and an additional £25,000 has been set aside for the effects of any salary protections that may be required.

7.15 The Information Services bid contains two items only. The first is to increase the budget for consultation by a further £10,000 to enable the demands for additional public consultations to be met appropriately. The second is for £25,000 to embark on training in relation to the performance management process.

7.16 £85,000 has been allocated to I.T Services to meet a number of demands in the service. The largest of these is £45,000 for Microsoft enterprise licences which will actually save the Authority money in the longer term as this allows a full range of Microsoft products to be made available across the organisation for a single fee. Other costs include £10,000 for a bandwidth upgrade, £10,000 as our contribution to the national e.fire project and £20,000 to deal with business expansion issues.

7.17 Finance Resources and Corporate as the name suggests covers a wide range of Service areas and has budget requirements as follows:

	£	Notes:
Transport – Tyres Contract	36,000	Tyres contract not included in original maintenance contract
Other Public Transport	20,000	Long Standing Budget problem not addressed in previous years
General Mileage	20,000	As Above
CFA Governance	70,000	New Governance support structures
Stationery	15,000	Long Standing Budget problem not addressed in previous years
Legal Expenses	45,000	Increased use of lawyers particularly around employment issues.
Office Equipment Hire	15,000	Long Standing Budget problem not addressed in previous years
Office Equipment Purchase	25,000	As above
Postages	20,000	As above
Subsistence Allowances	20,000	As above
Catering at Fires	12,000	As above
Home to Base Mileages	30,000	As above
PR Costs	20,000	As above
Commercial Training increased income	-30,000	Improved Performance
FEM increased income	-20,000	Improved Performance
<b>Total</b>	<b>298,000</b>	

- 7.18 Training has been an area which has traditionally been underspent and therefore the Training Manager has taken a view that some budgets can be reduced. This overall reduction of £92,000 still allows for the additional costs of running the Vector Command system.
- 7.19 Government issue Revenue Support Grant each year on the basis of a number of estimates. They then take the opportunity to recalculate this based on actual figures. In 2005/6 the estimate for population was greater than the actual which has resulted in a retrospective loss of grant of £73,000.
- 7.19 Tax Collection Authorities such as the City Council set their Council Taxbase on the basis of an assumed collection rate which will vary from one Council to another. Precepting Authorities then receive precept from the City and District Councils on the basis of these estimates and then any required adjustments are made at the year end. In 2005/6 £93,000 was received as the overall surplus on collection but in 2006/7 this will be reduced to £68,000.
- 7.20 A full breakdown of the 2006/7 Revenue Budget is attached as Appendix A to this report.

## **8. OTHER SPENDING PLANS**

- 8.1 In order for the proposed revenue budget to be balanced it has been necessary to take a critical look at some of the spending plans and consider which items could be foregone or financed in a different way. This is in addition to changes that have been required to support the existing base budgets. These are not reflected in specific lines within the budget other than to reduce particular lines as they are supporting the budget as a whole. The following are examples of these reductions.
- 8.2 The RTC best value review has shown that when adopted this initiative will release the equivalent of 4 wholtime posts. It is not proposed that these posts are disestablished but that these four posts are transferred to the Training Department to become training posts to support the implementation of Assessment and Development Centres
- 8.3 The Authority is one of the few Fire and Rescue Authorities which retains cooks on Fire Stations. It is proposed that this role is examined carefully with a view to making savings in this area.
- 8.4 The Abandoned Vehicles project which is currently budgeted to cost £75,000 can be achieved in a different way at a reduced cost of £50,000.
- 8.5 There are £95,000 of Community Safety activities which are of a one off nature and can be funded by carry forwards from 2005/6 underspends.
- 8.6 There are £83,000 of Community Safety activities which can legitimately be funded from the Performance Reward Grant via the Local Public Service Agreement. These items will be contingent upon receipt of the grant.
- 8.7 The Capital Programme originally proposed has needed to be adjusted to the extent that one Community Outreach vehicle has been deleted and the Water Carrier has been postponed until 2007/8. Some mobile computing provision has also needed to be removed in order to contain capital spending within affordable limits.
- 8.8 All plans for new posts have been curtailed, including some of those already agreed in the 2005/6 IRMP. Managers are to review and reorganise workloads rather than seek to employ additional staff.

