

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

FINANCE AND RESOURCES COMMITTEE

Date: Friday 12 October 2012

Time: 10.00 am

**Venue: Fire and Rescue Service Headquarters, Bestwood Lodge, Arnold,
Nottingham**

**Councillors are requested to attend the above meeting to be held at the time,
place and date mentioned for the purpose of transacting the following business.**

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

AGENDA

1 APOLOGIES FOR ABSENCE

2 DECLARATIONS OF INTERESTS

Councillors, colleagues or other participants in meetings are requested to declare any personal or personal and prejudicial interest in any matter(s) on the agenda

3 MINUTES

Last meeting held on 13 July 2012 (for confirmation)

Attached

4 PRUDENTIAL CODE MONITORING REPORT TO 31 AUGUST 2012

Report of Treasurer to the Fire Authority

Attached

5 CAPITAL BUDGET MONITORING REPORT TO 31 AUGUST 2012

Report of Chief Fire Officer

Attached

6 REVENUE MONITORING TO 31 AUGUST 2012

Report of Chief Fire Officer

Attached

7 INSURANCE FUND
Report of Chief Fire Officer

Attached

8 BUDGET GUIDELINES 2013/14 TO 2015/16
Joint Report of Chief Fire Officer and Treasurer

Attached

If you are unsure whether or not you should declare an interest in a particular matter, please contact the constitutional services officer shown on this agenda, if possible before the day of the meeting, who will provide advice in the first instance.

Any councillor who is unable to attend the meeting and wishes to submit apologies should do so via the personal assistant to the chief fire officer at fire services headquarters on 0115 967 0880

Agenda, reports and minutes for all public meetings can be viewed online at:-
<http://open.nottinghamcity.gov.uk/comm/default.asp>

Constitutional Services Officer - Carol Jackson 0115 8764297
carol.jackson@nottinghamcity.gov.uk



**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

FINANCE AND RESOURCES COMMITTEE

MINUTES

of meeting held on **13 JULY 2012** at Fire and Rescue Service Headquarters,
Bestwood Lodge from 10.02 am to 11.20 am.

Membership

Councillor S Carroll (Chair)
Councillor C Barnfather
Councillor B Cross
Councillor E Kerry
Councillor M Wood

Members absent are marked ^

1 APOLOGIES FOR ABSENCE

No apologies for absence were received.

2 DECLARATIONS OF INTERESTS

Councillor Barnfather declared a personal interest in agenda item 10 – Review of Trading Performance 2011/12 – Nottinghamshire Fire and Rescue Service (Trading) Limited (minute 10), as a Director of the Trading Company, which did not preclude him from speaking or voting.

3 MINUTES

RESOLVED that the minutes of the last meeting held on 30 March 2012, copies of which had been circulated, be confirmed and signed by the Chair.

4 CAPITAL BUDGET MONITORING REPORT TO 31 MAY 2012

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, reporting on the Capital Programme progress in the year 2012/13 to the end of May 2012.

RESOLVED that the report be noted.

5 REVENUE MONITORING REPORT TO 31 MAY 2012

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, reporting on the financial performance of the Service in the year 2012/13 to the end of May 2012.

RESOLVED that the report be noted.

6 PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2012

Consideration was given to the report of the Treasurer, copies of which had been circulated, giving details of performance up to 31 May 2012 relating to the prudential indicators for capital accounting and treasury management.

Neil Timms, Head of Finance and Resources, explained to the meeting that there were some issues with banking at the moment, and requested that the Committee delegate authority to the Chair of the Fire Authority, the Chair of the Finance and Resources Committee, the Treasurer, the Head of Finance and Resources, Councillor Kerry and Councillor Rigby in case any decisions on banking or financial policy needed to be made quickly.

RESOLVED

- (1) that the report be noted;
- (2) that authority to make any necessary urgent decisions on banking or financial policy be delegated to the Chair of the Fire Authority, the Chair of the Finance and Resources Committee, the Treasurer, the Head of Finance and Resources, Councillor Kerry and Councillor Rigby.

7 EXTERNAL AUDIT PLAN 2011/12

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, informing members of the plan to be implemented by the External Auditors for their audit of the accounts for the 2011/2012 financial year.

Trudy Enticott, Audit Manager, Audit Commission, presented the report to the meeting.

RESOLVED that the report be noted.

8 INTERNAL AUDIT ANNUAL REPORT 2011/12

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, detailing the annual report prepared by the Authority's Internal Auditors.

The Committee requested that a summary be provided with future reports detailing the recommendations accepted and implemented, the recommendations that had been amended and the recommendations that had not been implemented.

RESOLVED that the report be noted and that future reports include a summary detailing the recommendations accepted and implemented, the recommendations

that had been amended and the recommendations that had not been implemented.

9 INSURANCES

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, informing members of the types and levels of insurances and indemnities held by the Fire and Rescue Authority.

Mark Jarman, Business Risk Manager, informed the Committee that he had been short listed for the 2012 Alarm (Public Risk Management Association) award for Risk Manager of the Year. Unfortunately he did not win the award but was highly commended, which reflected positively on the Authority.

RESOLVED that the report be noted.

10 REVIEW OF TRADING PERFORMANCE 2011/12 – NOTTINGHAMSHIRE FIRE AND RESCUE SERVICE (TRADING) LIMITED

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, informing members of the trading results of the arm's length company.

The Committee requested that they see copies of the business plan to ensure that the arm's length company was productive. Neil Timms, Head of Finance and Resources, assured the Committee that he would forward the request to the Directors of the company.

RESOLVED that the report be noted.



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

PRUDENTIAL CODE MONITORING REPORT TO 31 AUGUST 2012

Report of the Treasurer to the Fire Authority

Agenda Item No:

4.

Date:

12 October 2012

Purpose of Report:

To inform Members of performance up to 31 August 2012 relating to the prudential indicators for capital accounting and treasury management.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.gov.uk

**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

- 1.1 The Local Government Act 2003 set out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code, which CIPFA updated in 2011.
- 1.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. The Prudential Code sets out a number of indicators which authorities must use to support decision making. These are not designed to be comparative performance indicators.
- 1.3 The Fire Authority approved these prudential indicators for 2012/13 at its meeting on 24 February 2012.
- 1.4 The Prudential Code requires that local authorities report performance against prudential targets to Members.

2. REPORT

Prudential Indicators

- 2.1 Some of the prudential indicators set cannot easily be measured during the year and will be reported on in the Treasury Management Annual Report for 2012/13 after the end of the financial year. These indicators are:
 - Ratio of financing costs to net revenue stream 2012/13 (affordability).
 - Incremental impact of capital investment decisions on Council Tax 2012/13 (affordability).
 - Total capital expenditure 2012/13.
 - Capital Financing Requirement as at 31 March 2013.
- 2.2 In terms of borrowing, the indicator "net borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that net external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2012 was £27,372m and was estimated to be £24,922m by the year end. During the period 1 April 2012 to 31 August 2012 the net indebtedness of the Authority, calculated at the start of each month, did not exceed £25,925 including any requirements for temporary overdrafts, thereby keeping within the limit set.
- 2.3 The Authority set an operational boundary for 2012/13 of £28,764m and an authorised limit of £31,641m. Although these limits are year end targets, the Authority is required to demonstrate that it has not exceeded them at any

time during the financial year. Again, the maximum indebtedness of the Authority during the period, as shown in the paragraph above, is within the limits set.

The graph given as Appendix B illustrates the levels of borrowing during the period up to the end of August 2012.

