



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

FINANCIAL POSITION REGARDING BUDGETS

Report of the Treasurer to the Fire Authority

Agenda Item No:

Date: 08 July 2011

Purpose of Report:

To explain to Members the present financial position of the Authority post budget, in terms of financial performance and risk exposures.

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1. BACKGROUND

- 1.1 The Fire Authority set its budgets for the years 2011/2012 to 2014/2015 at its meeting on 25 February 2011. There were two late changes to the budgetary position of the Authority from external sources, and Members after much discussion adopted an alternative model to that originally presented by the Chair of Finance and Resources.
- 1.2 This report sets out for Members the final position that was agreed and discusses some of the underlying assumptions in terms of what needs to be achieved during 2011/2012 and beyond in terms of revenue savings. The report also discusses the timings of initiatives, such as the Fire Cover Review, which may prove critical to the Authority's ability to achieve balanced budgets in future years.

2. REPORT

- 2.1 The original budget proposal for consideration by the Fire Authority for Revenue and Capital Budgets was as follows:

	2011/2012 £000s	2012/2013 £000s	2013/2014 £000s	2014/2015 £000s
Revenue	46,407	46,220	44,776	44,264
Capital	2,804	3,811	4,649	3,666

- 2.2 The revenue budget specifically had three key assumptions:
- (i) that all of the savings set out in the Fire Cover Review for year 1 could actually be achieved during the first year;
 - (ii) that £4 million of balances would be used to support the Capital Programme;
 - (iii) that a reserve of £750,000 would be set up in order to deal with the effects of the abandonment of the Regional Fire Control project.
- 2.3 The revised proposal changed these assumptions as follows:
- (i) savings from the Fire Cover Review were now assumed to take place from 2012/2013 onwards to allow for time for members to consider the outcomes and to allow for full consultation to take place;
 - (ii) as a Capital grant of £1.486 million had been received from Central Government it was proposed that only £2.514 million of balances was applied to Capital and that the balance be made up of grant;

- (iii) the sum set aside for the replacement of Fire Control be reduced to £500,000 and phased over 2011/2012 and 2012/2013.

2.4 After the above adjustments the final agreed Revenue Budget was as follows:

	2011/2012 £000s	2012/2013 £000s	2013/2014 £000s	2014/2015 £000s
Council Tax	23,192	24,008	24,850	25,724
Government Grant	22,634	21,864	19,704	18,455
Freeze Grant	581	581	581	581
Total Budget	46,407	46,453	45,135	44,760
Budget Requirement	46,521	45,208	45,216	45,519
Allowable Budget	46,407	46,453	45,135	44,760
Annual Shortfall/Surplus (-)	114	-1,245	81	759

2.5 The impact of this proposal on the level of balances will be

	2011/2012 £000s	2012/2013 £000s	2013/2014 £000s	2014/2015 £000s
Opening Balance	7,595	4,967	6,212	6,131
Contribution to Balances	0	0	0	0
Contribution from Balances	-2,514	0	0	0
Interim Balance	5,081	4,967	6,212	6,131
Contribution to support budget	-114	1,245	-81	-759
Closing Balance	4,967	6,212	6,131	5,372

The budget surplus of £1.245m in 2012/2013 assumes:

- a) A council tax increase of 3%
- b) That all budget savings identified £1.837m in 2011/2012 are achieved
- c) Further budget savings of £1.650m from the Fire Cover Review are achieved in 2012/2013.

- 2.6 By the end of Year 4 the budget shortfall carried forward to year 5 will be £759,000 and surplus balances will stand at £1.972 million ie: the excess over the sum of £3.4m required for working balances as per the risk assessment.
- 2.7 It can be seen that the budget going forward into year five will need to be reduced by £759,000 albeit there will be £1.972m of reserves to enable that to be phased.
- 2.8 The key questions for Members are:
- What is the level of budget saving required in 2011/2012?
 - How much of that depends on the Fire Cover Review?
 - How are we doing against those targets.