## 9. REVIEW OF BASE BUDGETS GENERALLY

Since the recent appointment of the Principal Accountant to replace the previous postholder resources are now available to conduct a formal review of base budgets however it is not possible for this to be completed before the precept has to be set. Therefore no assumptions have been made regarding the base budget review beyond the target for £78,500 of savings to be achieved.

## 10. EFFICIENCY SAVINGS

10.1 The Gershon review established efficiency savings targets for the Fire Service nationally as £105m of cashable savings over a three year period with individual authorities required to make savings in each of those three years.

10.2 The actual required savings are:

2005/6	£ 496,000
2006/7	£ 1,114,000
2007/8	£ 606,000

10.3 Against the target for 2005/6, cashable savings of £769,000 were actually made which means in effect that the target figure for 2006/7 is now £841,000 as surpluses from previous years can be carried forward.

10.4 The 2006/7 proposed budget already contains real base budget cashable savings of £881,000 as follows:

	£
Base Budget Review Target	78,500
No General Inflation	100,000
Reductions in Training	92,000
Overtime Reduction	40,500
Specialist Equipment	100,000
Retained IPDS	350,000
External Interest Targets	80,000
Reduction in Contingencies	<u>40,000</u>
	881,000

10.5 In addition to the above it is anticipated that a number of other cashable savings will be achieved from the redeployment of staff following the review of Road Traffic Collision provision and the creation of the specialist rescue teams. These will further increase this savings figure and begin to impact on to the savings required for 2007/8. It is important to note however that there is no proposal to actually cash these savings but to re-deploy resources. Nevertheless this will still count towards the efficiency savings targets.

10.6 As something of an aside to the 2006/7 budget predictions it is perhaps worthy of note that in the budget setting process for the 2005/6 budget the Authority identified £901,000 of savings which have all been achieved.

## 11 REVENUE BUDGET 2007/8

- 11.1 As part of the requirement for budgeting over a three year period estimates have been prepared for both 2007/8 and 2008/9. As Government have already announced the Grant Settlement for 2007/8 it is also possible to make some predictions as to the levels of Council Tax for that year.
- 11.2 The proposed headline budget figure for 2007/8 is £42,656,555 which whilst representing an increase in the budget of some 7.0% will actually generate a Council Tax increase of only 4.9% again below the ministers expressed target of 5%. The reason this budget needs to rise significantly is to achieve the “smoothing effect” which cushions the 2006/7 budget. This, when matched with increases in grant for 2007/8 gives rise to the lower percentage increase for Council Tax.
- 11.3 The proposed 2007/8 Budget in summary is:

	£
<b>2006/7 Base Budget</b>	<b>39,847,091</b>
Pay Awards and Increments	990,060
Net Effect of Pensions	4,000
Reversal of Balances reductions	700,000
Reductions/Additions to Capital Financing	490,000
General Inflation	111,338
Specific changes to the Base	475,066
IRMP2 Impact	3,000
Technical Fire Safety	-7,000
Community Fire Safety	58,000
Human Resources	-40,000
Information Services	-25,000
I.T Services	50,000
<b>2007/8 Base Budget</b>	<b>42,656,555</b>

- 11.4 Pay awards and increments are composed of the following elements:

	£	Notes:
Wholetime and Control	679,000	Assumes a pay award of 3.5%
Non-Uniformed	94,000	
Retained	98,000	As Wholetime
Principal Officers	14,000	As Wholetime
Increments	105,060	National Conditions
<b>Total</b>	<b>990,060</b>	

- 11.5 In the early stages of the new firefighters pension scheme it will be necessary for the Authority to continue to make contributions in respect of new scheme entrants. The effect on the budget is as follows :

	£
Employers contributions (pay inflation)	5,000
Employer Contributions to new scheme entrants	96,000
Ill Health Deposit	-356,000
Ill Health Charges	259,000
<b>Total</b>	<b>4,000</b>

The Authority can make a base budget reduction of £356,000 as the ill health deposit which was included in the 2006/7 base budget is a one off payment and will not be required again.

