

report

meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY	
date	8 December 2006	agenda item number

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE TREASURER

BUDGET CONSULTATION 2007/8

1. PURPOSE OF REPORT

- 1.1 The Standing Orders of the Fire & Rescue Authority require that the Treasurer and the Chief Fire Officer give budgetary guidelines to the Authority for approval. This report sets out in broad terms the advice of the Chief Fire Officer and the Treasurer in respect of budget setting for 2007/8.
- 1.2 Specifically the report seeks the approval of the Fire & Rescue Authority to commence a period of consultation on the 2007/8 revenue budget.

2. BACKGROUND

- 2.1 Work is fairly advanced on the preparation of the revenue budgets for the period 2007/8 to 2009/2010 and capital budgets for the same period. The outline budget for 2007/8 was approved by the Authority as part of the 2006/7 precept setting process, however this position has been reviewed to take account of changing circumstances since February 2006 and in the light of the IRMP process.
- 2.2 The process is assisted by the fact that Government announced a two year grant settlement in 2006/7 which also covered 2007/8. This removes some of the uncertainty regarding the settlement and allows a more accurate position to be estimated. Members will also recall the difficulties experienced in the 2006/7 budget setting process as a result of the changes to funding of the firefighters pension scheme. These changes are now implemented and therefore such complications do not arise in respect of 2007/8 and beyond.
- 2.3 Government has given no indication of capping criteria for 2007/8 and therefore an assumption has been made that a sub 5% Council Tax increase will be within any such limit. This largely reflects the additional requirements to fund the implementation of the Firelink radio system and the transitional arrangements for the creation of the Regional Control Centre (RCC) which are not specifically funded by the Department for Communities and Local Government (DCLG).
- 2.4 Some uncertainties still exist regarding the actual level of the taxbase for 2007/8, however a reasonable assumption of a rise of 1.5% has been made. The budget may need to be revised in the light of this assumption proving to be too high.
- 2.5 The proposed consultation process has already begun internally with the Members Seminar on 14 November, when Members gave an indication of the budget target

for 2007/8. The Policy and Strategy Committee on 22 November also confirmed this position.

- 2.6 This paper seeks Member approval to take this process forward by consulting with the statutory consultees in the business community, members of the public and staff representative bodies.

3. ESSENTIAL REQUIREMENTS

- 3.1 As always, the essential requirement of the budget is that it should be sufficient to meet the revenue requirements of the Authority and as such should be a “balanced budget”. This is a statutory requirement and as such must always be achieved.
- 3.2 In addition the budget must sustain the current levels of service delivery and allow the Service to continue to develop towards the objectives set out in the community Safety Plan.
- 3.3 The budget must also result in a reasonable level of Council Tax and avoid placing the Authority at risk from capping.

4. DEVELOPMENT OF PROPOSED BUDGET

- 4.1 The budget for 2007/8 has been developed from the original base budget for 2006/7 of £39,847,091 and adjusted for achieved base budget savings, additional budget demands and use of reserves and balances. Using the parameters set by the Policy and Strategy Committee a target budget of £41,937,730 has been achieved which has required both the use of specific reserves and a reduction in initial budget estimates of some £550,000.
- 4.2 The original approved base budget for 2007/8 was £42,656,555, however this was based on an assumption relating to taxbase increases which cannot be sustained in the light of better information. This proposal would have implied a budget increase of some 7% whereas the proposed budget reduces this to 5.25%.
- 4.3 The proposed budget will increase Council Tax from £60.85 to £63.83 at Band D, an increase of 4.9%.

5. BUDGET PRESSURES

- 5.1 It has been necessary in the development of the budget to consider a number of major budget pressures which summarise broadly as follows :

	£
Nationally Agreed Pay awards etc.	900,000
Implications of Firelink and RCC	300,000
Restoration of Balances	600,000
Issue of New Protective Clothing	385,000
Replacement of Arson Task Force Grant	92,000
Replacement of Breathing Apparatus	<u>90,000</u>
	2,367,000

- 5.2 Nationally agreed pay awards have not yet been settled and therefore an estimate of 3% has been made for both uniformed and non-uniformed staff groups. Consultations both regionally and nationally show that this figure is the most common estimate with Fire & Rescue Authorities all providing within the range 2.5-3.5%. Regional Finance Officers have agreed to have a common provision of 3%.