The important thing to consider is that whilst the savings which come directly from the implementation of the Fire Cover Review (FCR) have been put back until 2012/2013 there are a number of significant savings which are dependent upon the decisions around FCR being made i.e. which flow from the FCR decision.

- 2.9 The original base budget anticipated for 2011/2012 was £48.109m however after taking into account all funding sources and a zero increase in council tax the maximum allowable budget was £46.407m, a difference of some £1.702m which needed to be saved in 2011/2012.
- 2.10 The savings to be generated for 2011/2012 are set out in detail, line by line, at Appendix A and are broadly as follows:

Description	£
Savings Dependent upon the Fire Cover Review	-357,219
Savings not dependent upon the Fire Cover Review	-1,480,721
Total Savings	-1,837,940
Contribution to Fire Control Reserve	250,000
RCCO	2,514,000
Contribution from Balances	-2,628,188
Total	-1,702,128

- 2.11 It can be seen from the Appendix that the majority of the savings which are not dependent upon the fire cover review are actually already being achieved or internal processes are in place to ensure that they can be achieved. The savings which are to some extent at risk are those which are dependent on the Fire Cover Review albeit that some of these are being achieved by other means.

Strategy for Achieving Longer Term Reductions

- 2.12 The longer term reductions planned to come from the implementation of the findings of the Fire Cover Review require some transitional planning to avoid future compulsory redundancies. These transitional arrangements are taking the form of holding vacancies on the establishment and deliberately not promoting existing staff into substantive role except where there is a certain future for that role.
- 2.13 This strategy has very positive effects in that it will minimise the number of redundancies flowing from the implementation of changes but has two rather more immediate effects:
- i) The holding of vacancies will create an in-year underspend at a time when the Authority is having to deal overall, with a budget shortfall.
 - ii) The resilience of the Authority is affected because the Service is trying to maintain an existing model of fire cover whilst at the same time allowing staffing numbers to reduce.
- 2.14 It is important to emphasise to Members that the actual provision of fire cover will remain unaffected by this transition as all the efforts of the Service will be concentrated onto the front line. The safety of the community remains as ever paramount in the thinking of management. Nevertheless important areas such as Community Fire Safety and other more behind the scenes activities will begin to suffer until a firm establishment and structure is determined. The longer this takes to complete the greater is the risk that the Service may need to recruit to maintain existing standards of cover.
- 2.15 The implementation of the Fire Cover Review is not necessarily key to the achievement of financial targets in 2011/2012 but the transitional arrangements, whilst generating short term savings, potentially put the organisation at some risk from an operational perspective.
- 2.16 In 2012/2013 the budgetary position is quite different because the reductions that are required as a direct result of the Fire Cover Review increase to some £1.550m to support the budget so it is imperative that those savings can begin to be realised in 2012/2013. Again somewhat paradoxically the annual budget is actually set to rise marginally in 2012/2013 but this is because there is provision for pay awards etc. which are not in the 2011/2012 budget. Again the details of the savings are given as Appendix 2 but broadly again the picture is as follows:

Description	£
Base Budget 2011/2012	46,407,307
Base Budget 2012/2013	46,452,743
Net Increase	45,436
Savings from Fire Cover Review	-1,549,788
Fire Cover Related Savings	-100,054
Non-Fire Cover Related	336,134
Contribution to Balances	1,359,144
Total	45,436

2.17 In 2013/2014 the position is as follows:

Description	£
Base Budget 2012/2013	46,452,743
Base Budget 2013/2014	45,135,280
Net Decrease	-1,317,463
Savings from Fire Cover Review	-307,874
Fire Cover Related Savings	-220,000
Non-Fire Cover Related	786,338
Contribution from Balances	-1,325,927
No requirement for Control Contribution to Reserves	-250,000
Total	-1,317,463

Again all the details of the savings and additions to the revenue budget are given as Appendix C.