There is still a requirement for employers to make contributions to the pensions account for any staff who are in receipt of injury benefits or who retire on the grounds of ill health hence the additional £259,000. This figure will need to be closely watched in 2006/7 to ensure it's adequacy.

- 11.6 This budget proposes the reversal of the reductions in the level of balances of £700,000 which supported the Revenue budget in 2006/7. It should be emphasised that this does not contribute to balances but merely reverses the previous years contribution from balances figure.
- 11.7 The additions to the capital financing budget of £490,000 are made up of two amounts, an additional £200,000 to support the costs of borrowing to sustain the capital programme and a similar amount of £290,000 in leasing costs. In part this supports half of the 2006/7 Capital Programme and contributes towards the cushioning effect.
- 11.8 General Inflation has been provided at the modest rate of 2% across all non-pay budget heads.
- 11.9 The heading Specific changes to base encompasses a number of items as follows:

	£
Support to Firelink	250,000
New BA Equipment	110,000
Restoration of the Training Reserve	90,000
Business Rates	17,066
GIS Mapping	2,000
Loss of Certificate Income	6,000
<b>Total</b>	<b>475,066</b>

The most significant additions in this section relate to the anticipated costs of the Firelink national radio system and the replacement of Breathing Apparatus equipment. Both of these items are anticipated to be permanent additions to the base budget.

- 11.10 There is a very small implication arising from the IRMP 2 which relates to the continuing costs of the impact roadshow.
- 11.11 The remaining relatively small items of expenditure relate to individual departmental bids for additional resources or the reversal of previous base budget additions reflecting the one off nature of some 2006/7 bids.
- 11.12 Technical Fire Safety has a single reversal of £7,000.
- 11.13 The Community Fire Safety budget is proposed to increase as follows:

	£
Firesetters Interventions	21,000
Firesafe	10,000
Exhibition Equipment	5,000
Caring for Carers	5,000
Eyes and Ears	5,000
Palm Tops for HRAs	11,000



HRA Development- Reversal	-5,000
RTC awareness	1,000
BME Materials development	<u>5,000</u>
	58,000

- 11.14 Human Resources shows a reversal of £40,000 as the consultancy around role mapping and job sizing will be complete.
- 11.15 Information Services also shows a reversal of £25,000 as the training in performance development will have been completed.
- 11.16 £50,000 has been allocated to I.T Services to carry out development work around homeworking and remote working.

## 12 REVENUE BUDGET 2008/9

12.1 The revenue budget for 2008/9 has been prepared using the same range of assumptions as for 2006/7 and 2007/8. The proposed revenue budget for 2008/9 is £44,896,676 which represents an estimated increase in Council Tax of 4.9%. The grant settlement for 2008/9 has not yet been agreed and therefore it is very difficult to be specific about Council Tax increases and clearly the final budget figures may require amendment if the assumptions being used are not realised.

12.2 The key assumptions are :

That grant will rise by 4.0%

That taxbase will rise by 1.5%

12.3 The proposed 2008/9 Budget in summary is:

	£
<b>2007/8 Base Budget</b>	<b>42,656,555</b>
Pay Awards and Increments	1,023,212
Net Effect of Pensions	351,000
Reductions/Additions to Capital Financing	336,000
General Inflation	111,159
Specific changes to the Base	118,750
Community Safety Initiatives	300,000
<b>2008/9 Base Budget</b>	<b>44,896,676</b>

12.4 Pay awards and increments are composed of the following elements :

	£	Notes
Wholetime and Control	702,000	Assumes a pay award of 3.5%
Non-Uniformed	97,000	
Retained	101,000	As Wholetime
Principal Officers	15,000	As Wholetime
Increments	108,212	National Conditions
<b>Total</b>	<b>1,023,212</b>	

