



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

SCRUTINY OF BUDGETS

Report of the Chief Fire Officer

Agenda Item No:

Date: 12 July 2013

Purpose of Report:

To report to Members on the work to be undertaken as a response to the Medium Term Financial Strategy set out for Members at the Fire Authority on 28 June 2013.

CONTACT OFFICER

Name : Neil Timms
Strategic Director of Finance and Resources

Tel : 0115 967 0880

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

Media Enquiries Matt Sismey

Media Contact : (0115) 967 5889 matt.sismey@notts-fire.gov.uk

1. BACKGROUND

- 1.1 At the meeting of the full Fire Authority in June the Chief Fire Officer set out his views on the Medium Term Financial Strategy for the Authority going forward to 2015/2016. It was clear from this document that the financial outlook leading up to and beyond 2015/2016 is poor and that some difficult decisions may need to be made.
- 1.2 Members expressed a view that it would be doubly important to have thoroughly scrutinised the existing base budgets and the underlying assumptions to give elected members confidence that appropriate savings have been made but that at the same time the financial stability of the organisation can be assured.
- 1.3 The Chief Fire Officer was therefore requested to arrange for a report to be brought to this committee setting out his proposals for reviewing base budgets in order for these to be discussed and agreed with Members.

2. REPORT

- 2.1 The Chief Fire Officer, in his medium term financial strategy, stated that the Authority had set a budget for 2013/2014 which is fairly well balanced but which for 2014/2015 is indicating a shortfall of the order of £1.8m.
- 2.2 As this situation rolls forward it is clear that a budget problem in excess of £4.6m may occur unless steps are taken to reduce costs. Indeed, recent indications are that grant reductions agreed with the Treasury by the CLG may be far greater than those anticipated. It is, however, always difficult to make any predictions relating to grant distribution and therefore until the actual grant settlements are declared it is impossible to anticipate what the effect on Nottinghamshire Fire and Rescue Authority will be.
- 2.3 The current predictions of budget requirements as set out on the February 2013 budget papers are:

Year	Value	Increase %
2013/2014	43,963,813	
2014/2015	44,272,309	0.7
2015/2016	44,808,450	1.2

2.4 Funding Streams however are expected to reduce as follows:

	2013/2014	2014/2015	2015/2016
	£	£	£
Revenue Support Grant	11,790,301	12,141,024	11,382,210
Council Tax Support	2,104,185	0	0
Freeze Grant 2011/2012	348,180	341,075	0
Total Revenue Support Grant	14,242,666	12,482,099	11,382,210
Formula Funding	7,868,989	9,527,133	8,931,687
Council Tax Support	1,399,856	0	0
Freeze Grant 2011/2012	231,634	238,739	0
Freeze Grant 2013/2014	234,073	234,073	0
Total External Funding	23,977,218	22,482,044	20,313,897
Budget Requirement	43,963,813	44,272,309	44,808,450
Council Tax Yield @ £69.69	19,921,395	19,921,395	19,921,395
Deficit	65,200	1,868,870	4,573,158

2.5 Government have already announced that there may be further reductions on grant of 1% in each of the years 2014/2015 and 2015/2016. This would cause grant to fall as follows:

	2013/2014	2014/2015	2015/2016
	£	£	£
Revenue Support Grant	11,790,301	12,141,024	11,382,210
Formula Funding	7,868,989	9,527,133	8,931,687
Total Grant	19,659,290	21,668,157	20,313,897
Less 1% 2014 on	0	(216,681)	(216,682)
Deficit	65,200	2,085,551	4,789,840

2.6 All of the above problems assume that there will be no Council Tax rises in 2014/2015 nor any further freeze grants.

2.7 There are no indications yet as to whether further reductions in grant are expected beyond 2016 however there will be significant increases in National Insurance contributions if the contracted out rates are removed as planned. The mini Comprehensive Spending Review currently being undertaken by Government may present further financial challenges but these remain unclear at present.

2.8 There need to be some assumptions with regard to Council Tax for 2014/2015 and 2015/2016 if radical changes to the service are to be avoided

but at the same time it is perhaps unrealistic to assume that Council Tax can compensate for all the reductions in grant without reaching the referendum limit.