2.18 The final year under consideration is 2014/2015 the details of which are set out in Appendix D but again is given in summary below:

Description	£
Base Budget 2013/2014	45,135,280
Base Budget 2014/2015	44,760,240
Net Decrease	-375,040
Savings from Fire Cover Review	-399,952
Fire Cover Related Savings	-81,000
Non-Fire Cover Related	788,443
Contribution from Balances	-682,531
Total	-375,040

2.19 It should be noted that the grant settlements for the years 2013/2014 and 2014/2015 are still uncertain and so the above figures represent the best estimates.

Conclusions

- 2.20 The budget strategy for the years 2011/2012 through to 2014/2015 was developed as an integrated four year strategy using a combination of budget reductions, balances, council tax and anticipated grant to keep the finances of the Authority under control throughout this period of significant financial austerity. Whilst it is nevertheless essential to present a balanced budget for each year, this over arching strategy must be kept in mind.
- 2.21 There are a number of initiatives for budget reductions some of which rely on decisions flowing from or directly relating to the Fire Cover Review. These amount to just over £3m throughout the budget period albeit only about £1.2m relate directly to the review itself.
- 2.22 The ability of the Authority to alter the timings of budget reductions is wholly dependent upon the adequacy or otherwise of reserves which is why it was possible for the Authority to agree to delay the implementation of the Fire Cover Review outcomes until 2012/2013.
- 2.23 Concerns have been raised that finance may not be the most appropriate driver for change over the short term as the issue is not specifically how long balances can support the budget but how long can a gradually reducing workforce sustain the existing model of fire cover. The risk is that the Authority may need to recruit staff that in the medium term will neither be required nor afforded.
- 2.24 It must also be borne in mind that at the end of the four year budget period the Authority will be carrying a £759,000 p.a. budget problem which will need to be addressed permanently going forward. Prudent levels of balances will be exceeded by approximately £1.9m by this time but margins for error may prove to be tight.

3. FINANCIAL IMPLICATIONS

The financial implications are set out within the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

- 4.1 The Human Resources implications that arise from this report relate to the issues around the holding of vacancies and subsequent recruitment or redundancy. Members will be aware that the lead time for the recruitment of a firefighter can be as long as 12 months and so these decisions need to be made far in advance of the requirement.
- 4.2 Employment law in relation to redundancy can be very complex and where the Authority may seek to make redundancies amongst employees within the Retained Duty System vacancies which arise within the wholetime service may need to be held for possible redeployments.

5. EQUALITY IMPACT ASSESSMENT

There are no specific equalities issues arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report save the requirement to maintain a balanced budget.

8. RISK MANAGEMENT IMPLICATIONS

There are risks that attach to any budget strategy however this report sets these out for Members to assist their understanding of the present position both in terms of the financial risks of not being able to comply with a balanced budget and those related to the existing fire cover model.

9. RECOMMENDATIONS

That Members note the financial position as set out in this report.

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

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

Analysis of Budget Reductions in 2011/2012**Dependant on Fire Cover Review**

Description	Saving/Addition	Progress
Strategic Support Officer	-47,859	Held as vacant
New Post in Engineering	35,166	Done – previous post retired and saving taken
12 posts in development	-139,000	Can be achieved at present
Revenue Implications of FCR Capital reduction	-11,000	Will be achieved if FCR goes ahead in 2011/2012
Conversion of Posts	-20,000	
Additional Consultation	80,000	Will spend when consultation occurs
CFS Staffing Changes	-254,526	Will not occur in full until FCR is implemented
Total	-357,219	