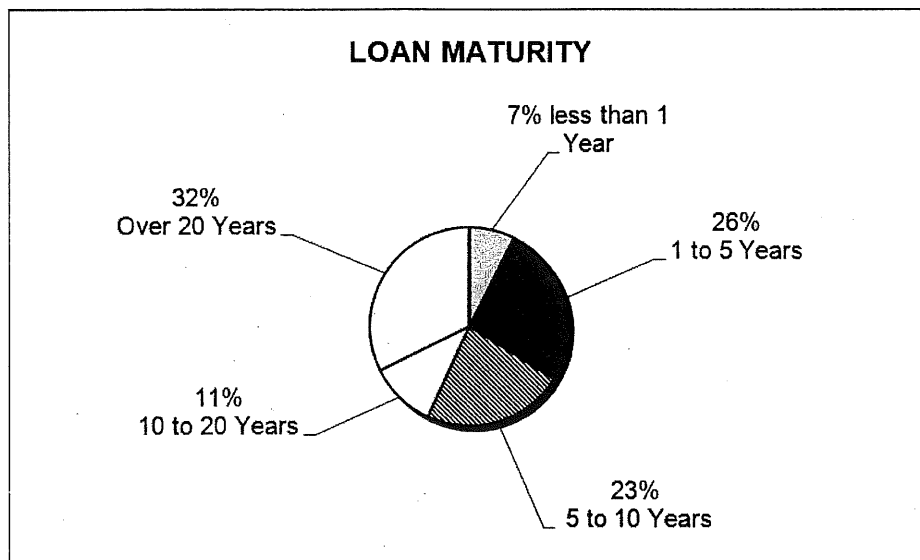
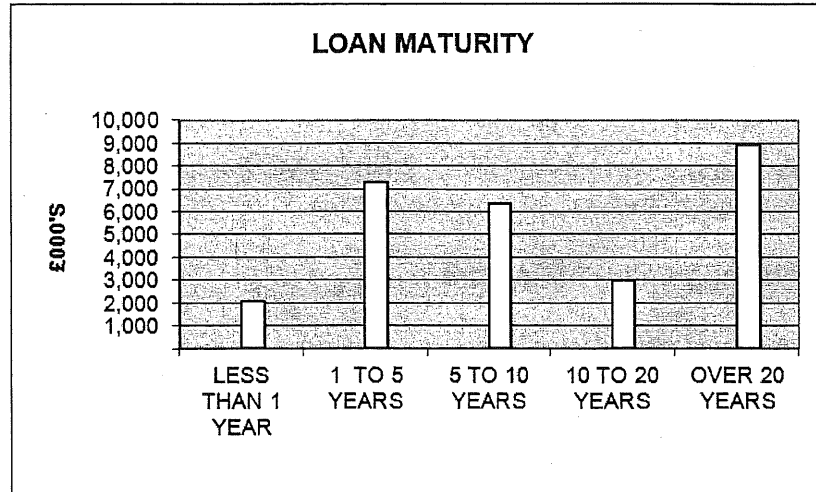
Treasury Management Indicators

- 2.4 A graph of cumulative interest received is shown on Appendix C. An interest earnings budget of £50k was set for 2012/13. As at 31 August 2012 £23k had been received and the current forecast for investment income for the year is £125k, as shown in Appendix C. The amount of cash invested is relatively high due to the Authority's current level of reserves and this is resulting in additional investment income.
- 2.5 The treasury management target relating to interest rate exposure is that fixed interest rate exposures should be between 0% and 100% of total lending and that variable interest rate exposures should be between 0% and 30%. During the period up to 31 August 2012, 100% of lending was at fixed interest rates.
- 2.6 The treasury management target in respect of cash management is that the Authority's bank overdraft should not exceed £500,000. During the three month period up to 31 August 2012 the account has not been overdrawn. A graph of cash balances for the period up to 31 August 2012 is shown on Appendix A.

Treasury management limits relating to loan maturity are shown below:

Loan Maturity		
	<i>Upper Limit</i>	<i>Lower Limit</i>
Under 12 months	20%	0%
12 months to 5 years	30%	0%
5 years to 10 years	75%	0%
10 years to 20 years	100%	0%
Over 20 years	100%	30%

Actual performance against these targets in the period to 31 August 2012 is shown in the following graphs and demonstrates that the limits have not been breached.



2.7 The upper limit for sums invested for longer than 364 days is £2m. During the period to 31 August 2012, no sums were invested for longer than 364 days.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full within this report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources and learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report gives detail of performance against the approved Treasury Management Strategy and Prudential Code. These are financial policies and do not directly impact on employees or members of the public.

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 directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

The Prudential Code is a framework which sets out to quantify and minimise financial risk arising from the financing of capital, the investment of surplus funds and the maintenance of operating cash balances for the Authority. The favourable performance against the prudential targets demonstrates that these areas of operation are being managed effectively.

9. RECOMMENDATIONS

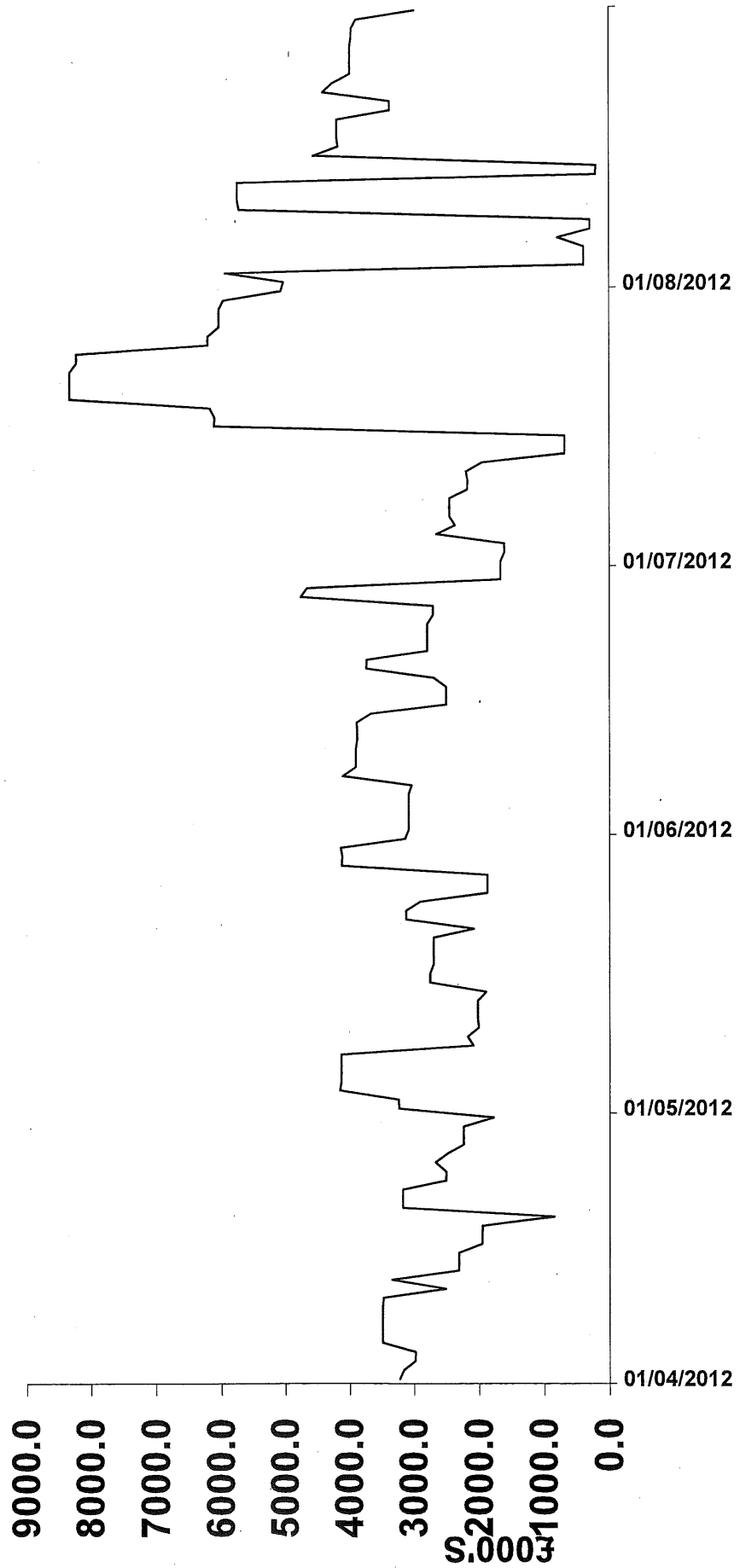
That Members note the contents of this report.

