



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

Nottinghamshire and City of Nottingham  
Fire and Rescue Authority

# **BUDGET CONSULTATION 2008/9**

Joint Report of the Chief Fire Officer & Treasurer

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**Agenda No:**

**Date:** 07 December 2007

**Purpose of Report:**

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 2008/9.

Specifically the report seeks the approval of the Fire & Rescue Authority to commence a period of consultation on the 2008/9 revenue budget.

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## **1. BACKGROUND**

- 1.1 Work is fairly advanced on the preparation of the revenue budgets for the period 2008/9 to 2010/2011 and capital budgets for the same period. The outline budget for 2008/9 was approved by the Authority as part of the 2007/8 precept setting process however this position has been reviewed to take account of changing circumstances since February 2007 and in the light of the Comprehensive Spending Review 2007.
- 1.2 Early assumptions relating to the position for 2008/9 have already been presented to the Finance and Resources Committee and the Policy and Strategy Committee at their recent meetings and broad guidance for the development of the budget has been received.
- 1.3 Government has given no indication of capping criteria for 2008/9 although Ministers have spoken of increases substantially below 5%. In keeping with the guidance mentioned above a figure of 4.5% has been used as an assumption for the increase in Council Tax.
- 1.4 Uncertainties exist around the levels of Revenue Support Grant available in 2008/9 and the expected level of the Council Tax Base. In terms of assumptions however a 1.5% increase in RSG is assumed (assumed to be top sliced for efficiency savings) and an increase in Council Tax Base of 1%. These figures are clearly subject to change and revision depending on the actual settlement which may be known by the time of the Fire Authority meeting.
- 1.5 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.

## **2. REPORT**

- 2.1 Work is fairly advanced on the preparation of the revenue budgets for the period 2008/9 to 2010/2011 and capital budgets for the same period. The outline budget for 2008/9 was approved by the Authority as part of the 2007/8 precept setting process, however this position has been reviewed to take account of changing circumstances since February 2007 and in the light of the Comprehensive Spending Review 07.
- 2.2 Early assumptions relating to the position for 2008/9 have already been presented to the Finance and Resources Committee and the Policy and Strategy Committee at their recent meetings and broad guidance for the development of the budget has been received.

- 2.3 Government has given no indication of capping criteria for 2008/9 although Ministers have spoken of increases substantially below 5%. In keeping with the guidance mentioned above a figure of 4.5% has been used as an assumption for the increase in Council Tax.
- 2.4 Uncertainties exist around the levels of Revenue Support Grant available in 2008/9 and the expected level of the Council Tax Base. In terms of assumptions however a 1.5% increase in RSG is assumed (assumed to be top sliced for efficiency savings) and an increase in Council Tax Base of 1%. These figures are clearly subject to change and revision depending on the actual settlement which may be known by the time of the Fire Authority meeting.
- 2.5 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 proposed budget for 2008/9 has been informed by the original base budget for 2007/8 of £41,673,051 however it has required a complete and detailed examination of base budgets. This review of the base budgets has resulted in a budget requirement of £43,197,025 or an increase of 3.7%. Whilst there are clearly increases in some areas of the base budget it perhaps worthy of note that nearly £760,000 has been removed from Departmental budgets to support this process.
- 4.2 The original approved base budget for 2008/9 was £43,173,013, although this was based around a different set of assumptions. Nevertheless it is pleasing to be able to present a proposal which is not dissimilar to that approved some 10 months ago.
- 4.3 Notwithstanding the caveats around Revenue Support Grant and Council Taxbase the proposed budget will increase Council Tax from £63.53 to £66.70 at Band D, an increase of 4.5%.

## 5. PROPOSED REVENUE BUDGET

5.1 As the budget has been developed from a detailed examination of existing base budgets the presentation below does not deal exclusively with additions to the budget but concentrates instead upon the main areas of activity. Each line is explained more fully in the paragraphs following.

### 5.2 Summary

Heading	Value (£'s)	Referring Paragraph
Nationally Agreed Pay awards etc.	879,403	5.2
Budget Realignment	-30,988	5.3
Pensions	206,555	5.4
Rank to Role/ CPD Payments	221,000	5.5/5.6
Capital Financing	-15,905	5.7
Other Savings etc.	-271,685	5.8
Community Safety	147,900	5.9
Enforcement	23,876	5.10
Job Sizing/Evaluation	300,000	5.11
Learning and Development	-38,973	5.12
Operational Equipment	59,847	5.13
ICT	21,804	5.14
Transport	126,270	5.15
Finance	-45,965	5.16
Estates	59,345	5.17
General Inflation	31,490	5.18
Contribution from Balances	-150,000	5.19
<b>TOTAL</b>	<b>1,523,974</b>	

5.3 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 2.5-3.0%. Regional Finance Officers have agreed to have a common provision of 3%.

5.4 Whilst in total the sum of all budget movements in this category amounts to £30,988 the realignment of budgets consists of virements between about 120 budget heads most of which sum to zero. However there are other headings which require additions and reductions to take account of movements of staff, changes to establishments, conversions of posts and the allocation of previously agreed contingency sums.