Not Linked to Fire Cover Review

Description	Saving/ Addition	Progress
Communications Section	-54,474	Will happen as postholders retire (1 left)
Reduction in removal expenses	-8,000	Budget reduced
Ill Health Medicals	-25,500	Budget reduced
Reductions in Capital charges from RCCO contribution	-310,292	Done
Community Safety Non-Staffing	-250,537	Budget reduced
Crewing office	-29,154	Post Deleted
Environmental Manager	-34,347	Post Deleted
Changed Maintenance Contracts	-61,200	Initiative begun. Savings not yet realised
Reduction in Operational Overtime	-3,500	Budget reduced
Books and Publications	-3,913	Budget reduced
Removal of HQ Catering	-55,806	Facility Closed
Equalities Outreach	-19,000	Budget reduced
Income from Partners	-15,000	Not yet negotiated in full
Changed criteria for uniform issue	-51,936	Budget reduced
Email remittances instead of Royal Mail	-3,000	Budget reduced
Cancellation of Firstcare contract	-25,500	Budget reduced
Drug and Alcohol Testing	-7,000	Budget reduced
Occupational Health Services	-8,805	May need to be reviewed
Mediation	-5,000	Budget reduced
Abandoned Vehicle Project	-30,000	Project cancelled (other arrangements)
Station based catering	-105,482	Consultation in progress
Reduced Vacancy Factor	57,000	Done but needs monitoring
Additional Bank Holiday	24,120	Budget increased temporarily
Wholtime pay contingency	-586,943	Budget reduced
Control Pay contingency	-8,464	Budget reduced
Admin and Support Contingency	50,025	Budget reduced
Contingency Retained	-118421	Budget reduced
Driving at work	-70,000	Budget reduced
Professional Subscriptions	-3,427	Budget reduced
Corporate Subscriptions	10,715	Budget increased
Awards ceremony etc.	6,000	Budget increased
Reduce overnight stays	-2,400	Budget reduced
Publicity	1,463	Budget adjusted
Office Equipment	-2,000	Budget reduced
Seminars	-5,000	Budget reduced
Equipment	-498	Budget reduced
Compartment Fire Behaviour Unit	60,000	Not yet purchased
External Catering Charges	12,650	Budget Increased

ICT PDR Pro	16,000	Budget Increased
Travel for Training	-22,500	Budget reduced
Home to Base Travel	-900	Budget reduced
Skid car frame one off costs	-24,500	Budget reduced
External Training	-21,500	Budget reduced
Training -Cars for cutting	-10,000	Budget reduced
Rent and Hire of Premises	-13,000	Budget reduced
Competition Entry Fees	-3,000	Budget reduced
NETG	-17,000	Product returned
Vision Modifications	3,800	Budget increased
Media Equipment	3,751	Budget increased temporarily
Medical Fees	-1,500	Budget Reduced
Equipment Maintenance	-3,500	Budget reduced
Consultancy for staff reductions	10,000	Budget Increased
Admin Overtime	-3,500	Non will be approved
CRB Checks	-10,000	No longer required
Staff suggestion scheme	-10,000	Budget reduced
Long Service Awards one off	19,750	Budget Increased
Interview expenses	-1,000	Budget reduced
Recruitment Advertising	-25,808	Budget reduced
NHS Charges	-1,000	Budget reduced
End of Bounty Scheme	-5,619	Budget reduced
Insurances	107,899	Will need revision
Self Insurances/reserves	-52,755	Budget reduced
Removal of Trading Budgets	43,786	Budget adjusted
Communications and Eqpt	37,000	Contract not yet in place
Non-Uniformed Travel	-1,000	Budget reduced
Democratic Costs	9,160	Budget Increased
Operational Equipment (inc VMDS)	-67,000	Primarily reversals of one off budgets from 2010.
Treasury Services LGPS etc.	17,285	Budget Increased
Audit Fees	-20,000	Reduction anticipated
Revenue Impact of Capital	291,000	Budget adjusted
Phones Landlines and Officers	-11,000	Budget reduced
Office Equipment	73,000	Budget adjusted
Pensions	-119,032	Budget reduced
Vehicle equipment	35,216	Budget increased
Subsistence	-400	Budget reduced
Fleet Maintenance	-51,851	New contract will reduce
Other Transport	-3,500	Budget reduced
ICT Contracts	6,902	Budget adjusted
ACFO Secondment	-48,727	Budget reduced
Stationery	-42,900	Budget reduced
Cleaning	4,796	Budget Adjusted
Secondments	-16,878	Budget reduced
Response reorganisation	182,000	Temporary increase
Purchasing Restrictions	-50,000	Budget reduced
Total	-1,480,721	