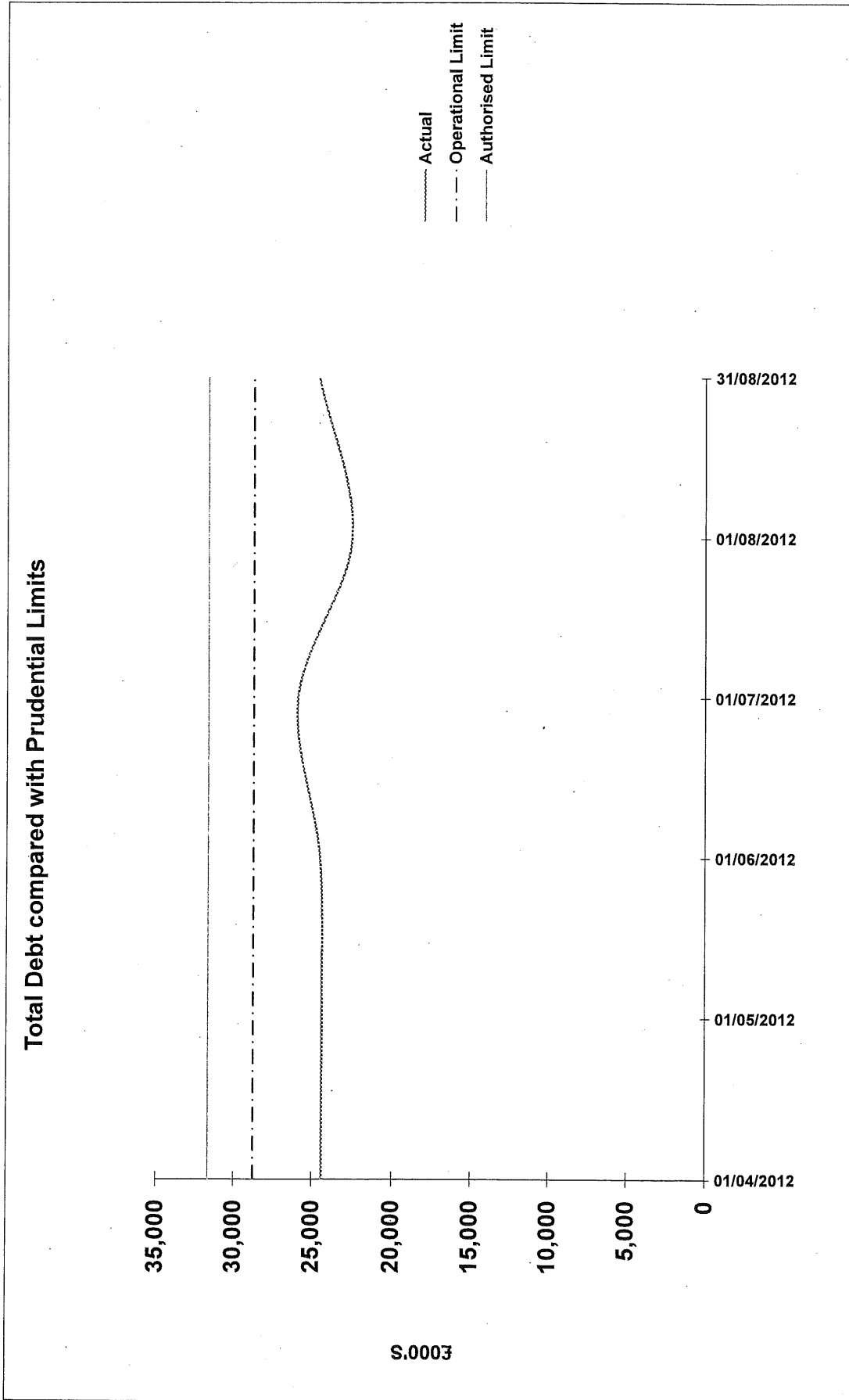
10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

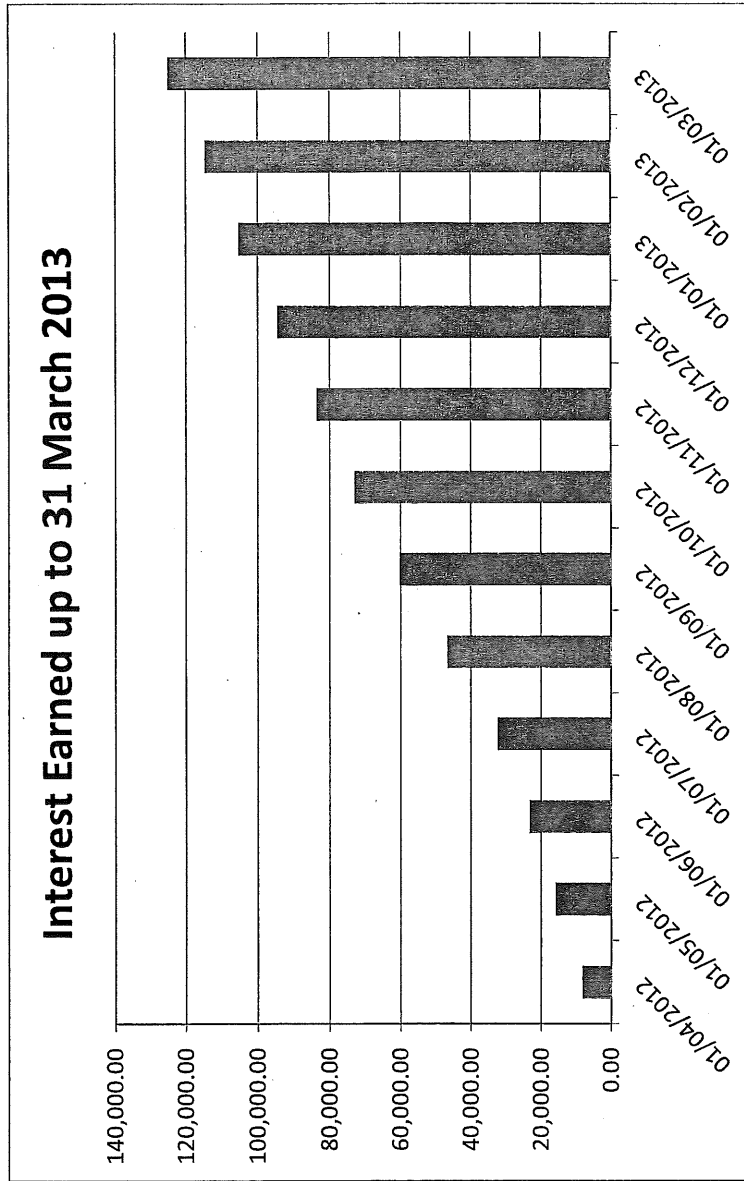
None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

CASH BALANCES APRIL 2012 - August 2012









NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

CAPITAL BUDGET MONITORING REPORT TO 31 AUGUST 2012

Report of the Chief Fire Officer

Agenda Item No:

5.

Date:

12 October 2012

Purpose of Report:

To report to Members on Capital Programme progress in the year 2012/13 to the end of August 2012. This report analyses significant variances against the original programme.

CONTACT OFFICER

Name : Neil Timms
Head of Finance and Resources

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**Media Enquiries
Contact :** Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire & Rescue Authority. Regular reporting of spending against both the revenue and capital budgets is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities. The capital monitoring statement is shown as Appendix A to this report.

2. REPORT

SUMMARY

- 2.1 The capital budget monitoring statement is showing an underspend to date of £4,863k, against the budget for the year of £5,378k. The budget for the year includes slippage of £1,669k brought forward from 2011/2012, which was approved by Members of the Fire Authority on 29 June 2012.
- 2.2 The Authority has received a capital grant of £1,486k this year; this will be used to finance an element of the capital programme. In addition, revenue contributions to finance capital have been budgeted for, amounting to £2,200k. This will avoid the need to borrow to finance the programme thereby reducing revenue costs in future years.

SIGNIFICANT VARIANCES

TRANSPORT:

- 2.3 The transport capital programme is showing an underspend to date of £909k and a forecast outturn underspend of £220k.
- 2.4 The Rescue Pump replacement programme is usually three or four appliances per annum, however the Fire Cover Review provided the opportunity to suspend purchasing new pumping appliances until 2013/2014. There will be a requirement to go out for a mini-competition in order to put in place a new contract for the supply of Rescue Pumps to resume the programme in 2013/14. The four appliances purchased in 2011/2012 are awaiting some new equipment to be delivered which requires some minor stowage amendments to be completed before the vehicles can be checked and delivered to the Service. In addition 4 appliances have come to the end of their lease agreements but are still in use; a cost appraisal indicated that it was more cost effective to purchase the appliances than to extend their leases and this has resulted in an overspend of £68k. The financing of this overspend will be considered later in the year, in the light of the overall position on the capital programme.
- 2.5 After undertaking a mini-competition exercise an order has now been placed for a new Aerial Ladder Platform (ALP) appliance for delivery in 2013/14. There will be two early stage payments, totalling £464k, in 2012/13 as part of this planned replacement

- 2.6 The Special Appliances Budget for 2012/13 is £673k, including slippage. This will be used for the ALP, as detailed in paragraph 2.5 and the remainder of the budget, £209k, will need to be slipped forward into 2013/14 for two Targeted Response Vehicles (TRVs) which were identified as part of the proposals outlined in the Fire Cover Review. Until the feasibility report into Targeted Response Vehicles has been completed it is unclear as to whether TRVs will be required. Should these vehicles not be required, the slipped budget will be used to fund a replacement pumping appliance. The original Fire Cover Review recommendation was to reduce the number of pumping appliances from forty-six to forty-one, however the agreed outcome resulted in a reduction to forty-four pumping appliances requiring the replacement programme to be increased to four vehicles from three in 2013/14 & 2015/16.
- 2.7 Light vehicle replacement for 2012/13 has been examined carefully and reduced where possible on the basis of increased vehicle life assumptions. The light vehicle requirements will be further examined following the organisational restructure to determine if there can be a reduction in the light vehicle fleet, currently 2012/13 expenditure is estimated at £231k leaving an underspending of £79k.