- 5.5 The pensions heading takes account of a number of movements across the whole range of pensions budgets including not only employer contributions and movements between new and old schemes but also changes to contribution rates for non-uniformed staff and changing assumptions around areas such as ill health.
- 5.6 Rank to role was a process that the Service went through to assess whether uniformed staff were being paid in their correct roles. This process has been completed and an addition of £21,000 is required to the budget to fund the two changes that were required.
- 5.7 As part of the 2003 pay award, uniformed staff are entitled to the payment of Continuous Professional Development (CPD) payments. This CPD payment replaced the existing Long Service Increment (LSI) and was supposed to cost no more than the existing increment had cost the service. The CPD payment is calculated by Central Government and bears little resemblance to the original payment. Consequently it has been estimated that CPD payments will cost the service £200,000 more than the previous LSI payments.
- 5.8 There is a significant Capital Programme proposed for 2008/9 with a number of minor projects as well as the completion of Hassocks Lane. Nevertheless the revenue implications of capital for 2008/9 are based on the performance the programme in 2007/8 which members will be aware has slipped significantly. The result of this is that the revenue budget for 2008/9 can be reduced by nearly £16,000. This will need to be increased again in 2009/2010.
- 5.9 The “other” category is a grouping of smaller budget headings, which in the main have shown possible savings. The most significant of these is insurance which has been renegotiated with a reduction in premium of £73,000. Other reductions in this category are reversals of one off items from previous years totalling some £140,000.
- 5.10 Whilst there have been some savings made within Community Safety budgets the Service continues to invest in this area of the service. Importantly the Service continues to show commitment to Local Strategic Partnerships and Crime and Disorder Reduction Partnerships as well as beginning to make up the shortfall in grant for the provision of smoke alarms. The biggest spend in this area however relates to the Princes Trust where it has become clear that the estimates for income made in the 2007/8 budget were over ambitious and needs to be revised down by £70,000 for 2008/9.
- 5.11 The Fire Safety Enforcement department have made bid for an administrator to assist in the application of the regulatory reform order.
- 5.12 The budget proposed for the Job sizing/Evaluation is an estimate of possible costs arising from the job sizing process which will determine whether staff are assigned to A or B grades within their current roles. In addition the non-uniformed pay scales no longer comply with the requirements of the age discrimination legislation and will require amendment. This may mean staff moving up or down existing scales.

- 5.13 The Learning and Development budget has consistently underspent and has been critically reviewed by the current manager resulting in reductions of £141,000. The budgets for the premises and operations at the Service Development Centre have not been reviewed for many years however and these require additional funds.
- 5.14 Operational Equipment is an area where the Service has always sought to be well provided. Members will be aware of the creation of the specialist rescue team at Beeston which is dealing with incidents which require different types of equipment and Personal Protective Equipment. £85,000 has been allocated to this project from this budget with the balance being made up from savings elsewhere.
- 5.15 The addition to the ICT revenue budget is simply to reflect a number of minor changes to licensing arrangements. However £114,000 of savings have been made from within this budget to support additional costs of £104,000 for the Firelink project.
- 5.16 The Transport budget requires a large budget increase as it has been adversely affected by industry labour rates which have risen significantly for LGV work. £120,000 of this increase relates to this issue. Management are considering re-tendering for this activity in 2008/9 and the new Deputy Fleet Manager has been charged specifically with seeking to drive these costs down.
- 5.17 The Finance department are responsible for a number of budget headings but perhaps most significantly those which relate to the investment of surplus funds. As the Authority seeks to hold more of its reserves in cash to maintain a high level of liquidity this presents better opportunities to earn interest. This coupled with the reduction in the budget for consultants has generated enough savings to cope with other increasing costs and make a contribution to support the general budget.
- 5.18 Whilst the Estates budget has generated £50,000 of savings it also requires significant investment in areas such as Legionella Control and contract cleaning.
- 5.19 General Inflation will again be added to selected budget heads at 2%.
- 5.20 In order for this budget to balance it will be necessary to support it with £150,000 from balances. The assessed level of balances required is of the order of £2.0m whereas the Authority is currently holding £2.4m which means that this can be easily accommodated.

## **6. FINANCIAL IMPLICATIONS**

This proposed budget represents a largely standstill budget. There are no significant new initiatives and maximum effort has been focussed in on what has become a complete base budget review process. Both Senior and Principal Managers have been fully consulted on the content and the process of consultation is to continue.

## **7. PERSONNEL IMPLICATIONS**

There are no personnel implications arising from this report.

## **8. EQUALITY IMPACT ASSESSMENT**

An initial assessment has revealed there are no equality issues arising from this report. A full impact assessment will be prepared.

## **9. RISK MANAGEMENT IMPLICATIONS**

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

- a) The budget assumptions are incorrect ;
- b) The budget is insufficient to meet the actual costs ; and
- c) 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.

9.2 This process has been difficult and it is clear that there is little by way of "slack" in this budget. This may present a challenge for 2009/2010 and beyond as the public spending regime begins to tighten. The Authority will need to make careful plans for future years.

## **10. RECOMMENDATIONS**

That Members approve the budget guidelines set out above and give authority to the commencement of the consultation process on both the proposed 2008/9 revenue budget and a Council Tax increase of 4.5%.

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

None.

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**TREASURER TO THE FIRE & RESCUE AUTHORITY**