12.5 Having reversed the effects of the ill health deposit in 2007/8 this budget begins to show a large growth in respect of both new scheme entrants and ill health retirements as follows:

	<b>£</b>
Employers contributions (old scheme)	-44,000
Employer Contributions to new scheme entrants	126,000
Ill Health Payments	269,000
<b>Total</b>	<b>351,000</b>

- 12.6 The additions to the capital financing budget of £336,000 are made up of two amounts, an additional £166,000 to support the costs of borrowing to sustain the capital programme and a similar amount of £170,000 in leasing costs.
- 12.7 General Inflation has been provided at the modest rate of 2% across certain targeted non-pay budget heads.
- 12.8 The heading Specific changes to base refers to two items, an additional amount to cover business rate increases and a further £100,000 to support the firelink project.
- 12.9 The remaining item is somewhat vague at this time being a generalised provision for expanding Community Safety activities. The Service is committed to engaging strongly in community safety and this provision will allow a number of new initiatives to be developed.

### **13. FINANCING THE 2006/2007 REVENUE BUDGET**

13.1 As set out in Section 3.10 above, the Revenue Budget is financed from three sources :

- Revenue Support Grant (RSG) ;
- National Non-Domestic Rates (NNDR) ;
- Council Tax.

13.2 Government have determined the Levels of RSG and NNDR as £3,276,798 and £16,975,099 respectively, which leaves the balance of the revenue budget to be financed from Council Tax. The calculation of Council Tax is as follows :

<b>Heading</b>	<b>£s</b>
Revenue Budget	39,847,091
Revenue Support Grant	3,276,798
National Non-Domestic Rates	16,975,099
Council Tax	19,595,194
Council Tax Band D Taxbase	322,034.40
Council Tax at Band D	60.85
Increase in Council Tax	4.9%

13.3 A Council Tax figure of £60.85 when applied to all other Council Tax bands gives the following results :

Band A	40.57
Band B	47.33
Band C	54.09
Band D	60.85
Band E	74.37
Band F	87.89
Band G	101.42
Band H	121.70

#### 14. RISK MANAGEMENT IMPLICATIONS

14.1 There are a range of risk issues associated with this report, but they broadly divide into two areas :

- External risk of capping ;
- Internal risk of budget assumptions not being correct.

14.2 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.

14.3 On the second point there are four key budget assumptions built into this report which are :

- National pay awards ;
- Stability in pensions ;
- General inflation ;
- Ability to deliver the savings with IRMP to match additional costs.

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

14.4 In terms of the firefighters pay award, a figure of 3.5% 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 2006/7 will be of the order of 1.4m. 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.

14.5 An assumption has been made that the residual costs of pensions (i.e. ill health and early retirements) can be met from the revenue budget. The work done so far indicates this to be a good assumption, but we need to consider the impact of this being wrong and that residual pension costs escalate. Again, balances are available to meet this type of difficulty and this has been built into the risk matrix which underpins the levels of reserves. However 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 our assumptions being 20% wrong.

14.6 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.

- 14.7 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.

## **15. COMMENTS OF THE TREASURER**

- 15.1 Under Section 25 of the Local Government Act, 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.

- 15.2 The reserves of the Authority are being created over a period of three years and the Treasurer is satisfied that, on the basis of the financial risk assessments, that these reserves are adequate.

- 15.3 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.

- 15.4 A statement by the Authority Treasurer is attached as Appendix B to this report.

## **16. PERSONNEL IMPLICATIONS**

There are some implications for personnel within this report, particularly in respect of the consideration of the continued provision of Cooks on Fire Stations. This issue will be the subject of full consultation with the Trades Unions before any final decision is made.

## **17. EQUAL OPPORTUNITIES IMPLICATIONS**

There are no specific equal opportunities implications in this report beyond the continued investment via the capital programme in equalities issues in respect of premises.