PROPERTY:

- 2.8 The Property programme for the year is currently showing an underspend to date of £3,155k. The main reason for the underspend is the measured slowdown of the capital programme due to the uncertainty of the final outcomes of the Fire Cover Review (FCR). Capital planning has now started for future projects across the Service's property portfolio and this process will address the programme schedule through feasibility studies of the individual fire stations. The first feasibility study has been completed on Retford Fire Station as this station is considered the highest priority for the station building replacement due to its level of dilapidation.
- 2.9 The Authority is currently looking for land in Nottingham for the relocation of Central Fire Station including office space for administration. Subject to suitable land being available it is assumed at this stage that the budget for the land purchase will be spent in this year.
- 2.10 Members of the Fire Authority approved slippage of £490k from 2011/2012 at the meeting on 29 June 2012 for the Blidworth Fire Station refurbishment project. It is estimated that around £480k will be spent on this project in the current year, with £10k needing to be slipped forward into 2013/2014 to cover retentions.
- 2.11 One of the projects arising from the FCR is the conversion of Edwinstowe Fire Station from a retained duty section (RDS) station to a wholetime station. This change includes some significant building works and installation of equipment at the premises to allow for the wholetime operation. The budget to cover the cost of this conversion will be allocated from the current budget of £2,200k for Station Refurbishment. The tenders for the main contract works have been

received and are being assessed. The estimated overall project cost is expected to be below £750k subject to reviewing and agreeing the tenders.

- 2.12 Sustainable energy project: this project was largely completed in 2011/12, with slippage of £162k approved by the Fire Authority on 29 June 2012. This budget will fund additional installation works at Tuxford Fire Station - the additional funding for this was agreed at the Finance & Resources Committee Meeting in March 2012. The final project costs are still awaited, however the outturn is estimated to be within the budget at this stage.
- 2.13 The SDC shower block is in a poor condition and doesn't provide separate showering facilities for female users. The estimated cost of updating and ensuring that it is energy efficient was originally estimated at £50,000 and it had therefore been approved by the Chief Fire Officer under his delegated powers. The eventual costs however are considered to be nearer to £65,000 which takes it beyond the CFOs authority. Due to the requirement to accept tenders within specific timeframes the Chair of the Fire Authority, Chair of Finance and the Clerk were consulted in order that approval could be given outside the Finance and Resources Committee to the project being started. This approval was given and therefore the Committee are asked to retrospectively approve the adjustment of the Capital Programme for this item. The funding will come from the Capital Reserve thus having no impact upon revenue budgets.

INFORMATION & COMMUNICATIONS TECHNOLOGY:

- 2.14 The Information and Communications Technology budget is currently under spending by £797k to date against the annual budget of £1,075k. Some projects were delayed in 2011/2012 and have been slipped into 2012/2013 – these include the projects for Business Process Automation and the Human Resources replacement system. The project to upgrade to Microsoft Office 2010 was completed in 2011/12, but £150k was brought forward from last year's programme to pay for licences starting in 2012/13.
- 2.15 Following an assessment of the impact of both the Tri-County joint mobilising project and the organisational re-structure a detailed specification is being prepared for the Business Process Automation project. The Business Process Automation project is now expected to commence in 2013/2014 with budget provision of £170k being slipped accordingly.
- 2.16 Phase one of the HR system project has now been completed with the technical and functional specification being delivered. The procurement phase has been slightly delayed due to resources being temporarily committed to the Tri-County Control system and this will mean that budget will need to be slipped into 2013/2014.
- 2.17 The Microsoft Infrastructure Software Upgrade project is currently at the planning stage; this will consider its inter-dependencies and impact on other systems to produce the implementation plan. At present slippage cannot be anticipated into the 2013/2014 financial year, however this may require review

when the implementation plan and procurement mechanisms are further developed.

- 2.18 Earlier phases of the Mobile Computing project have been completed. Software for the CFRMIS Operational Intelligence part of this project has been acquired and appropriate hardware trials are currently in progress. Once the trials are completed a decision will be taken about rolling the project out.
- 2.19 The CFRMIS budget of £47k is for the Operational Intelligence project which involves the electronic collection of operational data and transfer into the CFRMIS. It is requested that the funds are rolled forward into the 2013-14 budget because it has been necessary to extend the pilot before a decision to implement this method of information capture is made. The reason for the extension of the pilot is because the Fire Control Tri-Service project may or may not include a data capture solution and this decision is expected in December 2012. There has also been a change of project staff following the service-wide restructure and it was important for new staff to gain an understanding of where the project is currently. This assessment has been made and improvements to project management are in hand. A new cost-free software upgrade is also under review and this has also influenced the decision to extend the pilot.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

FINANCIAL RISK

8.1 Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting.

Specific risks inherent within this report are:

- Risk of overspending on any given project
- Risk of overspending against the whole capital programme
- Risk of significant underspends.

8.2 The property programme is where the highest risk of overspends against individual projects will lie, due to unforeseen problems encountered when building works start. To counteract this it is possible to slip other projects forward to ensure that the programme in any one year is affordable.

8.3 The ICT budget only presents a high risk of overspending where there are major projects in progress e.g. the replacement HR System. It is essential therefore to engage high quality project managers to mitigate this risk. There is also a concern that the ICT Department may not have the capacity to deliver against the £1,075k programme. The business plans of the ICT Department reflect the level of project work taking place and are monitored regularly. If it becomes clear that projects will have to be delayed due to capacity problems, this will be reported and managed.

8.4 Close liaison between finance staff and budget holders will seek to monitor, evaluate and report on the financial risk of overspends and underspends.

CORPORATE RISK

8.5 The risk of not completing a given Capital Project either on time, or at all, and the impact that may have on the organisation and its corporate objectives.

8.6 An examination of the Capital Programme shows that there are a number of projects which are key to the achievement of corporate objectives. That is not to imply that other projects are not important in supporting those objectives.

8.7 These key projects are:

- Retford Fire Station refurbishment
- Edwinstowe Fire Station Conversion
- Replacement Aerial Ladder Appliance
- Replacement IT equipment
- HR System replacement

8.8 Although the project to replace Central Fire Station is in its early stages, with land being sought, there is no corporate risk at present due to the overall underspending on the Capital Programme and the potential to slip budget for the project into 2013/2014.

8.9 The replacement of the Aerial Ladder appliance is running to schedule and not posing any corporate risk at present.

8.10 Replacement of IT Equipment carries a low risk as there is little work involved in this beyond the preparation and installation of replacement equipment. There is therefore little or no technical risk as all hardware is for known and tested applications.

8.11 The replacement HR system is at an early stage and the organisation is able to continue to use the existing HR system to meet its key objectives in the meantime, although a new system will undoubtedly result in significant improvement to processes and management reporting.

8.12 The Tri-County Control project is not covered within the capital programme, as the purchase of the system is likely to be undertaken by Derbyshire Fire and Rescue Service on behalf of the three Services. For information, it is confirmed that the project is on track, with the procurement subject to an OJEU tender to take place later this year. The Authority has received a capital grant of £1,800k to fund its share of the total project.

9. RECOMMENDATIONS

9.1 That Members note the content of this report

9.2 That Members approve a variation to the capital programme of £65k for the refurbishment to SDC shower block, and the financing of this from the earmarked reserve.

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

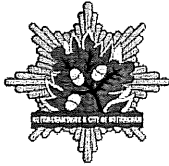
None.