- 2.9 It is possible that Council Tax Freeze grant may be offered in 2014/2015 and 2015/2016 and that the level would not exceed 1%. It is equally possible that there may be a capping limit set at 1% thus forcing all authorities to take the freeze grant. In any event it seems unlikely that the capping limit (or referendum limit) will exceed 2%.
- 2.10 By ignoring any possibility of freeze grant and assuming that Council Tax yield will increase by 1% or 2% in each of the years 2014/2015 and 2015/2016 the above shortfall improves as follows:

	2013/2014	2014/2015	2015/2016
	£	£	£
Revenue Support Grant	11,790,301	12,019,683	11,260,868
Council Tax Support	2,104,185	0	0
Freeze Grant 2011/2012	348,180	341,075	0
Total Revenue Support Grant	14,242,666	12,360,758	11,260,868
Formula Funding	7,868,989	9,431,793	8,836,347
Council Tax Support	1,399,856	0	0
Freeze Grant 2011/2012	231,634	238,739	0
Freeze Grant 2013/2014	234,073	234,073	0
Total External Funding	23,977,218	22,265,363	20,097,215
Budget Requirement	43,963,813	44,272,309	44,808,450
Council Tax Yield 1% Rise	19,921,395	20,120,609	20,321,815
Council Tax Yield 2% Rise	19,921,395	20,319,823	20,726,219
Deficit @ 1%	65,200	1,886,337	4,389,420
Deficit @ 2%	65,200	1,687,123	3,985,016

It should be pointed out that if the deficit of £1.9m in 2014/2015 is resolved then the deficit in 2015/2016 would reduce to £2.5m. Similar calculations for the 2% Council Tax level yield deficits of £1.7m and £2.3m

- 2.11 What is clear from the tables above is that the figures for budget reductions range from £4.0m to £4.8m whichever combination of freeze grant and/or council tax increase is adopted.

Budget Reduction Strategy

- 2.12 There is already a significant amount of work being undertaken to close the funding gap which clearly cannot be achieved in full by savings in non-pay budgets or indeed by further savings in the back office. Nevertheless it would

not be reasonable to consider radical options such as changes to service provision or models of service delivery without having first gained an assurance that all other practical options have already been considered.

- 2.13 It is therefore suggested that a review of base budgets is undertaken in order that the purpose of these budgets is fully understood and that they remain relevant and necessary going forward. It will be important to confirm that budgets held can be spent on the purposes for which they were created and that full regard is given to the historical performance of these budget areas.
- 2.14 Members may wish to consider the potential impact of reducing the capital programme by making different assumptions about the useful lives of vehicles or extending the property programme. Undoubtedly such options exist but they will not be without consequences.
- 2.15 It is considered unhelpful to examine every single base budget particularly where the value is low and therefore it is suggested that Finance staff are given some discretion as to which areas to look at. The reason for not setting a de minimus level is simply to allow them to target those budgets where they believe savings could be made even if they are of quite low value.
- 2.16 It is possible that some areas of potential savings may require changes to be made to allowances payable to staff which would require negotiation with representative bodies but these should still be considered as options if only to quantify their effect.
- 2.17 Members may also wish to consider the likely financial effects of issues such as shared services, mergers and closer co-operative arrangements although it should be appreciated that it is unlikely that accurate figures could be generated without a significant amount of work being undertaken which would be inappropriate given the changes in policy that would be required before any such changes could be implemented. It would nevertheless give some scope to any such proposals.
- 2.18 It will not be possible to bring back a full proposal for a 2014/2015 2015/2016 budget as this exercise will simply prepare the ground for much wider budget discussions to take place. Nevertheless it is proposed that the results of this review are presented back to this committee on a regular basis as part of early engagement in the budget process by Finance and Resources.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full 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. Implications for Equality may arise as part of budgetary considerations but these will need to be dealt with as they arise.

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

Whilst there are no risk management implications directly arising from this report, it will be important to ensure that the risks identified within the corporate risk register and the strategic risk register continue to be managed appropriately, especially where there are budget reductions imposed.

9. RECOMMENDATIONS

That Members support the proposal to carry out a base budget review and the strategy for doing so set out in the report.

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

None.

Frank Swann
CHIEF FIRE OFFICER