- 5.3 The revenue implications of both Firelink and the RCC have been prepared from detailed work carried out at the regional level and represent the estimate of additional transition costs over and above those covered by “new burdens” funding. This estimate does not include the cost of additional “hardware” type items that will be required in Nottinghamshire for which a separate capital budget has been made.
- 5.4 The restoration of balances is a slightly more complex. During 2006/7 the Authority supported the revenue budget by a contribution from balances of £400,000. This contribution was for 2006/7 only and therefore cannot be used again to support the budget in 2007/8. In addition, there is a genuine contribution to balances of £200,000 in order that the Authority can remain on target to build up the agreed levels of balances over time.
- 5.5 Members will be aware that the National Clothing Project has been running for some time to replace the Personal Protective Clothing (fire kit) which firefighters are issued. This project is now nearing completion and it is likely that Nottinghamshire will be early adopters of this new equipment as the current fire kit has been due for replacement for some time. It should be emphasised however that the currently issued fire kit is not unsafe in any way, but it is of an older design and requires replacement.
- 5.6 Members will be aware that the Arson Task Force has been a very successful project funded in part by Government grant. This grant is to be discontinued in 2007/8, however it is considered desirable for this project to be incorporated into mainstream budgets.
- 5.7 The replacement of Breathing Apparatus (BA) is a similar issue to the replacement of fire kit in that the maintenance contract on existing equipment is to end in early 2008 and cannot be renewed. It had initially been thought that the national Respiratory Protective Equipment (RPE) project would meet the needs of the Authority in respect of BA, however it is unlikely that this will deliver to the timescale which is required. The DCLG therefore have given permission for Nottinghamshire to undertake a stand alone project which will draw on work already carried out in the South West region. The costs given in these estimates are the additional annual costs anticipated from an outsourced managed contract.
- 5.8 For the Authority to increase the base budget by approximately £2.4m to deal with these pressures alone would cause serious budget difficulties, as the overall increase in the budget target, taking into account all budget demands, is only £2.1m. Fortunately the Authority has made some sensible provisions and earmarked reserves in recent years which can be applied to some of these issues as follows :

Earmarked Reserve for Firelink/RCC	200,000
Earmarked Reserve for PPE*	400,000
IRMP Underspends**	<u>100,000</u>
	700,000

*The actual Earmarked Reserve for PPE is £600,000, however it is proposed to use this to cushion the effects of these changes over two years.

**A number of IRMP projects have started later than anticipated in 2006/7 and therefore will generate some underspendings which it proposed should be recycled into the balances thus reducing the requirement for a £200,000 contribution in 2007/8 to £100,000.

- 5.9 A base budget review of the revenue budget required to support the Capital Programme has shown that successive financing of the programme from revenue has left this budget significantly overstated. There is sufficient in this budget to sustain the requirement of the 2007/8 programme in full.
- 5.10 In 2006/7 the Authority had to make a deposit of £356,000 into the pension account to cover the costs of ill health retirements. This requirement in 2007/8 is reduced to some £50,000.
- 5.11 Retained firefighters for the first time will be eligible to join the new firefighters pension scheme and it is considered prudent to make some allowance within the revenue Budget to meet the anticipated employers contributions. Regionally it has been assumed that there will be a 50% take up of the scheme that will cost the Authority £160,625. Nevertheless there will still be a saving in the base of £144,544 as a result of all these pensions changes.
- 5.12 All of the above changes summarise as follows:

Budget Heading	Value £'s
Original Base Budget	39,847,091
Nationally Agreed Pay Awards etc.	889,900
Firelink and RCC	300,000
Restoration of Balances	600,000
Issue of New Protective Clothing	385,000
Replacement of Arson Task Force Grant	92,500
Replacement Breathing Apparatus	90,000
Firelink Earmarked Reserve	-200,000
PPE Reserve	-400,000
2006/7 Underspends	-100,000
Ill Health Pensions Savings	-305,179
Retained Pension Provision	160,625
Adjusted Base	41,359,937

6. DETAILED CHANGES TO REVENUE BUDGET

- 6.1 In addition to the major changes outlined above there are a number of more minor changes which summarise in the following table:

Budget Heading	Value £'s
Adjusted Base	41,359,937
General Inflation	69,902
Adjustment to Admin Pay	230,840
Elimination of Shift Change Contingency	-200,000
Leasing Base Budget	-415,702
Miscellaneous	23,000
Miscellaneous Community Safety	234,230
Technical Fire Safety	-661
Fundraising and Marketing	13,499
Specialist Equipment	124,500
I.T	-30,000
Administrative Costs (ex-Staff)	29,396
Non-Uniformed Travel	22,877
Human Resources	153,644

Training	155,053
Transport	29,595
Corporate Items	168,978
Commercial Activity	-175,278
Estate Management	109,370
Station Budgets	81,000
Adjusted Base	41,937,730

6.2 As can be seen from the above table (which is presented at summary level) there are a large number of changes which amount to £577,793 in total. Many of these items are still being worked up in detail and will be scrutinised by the Finance and Resources Committee in January along with details of the Capital Programme.

7. FINANCIAL IMPLICATIONS

There are no specific financial implications arising from this report, although clearly the annual budget itself defines the financial parameters for the Authority for the coming year.

8. PERSONNEL IMPLICATIONS

There are no personnel implications arising from this report.

9. EQUALITY IMPACT ASSESSMENT

An initial assessment has revealed there are no equality issues arising from this report.

10. RISK MANAGEMENT IMPLICATIONS

There are a number of risks inherent in the setting of an annual budget such as:

- I. The budget assumptions are incorrect ;
- II. The budget is insufficient to meet the actual costs ;
- III. The Authority is subjected to Capping.

At this stage however Members are requested to approve a draft budget for consultation rather than the actual final budget. This consultation period will enable further work to be carried out and contribute towards the process of managing these risks.

11. RECOMMENDATIONS

That Members approve the budget guidelines set out above and give authority to the commencement of the consultation process on the 2007/8 revenue budget.

12. BACKGROUND PAPERS FOR INSPECTION

None.

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CHIEF FIRE OFFICER

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TREASURER TO THE FIRE & RESCUE AUTHORITY