Frank Swann
CHIEF FIRE OFFICER

Appendix A

Capital Budget Monitoring as at August 2012

	<u>2012/13 Approved Budget</u>	<u>2011/12 Slippage</u>	<u>Revised Budget 2012/13</u>	<u>Actual to Date</u>	<u>Variance to Date (Under) /Over</u>	<u>Estimated Outturn</u>	<u>Estimated Outturn Variance</u>	<u>2013/14 Approved Budget</u>
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
TRANSPORT								
Rescue Pump replacement prog	0			68	68	68	68	908
Special Appliances	320	353	673	6	-667	464	-209	650
Small vehicle replacement prog	206	104	310	0	-310	231	-79	479
	526	457	983	74	-909	763	-220	2,037
PROPERTY								
<i>Station Improvements</i>								
Blidworth - Retention	0	490	490	5	-485	480	-10	0
Central Fire Station –Land purchase	468	0	468	0	-468	468	0	0
Station Refurbishment.	2,193	0	2,193	24	-2,168	2,155	-38	2,200
Sustainable Energy	0	162	162	132	-29	162	0	0
Tuxford Fire Station	7		7	2	-5	7	0	0
	2,668	652	3,320	164	-3,155	3,272	-48	2,200
IT. & COMMUNICATIONS								
Business Continuity & Disaster Recovery	30	0	30	3	-27	30	0	30
Business Process Automation	25	170	195	0	-195	25	-170	25
Mobile Computing	22	14	36	2	-34	22	-14	0
HR System	171	206	377	80	-297	171	-206	80
Upgrade of Office 2010	0	150	150	150	0	150	0	0
Microsoft Infrastructure Software Upgrade	120	0	120	18	-101	120	0	0
Business Expansion	30	0	30	5	-25	30	0	25
Replacement Equipment	90	0	90	19	-71	90	0	85
CFRMIS	27	20	47	0	-47	0	-47	0
	515	560	1,075	277	-797	638	-437	245
GRAND TOTAL	3,709	1,669	5,378	515	-4,863	4,673	-705	4,482
To Be Financed By :								
Capital Grant	-1,486	0	-1,486	-1,486	0	-1,486	0	
Revenue Contributions	-2,200	0	-2,200	0	2,200	-2,200	0	
Sale of Carlton House	0	0	0	-70	-70	-70	-70	
Capital Receipts – Rescue Pumps	0	0	0	-5	-5	-5	-5	
Capital Receipts – Principal Officers Cars	0	0	0	-32	-32	-32	-32	
	-3,686	0	-3,686	-1,593	2,093	-3,793	-107	



NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

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

REVENUE MONITORING TO 31 AUGUST 2012

Report of the Chief Fire Officer

Agenda Item No:

6.

Date:

12 October 2012

Purpose of Report:

To report to Members on the financial performance of the Service in the year 2012/13 to the end of August 2012. This report analyses significant variances against the original budget.

CONTACT OFFICER

Name : Neil Timms
Strategic Head of Finance and Resources

Tel : 0115 967 0880

Email : neil.timms@notts-fire.gov.uk

Media Enquiries Contact : Elisabeth Reeson
(0115) 967 5889 elisabeth.reeson@notts-fire.gov.uk

1. BACKGROUND

Budget monitoring is a key aspect of financial management for the Fire and Rescue Authority. Regular reporting of spending against both the revenue and capital budgets to Members is a check that spending is within available resources and, if necessary, allows for financial resources to be re-assigned to meet changing priorities.

2. REPORT

SUMMARY

- 2.1 The revenue budget monitoring statement for August 2012 is showing an underspend to date of £887k against a budget for the year of £46,494k. The projected outturn variance for the year is an underspend of £2,388k.
- 2.2 The underspend to date of £887k and the projected underspend of £2,388k comprise several key variances which are explained in the following paragraphs.
- 2.3 The full Revenue Budget Monitoring Statement is given as Appendix A to this report.
- 2.4 The 2012/13 budget had already assumed that a contribution would be made to general reserves. This reflected the fact that this year in the three year budget forecast had a budget requirement which was £1.8m lower than the incoming funding, but was required to be maintained at this level to ensure that the 2013/14 and 2014/15 budgets were sustainable. This £1.8m integral underspend has been disregarded in terms of reporting an outturn position.
- 2.5 The result of the Fire Cover Review and Service restructure were savings of £1.2m across pay budgets over a 3 year period. Only £176k of this was expected to be achieved in 2012/13, with the remaining £1m of savings budgeted in 2013/14 and 2014/15. Due to the recruitment freeze implemented last year and a combination of compulsory and voluntary redundancies, redeployments and retirements, the vast majority of pay budget savings have been achieved already or will be achieved by the end of this year. The four main pay budgets are showing a forecast underspend of £1.7m because of this and the specific reasons detailed below. Due to the conversion of some posts and the creation of a number of roles in the new structure there will need to be a realignment of the pay budgets with budget provision transferring from Wholetime to Administrative and Support pay. This work is currently underway and will be confirmed as part of the budget process.

SIGNIFICANT VARIANCES

- 2.6 **WHOLETIME PAY:** (Annual Budget £24,061k). The Wholetime establishment continues to be below strength with the position worsening as employees

retire. The recruitment of trainee firefighters is underway but this process takes some months from start (positive action) to finish (employment of trainees). The likely start date for new trainees will be near the end of the financial year. In addition, selection processes for supervisory and middle managers are in progress and some middle managers and firefighters are transferring in from other Services in the autumn. In relation to front line fire and rescue services, the self rostering system ensures that deficiencies are covered as far as possible, with voluntary overtime used to deal with any shortfall. **The forecast outturn underspend on Wholetime pay is £994k**

- 2.7 **RETAINED PAY:** (Annual Budget £3,129k). The number of retained mobilisations was 978 in the first half of this year, this is 1,131 down on the same period last year and has resulted in an underspending to June of £207k. **The forecast outturn underspend on Retained Pay is £699k.**
- 2.8 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,099k). There are currently 13 vacancies in the establishment, which are causing the budget to underspend to date. The organisational restructure has impacted upon a number of posts, which are currently subject to human resources processes and it is expected that vacancies will be filled later in the year. **The forecast outturn underspend on Non-Uniformed Pay is £120k.**
- 2.9 **CONTROL STAFF:** (Annual Budget £1,066k). The Control establishment was half a post over establishment for the first 2 months of the year and this, together with a redundancy and the resulting pay in lieu of notice, has resulted in an overspending to date of £21k. **The forecast outturn overspend on Control Staff is £8k.**
- 2.10 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £513k). The underspend to date on training is £77k and it is assumed that this will continue to be impacted by the high number of vacancies, resulting in a forecast underspend of £83k. The current position with Relocation Expenses is that no payments are expected to be made under this policy in the current year, resulting in the full £16k budget forecast to underspend. Recruitment Advertising is underspending due to the freeze on recruitment and the use of the East Midlands Recruitment Portal, the forecast underspend is 15k. **The forecast outturn underspend on Indirect Employee Expenses is £83k.**
- 2.11 **PENSIONS:** (Annual Budget £866k). For certain staff in receipt of an injury pension there is an element of the pension that is met from the Authority's budget and the budget for this charge is currently underspending. The impact of redundancy and severance payments of £235k will be met from an earmarked reserve. **The forecast outturn underspend on Pensions is £13k.**
- 2.12 **ENERGY COSTS:** (Annual Budget £405). The underspending to date on gas is £25k with a forecast underspend of £72k. Although some savings are starting to accrue from the energy efficient measures incorporated into refurbishments, most of this underspend is due to the budget being based on previous expenditure levels which were based on estimated meter readings. The implementation of automatic meter readers has resulted in more accurate

and regular readings. **The forecast outturn underspend on Energy Costs is £72k.**

- 2.13 **RENT/RATES/WATER:** (Annual Budget £764). Business Rates are forecast to overspend by £55k, this is due to a combination of price increases and a rating revaluation of Tuxford following refurbishment. **The forecast outturn overspend on Rent/Rates/Water is £55k.**
- 2.14 **DIRECT TRANSPORT COSTS:** (Annual budget £1,037k). Fuel is overspending to date by £44k, although some of this expenditure is represented by fuel tank balances to be used over the next month. The risk-based budget contingency will be used to cover any overspend caused by excessive price inflation so the outturn is assumed to be able to be contained within the overall budget.
- 2.15 Tyres are underspending, due to an influx of new vehicles and an ongoing review of tyre management, the forecast outturn is an underspending of £13k.
- 2.16 The buyout of a lease of an aerial ladder appliance has allowed this vehicle to be retained at a lower cost than continuing the lease, and be available while the new appliances, approved by Finance and Resources Committee, are being built. The cost of £23k was unbudgeted. **The forecast outturn overspend on Direct Transport Costs is £10k.**
- 2.17 **CAR ALLOWANCES:** (Annual budget £467k). Car allowances continue to underspend as they did in 2011/12, and this is largely due to the high level of vacancies as well as the resulting effect on travel relating to training. **The forecast outturn underspend on Car Allowances is £70k.**
- 2.18 **OTHER TRANSPORT:** (Annual budget £429k). The Authority's motor insurers have broken the terms of our agreement due to the worsened claims history over the past year, which has resulted in an increased insurance premium. **The forecast outturn overspend on Other Transport is £8k.**
- 2.19 **EQUIPMENT:** (Annual budget £850k). The organisation restructure has resulted in significant changes to how community safety activity is structured and delivered. It will take some time for new responsibilities to be taken up and for projects to get underway, and there is already an underspend to date of £92k. The forecast outturn is an underspending of £90k.
- 2.20 Training/teaching equipment has been directly impacted by the number of staff vacancies and consequent underspend on training. The forecast outturn is an underspending of £20k.
- 2.21 A stock adjustment due to the return of refurbished fire kit has resulted in an underspend of £13k. **The forecast outturn underspend on Equipment is £123k.**
- 2.22 **CLOTHING UNIFORM/PRINTING/STATIONERY/CATERING:** (Annual Budget £425k). Catering is overspending in two areas: firstly expenditure on repairs to and replacement of minor catering equipment, for which there is no

budget, and secondly expenditure on food and water is exceeding the budget for emergency catering on the fireground. The forecast outturn overspending is £17k. Both of these areas will be addressed in the next budget round.