Analysis of Budget Reductions in 2012/2013**Dependant on Fire Cover Review**

Description	Saving/Addition
Deletion of Station Manager Roles	-211,788
Corporate Services Restructure	-200,000
Response Restructure	-482,000
Reorganisation of Fire Stations	-656,000
Community Safety Non-Pay	-50,000
CS Restructure	39,861
Clifton alternate use	-10,193
Total	-1,649,842

Not Linked to Fire Cover Review

Description	Saving/ Addition
Communications Section	-35,341
Equalities reorganisation	-22,583
Retained Co-Responding Call Out Fees	-52,440
Motivano	-4,000
Minimum Revenue Provision	-56,668
Special Service Charges	-25,000
Loan Repayment	334,676
Changed Maintenance Contracts	-28,800
Station Catering	-35,161
Control Pay Contingency	16,650
POs Pay Contingency	2,580
Retained Pay Contingency	50,608
Wholetime Pay Contingency	360,830
Non-U Pay Contingency	211,521
Competitions	-1,000
Consultation	-80,000
Fire Behaviour Training	-51,000
Media Equipment	-3,800
Outplacement Support	-10,000
Long Service Awards	-21,500
Democracy	3,407
Replace Rescue Boat	20,000
Operational Equipment (inc VMDS)	-48,000
Subscriptions	315
Treasury Services	4,218
Admin Overtime	-500
Pensions	22,822
Blue Light Installations	-95,200
Fuel inflation	10,000
Fleet Maintenance	-45,000
IT Contracts	-20,000
Lease Rental – Clifton	-18,500
Procurement Targets	-15,000
General Contingency	-32,000
Total	336,134

Analysis of Budget Reductions in 2013/2014**Dependant on Fire Cover Review**

Description	Saving/Addition
Restructure of HR/Finance	-70,000
Non-U Staffing Reductions	-75,000
Training Reduction	-25,000
1 x Group Manager	-73,874
Community Safety Non-Pay	-50,000
Reorganisation of Stations	-234,000
Total	-527,874

Not linked to Fire Cover Review

Description	Saving/ Addition
Lease of Clifton	-9,258
Minimum Revenue Provision	-42,666
Bursary Scheme	-15,000
Loan Repayment	184,700
Restructure of ICT	-100,000
Changed Maintenance Contracts	-10,000
Control Pay Contingency	22,617
POs Pay Contingency	10,412
Retained Pay Contingency	68,746
Wholetime Pay Contingency	429,727
Non-U Pay Contingency	174,233
Consultation	20,000
Long Service Awards	125
Democracy	3,455
Replace Rescue Boat	-20,000
Operational Equipment (inc VMDS)	48,000
Subscriptions	26
Treasury Services	4,323
Pensions	57,698
Blue Light Installations	-7,300
Lease Rental – Clifton	-18,500
Procurement Targets	-8,000
General Contingency	-7,000
Total	786,338

Analysis of Budget Reductions in 2014/2015**Dependant on Fire Cover Review**

Description	Saving/Addition
Restructure of Training	-75,000
Revenue Impact of Capital	-81,000
Reduction of AM x1	-85,952
Reorganisation of Stations	-239,000
Total	-480,952

Not Linked to Fire Cover Review

Description	Saving/ Addition
Special Service Charges	-25,000
Minimum Revenue Provision	-28,666
RCCO Impact	-21,000
Loan Repayment	212,000
Control Pay Contingency	22,985
POs Pay Contingency	10,581
Retained Pay Contingency	69,864
Wholetime Pay Contingency	422,239
Non-U Pay Contingency	155,373
Movements Between Pension Schemes	39,266
Consultation	-20,000
Media Equipment	3,800
Long Service	125
Democracy	3,504
Equipment and PPE	-70,000
Subscriptions	27
Treasury Services	4,432
Pensions	20,113
Admin Overtime	-300
Blue Light Installations	-7,900
General Contingency	-3,000
Total	788,443