## **18. RECOMMENDATIONS**

- 18.1 There are a number of recommendations relating to this report, which are :
- 18.2 That Members approve the Capital Programme for the years 2006/2007 to 2008/2009 as set out in Section 4 of this report and in Appendix A.
- 18.3 That Members approve a Revenue Budget for 2006/2007 of £39,847,091 as set out in Section 6 of this report and as Appendix B.
- 18.4 That Members approve the precept figure of £19,595,194 which will be applied to the whole of the City and District Council areas as General Expenses.
- 18.5 That Members note that the precept for 2006/7 will be collected from City and District Councils in accordance with their agreed taxbases with payments in equal instalments on the following dates:

**2006**

21 April  
26 May  
3 July  
7 August  
15 September  
16 October  
22 November

**2007**

4 January  
9 February  
15 March

- 18.6 That Members approve the Council Tax to be raised by the Authority as £60.85 at Band D which requires Council Tax at all Bands to be :

Band A	40.57
Band B	47.33
Band C	54.09
Band D	60.85
Band E	74.37
Band F	87.89
Band G	101.42
Band H	121.70

- 18.7 That Members approve the indicative revenue budgets for 2006/2007 and 2007/2008 as £42,656,555 and £44,896,676 respectively as set out in sections 11 and 12 to this report.

**19. BACKGROUND PAPERS FOR INSPECTION**

None.

Councillor Darrell Pulk  
**CHAIR OF THE FIRE & RESCUE AUTHORITY**

NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITYPROPOSED REVENUE BUDGET 2006-2007

DESCRIPTION	2005/2006 ORIGINAL ESTIMATE	2005/2006 REVISED ESTIMATE	2006/2007 CASH LIMIT
	£000's	£000's	£000's
Wholetime Operational Pay	17,667	18,207	18,166
Part Time Operational Pay	2,622	2,692	2,692
Control Staff	913	955	955
Admin and Clerical Pay	3,236	3,488	3,540
Other Employee Expenses	573	581	561
Premises	1,397	1,397	1,413
Operational Equipment	475	475	475
Other Supplies and Services	2,112	2,149	2,459
Transport	1,110	1,129	1,225
Support Services	181	191	261
Capital Financing	2,708	2,708	2,782
Other Income	-551	-551	-591
Annual Pensions	7,681	7,681	0
Transfer Values etc.	-1845	-1926	0
New Ill Health Retirement Provision (Ongoing)	0	0	240
Employers New Pension Contributions	0	0	4,610
<b>Sub Total</b>	<b>38,278</b>	<b>39,175</b>	<b>38,788</b>
Central Contingency	578	578	282
Impact of IRMP (1)	184	481	299
Impact of IRMP(2)	537	375	258
Pay Awards Contingency	1,075	111	1,382
Fire Safety (Centrally Held)	155	88	121
External Debt Financing	193	193	193
Asset Management Revenue Account	-1014	-1014	-1014
Interest Receivable	-70	-70	-150
Minimum Revenue Provision (Debt Redemption)	154	154	154
Deferred Charges	8	8	8
Base Budget Savings	0	0	-79
Amended Revenue Support Grant (2005/6)	0	0	73
Surplus/Deficit on Collection	-93	-93	-68
Contribution to/From Balances	300	300	-400
<b>Total Revenue Budget</b>	<b>40,285</b>	<b>40,285</b>	<b>39,847</b>

**List of items held in general contingencies**

	£	
<b>Earmarked Funds</b>		
Provision for Driving at work	70,000	
I.T 24/7 Support	30,000	
Co-Responder Implementation	20,000	
IPDS Implementation	48,200	
Firstcare absence management	60,000	
Firesetters	<u>54,000</u>	
	282,200	
Pay award Contingency	1,382,085	
Specific Community Safety	121,000	
<b>Total held in contingencies</b>		
<b>And earmarked funds</b>		<b>1,785,085</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 is to be achieved over a period of three years. I am satisfied that, on the basis of the risk assessments, the proposed level of balances is adequate.

Reserves are held for specific purposes, such as the replacement of Personal Protective Equipment, and the purchase of the Axis pensions database. There are no general reserves beyond the working balances referred to above.

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.

**Alan Sumbly**  
**BSc(Econ) CPFA**  
**Fire Authority Treasurer**