- 2.23 Printing is underspending in for two key reasons: firstly the re-tendering of the stationery contract which resulted in a saving and secondly the efforts being made throughout the Service to reduce costs. The forecast outturn underspending is £30k. **The forecast outturn underspend on Clothing Uniform/ Printing/ Stationery/ Catering is £13k.**
- 2.24 **SERVICES:** (Annual Budget £512k). Medical Fees relating to potential ill health retirements are forecast to underspend by £10k. Insurance premiums, which are paid in April, have come in £10k under budget. **The forecast outturn underspend on Services is £20k.**
- 2.25 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,669k). The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2012/13 and this is expected to result in an underspend of £55k on computing contracts and ICT non-contracted services. In addition Firelink charges are forecast to underspend by £50k, because the budget assumed a higher level of cost than has actually been incurred. **The forecast outturn underspend on Communications and Computing is £105k.**
- 2.26 **CAPITAL FINANCING COSTS:** (Annual budget £4,543k). The forecast outturn for the capital programme indicates at this stage that the £2.2m budget for revenue contributions will be required. The forecast outturn underspend on Capital financing Costs is £20k and this has arisen due to the underspend on last year's capital programme.
- 2.27 **GOVERNMENT GRANTS:** (Annual budget £196k). Grant income will show a surplus because FireLink grant is slightly higher than budgeted for (£25k) and because the Authority has received a grant for Council Tax Reform (£27k) which was not budgeted for. **The forecast outturn surplus on grant income is £52k.**
- 2.28 **CUSTOMER AND CLIENT RECEIPTS:** (Annual Budget £87k). Recovered costs are not budgeted for as they are uncertain, but are forecast to total £10k. **The forecast outturn surplus on Customer and Client Receipts is £10k.**
- 2.29 **INTEREST:** (Annual Budget £50k). As a consequence of the underspendings detailed throughout this report, as well as the current level of reserves, the Authority has been carrying relatively high cash balances which have been invested and will result in an estimated additional interest of £70k. **The forecast outturn surplus on Interest is £70k.**

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget, which reflects existing policies.

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.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure as are the management actions which are stimulated by such reporting. Throughout the year, finance department staff work collaboratively with budget holders towards keeping expenditure within budget and improving financial performance.

9. RECOMMENDATIONS

That Members note the contents of this report

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

None

Frank Swann
CHIEF FIRE OFFICER

APPENDIX A

Revenue Budget Monitoring up to August 2012

	Annual Budget £000	Budget Profile at Aug £000	Actual to Aug £000	Variance to Aug (Under) / Overspent £000	Forecast Outturn £000	Forecast Outturn Variance £000
Employees						
Wholetime	24,061	10,025	9,732	(293)	23,067	(994)
Retained	3,129	1,026	819	(207)	2,430	(699)
Non-Uniformed	5,099	2,125	2,028	(97)	4,979	(120)
Control	1,066	442	463	21	1,074	8
Allowances	41	17	20	3	41	0
Indirect Employee Expenses	513	214	137	(77)	430	(83)
Pension	975	560	546	(14)	962	(13)
Total Employees	34,884	14,409	13,745	(664)	32,983	(1,901)
Premises						
Repairs/Alterations/Maintenance	444	185	341	156	444	0
Energy Costs	405	123	85	(38)	333	(72)
Rent/Rates/Water	764	318	281	(37)	819	55
Other Premises Costs	326	51	48	(3)	326	0
Total Premises	1,939	677	755	78	1,922	(17)
Transport						
Direct Transport Costs	1,037	416	463	47	1,047	10
Car Allowances	467	169	137	(32)	397	(70)
Other Transport	429	339	339	0	437	8
Total Transport	1,933	924	939	15	1,881	(52)
Supplies & Services						
Equipment	850	354	262	(92)	728	(122)
Clothing						
Uniform/Printing/Stationery/Catering	425	177	185	8	412	(13)
Services	512	287	280	(7)	492	(20)
Communications and Computing	1,669	683	576	(107)	1,564	(105)
Trading Company Recharge	23	6	6	0	23	0
Miscellaneous Expenses	348	150	135	(15)	354	6
Total Supplies & Services	3,827	1,657	1,444	(213)	3,573	(254)
Support Services						
Treasury & Committee Services	215	16	10	(6)	215	0
Legal Services	146	41	41	0	146	0
Total Support Services	361	57	51	(6)	361	0
Capital Financing Costs						
Interest Payments	1,092	42	50	8	1,092	0
Debt Management Expenses	4,543	0	0	0	4,568	25
Total Capital Financing Costs	5,635	42	50	8	5,660	25
Income						
Government Grants	(196)	(82)	(170)	(88)	(248)	(52)
Other						
Grants/Reimbursements/Contributions	(1,753)	(82)	(97)	(15)	(1,810)	(57)
Customer and Client Receipts	(87)	(34)	(34)	0	(97)	(10)
Interest	(50)	(21)	(23)	(2)	(120)	(70)
Total Income	(2,086)	(219)	(324)	(105)	(2,275)	(189)
Net Expenditure	46,493	17,547	16,660	(887)	44,105	(2,388)
Financed By						
Revenue Support Grant	(427)					
Precept Income	(23,351)					
National Non-Domestic Rates	(22,716)					
Total Financing	(46,494)					



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

INSURANCE FUND

Report of the Chief Fire Officer

Agenda Item No:

7

Date:

12 October 2012

Purpose of Report:

To request Members to approve in principle the creation of an insurance fund, subject to a valid business case which will be presented to a future Finance and Resources Committee.

CONTACT OFFICER

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1. BACKGROUND

- 1.1 The Authority purchases insurance to cover a variety of risks. In the current financial year, the total cost of the insurance premium is £408k in respect of the various policies.
- 1.2 The motor insurance element of the premium is £196k. Members of this Committee may recall that last year it was reported that the Authority's insurers had broken the terms of our long term agreement due to the Authority's worsened motor claims history. This resulted in an increase in premium of £26k this year (an increase of 15%).
- 1.3 There are currently only two insurers in the market who are prepared to indemnify the Authority's motor risk, and this lack of competition exposes the Authority to the additional risk of increasing market prices.
- 1.4 The Service's internal Road Risk Group will be starting to look at how the number of motor accidents might be reduced in the future. Alongside this, it is proposed that the potential to partially self-insure motor risk using an insurance fund is explored, with a view to reducing revenue costs in the medium and longer term.

2. REPORT

- 2.1 The principle of a motor insurance fund is not a new concept and has previously been discussed by the Fire Authority as a way of potentially reducing revenue expenditure. Effectively, a sum of money is earmarked as an insurance fund, and is used to cover the cost of all motor claims in the year. This sum would come from the Authority's General Reserve, which is currently higher than the minimum level indicated by the risk assessment of reserves. Instead of paying an annual insurance premium to insurers, an annual charge is made against the revenue budget to top up the insurance fund. There are additional administrative costs e.g. for periodic actuarial valuations.
- 2.2 There is a risk that claims in any given year may exceed the value of the fund, and this risk is managed by purchasing "top-up" insurance to cover claims above a set value. In effect this is partial self-insurance and the potential benefits are that exposure to market risk is reduced and, if the business case is proven, that net savings are realised in terms of the annual cost of motor insurance. The insurance fund balance would be invested in the money market and earn interest income which could be used to top up the fund, although Members will be aware that investment interest rates are historically low at the moment.
- 2.3 A business case would need to be developed to demonstrate that an insurance fund would achieve increased value for money when compared to the Authority's current arrangements for motor insurance. The business case would also recommend an appropriate value for an insurance fund. The Business Risk Manager would prepare the business case, and seek expert advice on the subject to assist with this process.

- 2.4 The Authority would not be able to collaborate with another Authority to create a joint insurance fund because it would be outside of the Authority's powers to take on the risks of another organisation. However it is noted that Nottinghamshire County Council operates an insurance fund.

3. FINANCIAL IMPLICATIONS

- 3.1 The financial implications of this proposal will not be clear until the business case has been prepared. These will be reported to Finance and Resources Committee when the business case is reported.
- 3.2 An estimated fee of £2k will be incurred for advice from insurance brokers to inform the preparation of the business case. This can be met from the existing consultancy fees budget.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resource or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An Equality Impact Assessment has not been undertaken because this report is seeking approval in principle, subject to a valid business case. Equalities implications will be assessed for the next report.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Authority has the legal power to earmark a sum of money to be used as an insurance reserve.

8. RISK MANAGEMENT IMPLICATIONS

The motor loss history is such that it now represents the largest insurable risk that the Authority faces. Combined with a lack of competition in a hardening insurance market, there is a risk that the Authority may not achieve best value by maintaining the level of risk that it currently transfers to insurers.

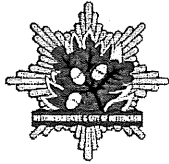
9. RECOMMENDATIONS

That Members approve in principle the creation of an insurance fund, subject to a valid business case which will be presented to a future Finance and Resources Committee.

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

None.

Frank Swann
CHIEF FIRE OFFICER



NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

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

BUDGET GUIDELINES 2013/14 TO 2015/16

Joint Report of the Chief Fire Officer and the Treasurer

Agenda Item No:

8.

Date:

12 October 2012

Purpose of Report:

To request that Members of the Finance and Resources Committee set general guidelines within which Officers of the Authority will develop a detailed budget proposal for 2013/14 to 2015/16.

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1. BACKGROUND

- 1.1 At its meeting on 24 February 2012 the Fire and Rescue Authority set the capital and revenue budgets of the Authority for the years 2012/2013 to 2014/2015, the precept for 2012/2013, and the anticipated levels of Council Tax for the period 2012/2013 to 2014/2015. These were:

	Budget £m	Band D £s Per annum	Band D £s Per week	Increase
2012/2013	46,494	69.69	1.34	0.0%
2013/2014	44,393	72.13	1.39	3.5%
2014/2015	43,986	74.65	1.44	3.5%

- 1.2 Members will be aware that the budget figures for 2013/2014 and beyond were prepared on the basis of a substantial restructure of the Authority and a review of Fire Cover both of which have enabled anticipated budget reductions to be contained. This was also prepared in the expectation of further reductions in grant for 2013/2014 and 2014/2015.
- 1.3 It is clear that the public finances remain under significant strain and therefore the same assumptions have been made for grant as were used in the 2012/2013 budget process.
- 1.4 Officers of the Authority will be preparing a detailed budget over the next few months, culminating in budget proposals which will be brought back to this Committee in January 2013 for approval for presentation to the full Fire Authority in February 2013.
- 1.5 The Fire and Rescue Authority on 21 September 2012 requested that Members of the Finance and Resources Committee propose budget guidelines to allow Officers to develop detailed budget proposals and prepare suitable questions to be put to the public by way of consultation.

2. REPORT

- 2.1 The Authority's Medium Term Financial Strategy sets out a number of objectives and principles which directly relate to the preparation of the budget. Although the current three year Strategy expires this year, these objectives will continue into the next version of the Strategy and should underpin the budget guidelines set by Members:
- To support sustainable service delivery by the use of revenue budgets, reserves and balances,
 - To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources,
 - To hold a working balance sufficient to respond to unexpected events and/or opportunities,
 - To ensure that the capital base of the Authority can be maintained within
 - affordable and sustainable limits,

- To provide forward looking indications of Council Tax levels,
- Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by balances unless this is part of a long term sustainable strategy and approved by Members.
- Longer term financial planning will take account of the possible use of reserves and balances to minimise the effect of reductions in funding as a means of transition but not of permanent support.

2.2 The budget requirement i.e. the amount of money the Authority will need to spend each year will be prepared by Officers in consultation with budget managers and in the context of the current Community Safety Plan (IRMP). This process is under way but will not be completed until the end of November, so working assumptions about the amount of the budget requirement will continue to be based on last year's estimates until then.

2.3 The budget requirement is funded from two main sources: council tax precept, which represents around half of total income and external finance from Central Government, comprising Revenue Support Grant, National Non Domestic Rates and Council Tax Freeze Grant, which makes up the other half. A number of external factors will impact on the funding of the budget over the next three years. These are summarised here and potential impacts are explained in further detail later in the report:

- Revenue Support Grant for 2013/2014 (and possibly for 2014/2015) is expected to be announced in mid-December. The amount for the Authority is not yet known but is anticipated to continue to reduce in line with the Government's Comprehensive Spending Review 2010 programme of local government funding cuts.
- There is likely to be a Council Tax capping limit above which a referendum would be triggered, but the amount of such a limit is not yet known.
- With effect from April 2013, the localisation of Council Tax support may impact negatively on the Authority's taxbase.
- The Council Tax Freeze grant received in 2012/2013 for one year only was £699k. The loss of this grant must be factored into the budget.

2.4 Current budget plans have been prepared on the basis of assumed rises in Council Tax of 3.5% in each of the years 2013/2014 and 2014/2015. This would still leave a budget shortfall of £580,000 to be met in 2015/2016 as the council tax freeze grant is removed.

2.5 The effect of reducing this council tax increase to zero would be shortfalls in each of the years as follows:

	Annual Shortfall	Cumulative	Available Balances at 31 March
2013/2014	£816,000	£816,000	£1,984,000
2014/2015	£1,700,000	£2,516,000	£284,000

The cumulative figures are shown to illustrate the underlying impact on balances and the movement in balances is shown in the following paragraph.

- 2.6 Shortfalls can be addressed temporarily by the use of surplus balances, but this would have to be as part of a planned budget reduction regime. In the above example however, even the use of balances will not solve the underlying problem. The effect on balances is shown below:

Estimated Balances 2013/2014	£8,200,000
Less required balances	£3,400,000
Opening available Balance 2013/2014	£4,800,000
Use of Balances already planned	£2,000,000
Use of Balances 2013/2014	£816,000
Opening available Balance 2014/2015	£1,984,000
Use of Balances 2014/2015	£1,700,000
Opening available Balance 2015/2016	£284,000

The problem with this approach is that in 2015/2016 almost £3,000,000 would be required from balances to support the same levels of spending. This figure is far greater than the level of usable balances and therefore the burden would fall entirely on Council Tax or budget cuts.

- 2.7 Planned budget reductions of £3.0m would require additional savings of approximately 11% which when pay awards and inflation are considered could be of the order of 15% or more. The percentage figure however becomes largely irrelevant when set against the cost profile of the Fire Authority.

- 2.8 The current budget profile shows that the budget is split as:

Uniformed Pay	£29m
Non-Uniformed Pay	£5m
Transport/Premises	£4m
Capital Financing	£4m
Communications/IT	£3m

- 2.9 The "back office" of the Fire Authority is quite small when compared with the size of the front line service and those areas which are directly public facing. The value of public facing services and unavoidable external costs of capital are probably of the order of £39.5m of the total budget thus leaving £6.5m as the true value of back office services. It is inconceivable that savings of £3m could be made from a £6.5m budget without compromising the Authority's ability to fulfil its statutory responsibilities which leaves the only possible response to be to remove some customer facing services.

- 2.10 The original Fire Cover Review offered some alternative options for savings by way of further adjusting how the front line service is delivered but even

these quite severe measures will be insufficient to meet the requirement for reductions. It may be that more radical responses would be necessary.

- 2.11 There is no doubt therefore that if a zero increase in council tax is considered for 2013/2014 and beyond then the service will need to develop options to remove almost £3,000,000 from the base budget over the next two years and that this cannot be achieved without changes to customer facing services.
- 2.12 The potential difficulty with this approach is that to meet statutory requirements it will be necessary to consult the public about any proposed changes via the IRMP process which is due to take place during 2013. Providing that balances can be used to support expenditure in the meantime the IRMP process can begin to consult the public on reductions in service provision to meet the overall budget targets.
- 2.13 As set out in paragraph 2.2 above the budget for 2013/2014 and 2014/2015 was prepared on the basis that there would be an increase in Council Tax bills of 3.5% in each of those years. This position would not give the Fire Authority any financial difficulties beyond those already factored into the budget process providing that the underlying assumptions particularly in relation to grant funding remain sound.
- 2.14 It is likely that government will establish a capping limit for 2013/2014 but this has yet to be announced. The limit for Fire for 2012/2013 was 4% which would have allowed a 3.5% rise as planned. If this changes in any way then the effect on funding will be broadly £250,000 for every 1% variation. If the assumption is made that the capping limit will remain at 4% then a council tax increase of up to 3.8% would allow the Authority to remain safely within the cap.
- 2.15 It is similarly unclear at the present time what the reduction in grant funding to Nottinghamshire will be although the budget assumption is that it will decrease by 18.5%. Every 1% variation in this figure will again broadly move funding by + or - £250,000.
- 2.16 The yield from Council Tax is based on two factors; the actual Band D charge and the taxbase to which it is applied. It is usual to assume a small growth in taxbase or at least a steady state and therefore the only significant variable is the level of Band D taxation. The localisation of Council Tax Support (or benefit) will almost certainly cause some changes in taxbase although it is unclear what these will be.
- 2.17 In 2010/2011 the budget of the Fire Authority was £48.110m whereas in 2014/2015 it will be £43.986m a reduction over this period of £4.124m which is a very significant change. This reduction can be achieved by careful planning and management but only if the above assumptions hold true.
- 2.18 The Finance and Resources Committee is charged with recommending a budget and level of Council Tax to the Fire Authority in this period of uncertainty and against a backdrop of significant budget reductions. The Fire Authority on 21 September 2012 recommended that the Finance and

Resources Committee develop appropriate budget guidelines for Officers, taking account of relevant information known at the time.

- 2.19 Any reduction in or failure to maintain the base budget over time will have an exponential effect as described in 2.3 above. However an assumption that council tax will rise by 3.8% in each of the three years under consideration or remain at zero for each of the three years is probably unrealistic. There are in fact a number of scenarios that could ensue all of which will require a reduction in the budget of between £0 and £3m over a three year period but most of which may require both increases in council tax and budget reductions at some point. This assumes that balances can be used to cushion the effects of any changes. Any reductions will be in addition to the £4.124m already in progress.
- 2.20 This Committee needs to consider to what extent the Fire Authority might be prepared to use increases in Council Tax as a means of protecting the service delivery of the Fire Authority notwithstanding of course the statutory responsibilities which cannot be breached.
- 2.21 Referring back to paragraph 1.1 above it can be seen that the current level of Council tax at £69.69 equates to £1.34 per week at Band D. A rise in this figure by 5p (3.5%) might not be considered particularly significant to the public particularly when the impact of not doing so could result in reductions in service provision.
- 2.22 It might be considered prudent to ask this question of stakeholders and members of the public, not to tie the hands of Fire Authority Members, but to provide a general indication of whether the public are prepared to pay a little more to protect front line services or indeed other areas such as Community Safety activity. The question could be phrased as follows: "would you be prepared to pay up to 5p per week more in council tax to maintain current provision of fire and rescue services?"
- 2.23 It is difficult to be precise about the impact that budget reductions will have on the service but as a general guide it might be worth considering the following:

Annual Cost of "Back Office" Services

Finance and Resources Department (£1.9m pay £5.9m non-pay)

- Information Technology
- Business Systems
- Finance
- Payroll
- Business Risk Management
- Estates
- Procurement
- Transport
- Equipment

Corporate Support Department (£5.6m pay* £0.8m non-pay)

Corporate HR
 HR Operations
 Occupational Health and Fitness
 Equality and Diversity
 Health, Safety and Environmental Risk Management
 Employee Relations
 Projects
 Learning and Development
 Performance Management
 Corporate Communications
 Policy and Planning
 Partnerships and Engagement
 Administration

* This figure includes a number of operational officers providing fire cover as part of their roles.

Annual Costs of Frontline Services (£24.5m pay £0.5m non-pay)

Approximate cost of a Wholetime Appliance £1m
 Approximate cost of a Retained Appliance £250k

2.24 As mentioned in 2.19 above there are a great number of possible scenarios for levels of Council Tax over the next three years ranging from 0 to 3.8% in each of the following three years. The following illustrations show some of those scenarios:

Increase in Council Tax	2013/2014 Shortfall (surplus)	2014/2015 Shortfall (surplus)
0%	816,000	1,700,000
1%	(38,000)	1,190,000
2%	(269,000)	719,000
3%	(503,000)	241,000
3.5%	(620,000)	0
3.8%	(690,000)	(147,000)

2.25 The above figures assume that the same percentage is applied in each of the two years. It is noticeable that all of the scenarios apart from 0% will generate surpluses in the first year. This is because if increases in year 2 are to be kept below 4% (the level of the 2012/2013 cap) then larger increases than really required in 2013/2014 need to be made to create a balanced base budget by 2014/2015.

2.26 For example a 1% increase in Council Tax in 2013/2014 would create a surplus of £38,000 but even if council tax was to be increased by 3.8% in

2014/2015 budget reductions of £531,000 would be required to balance the 2014/2015 budget.

- 2.27 A simple rule of thumb for this calculation might be to say that if the budget is to be balanced without further reductions being sought then the sum of the increases over the two year period must add up to 7 but the total in any given year cannot exceed 3.8. This assumes that the cap remains at 4%.
- 2.28 Each 1% change to these figures either plus or minus will require movement of £250,000-£300,000 in the budget depending which year the change is made.
- 2.29 The situation for 2015/2016 is even less clear than that for 2014/2015 as this will be the first year of any new Comprehensive Spending Review period if there is to be one. It will be possible to build up some budget assumptions based on the budget for 2014/2015 but there can be no real estimates relating to Council Tax as the grant position is completely unknown. Hopefully this will emerge from DCLG towards the middle of December and a clearer picture can be provided to Members at the January committee meeting.
- 2.30 There are still many unknowns in connection with this budget period which relate to levels of grant, taxbase adjustments, and the localisation of business rates, all of which could cause variations in the level of external funding. Officers will take into account the funding announcements by ministers as and when these become known.
- 2.31 Bearing in mind the Medium Term Financial Strategy objectives set out in paragraph 2.1, which focus on the stability and sustainability of the Authority's finances, the following guidelines are suggested to Members as being an appropriate structure within which Officers could work to construct a three year budget.
- i. Revenue budgets to be prepared for 2013/2014 to 2015/2016 assuming that Council Tax levels increase by 0%, 2%, 3.5% or 3.8% in any or each of the years 2013/2014 to 2015/2016, with significant fluctuations in council tax levels between the years to be avoided. The implications for the levels of required budget reductions to be shown in each scenario.
 - ii. The revenue budget for 2013/14 to be prepared on the basis of plans which have already been approved by Members, with no additional budget reductions taken in that year other than those proposed by budget managers in the course of close examination of base budgets to identify savings. If, following the grant announcement, budget reductions are required these will be funded by the use of balances for 2013/2014 to allow time for potential cuts to be identified and consulted upon as part of the IRMP process before implementing in 2014/2015.
 - iii. The use of surplus balances to be factored into budget preparation only where this either temporarily supports the budget whilst longer term reductions are planned for, or where such use of balances results in longer term revenue budget savings.

- iv. Capital budgets to be prepared which are affordable and sustainable.
- v. Officers to consult on the range of budget proposals and in particular ask stakeholders whether or not they are happy to pay more council tax in future years than they do currently.

3. FINANCIAL IMPLICATIONS

The options for Council tax increases confirmed by Members will form the basis of budget options covering the 2013/14 to 2015/16 period, which will be considered by both the Finance and Resources Committee and the Fire and Rescue Authority before a balanced budget is approved.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report sets out a framework within which the budget is to be prepared.

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.

8. RISK MANAGEMENT IMPLICATIONS

The primary corporate risk is that sufficient financial resources are not available to the Authority over the medium term. Officers will seek to manage this risk when preparing budgets within the guidelines approved by Members.

9. RECOMMENDATIONS

- 9.1 That Officers are instructed to prepare a set of budget options as set out in paragraph 2.31 above for presentation to the next Finance and Resources Committee.
- 9.2 That Members consider whether to consult stakeholders with the regard to potential rises in Council Tax to protect services.

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

None.

Peter Hurford
TREASURER TO THE FIRE AUTHORITY

Frank Swann
CHIEF FIRE OFFICER