



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

**FINANCE AND RESOURCES COMMITTEE**

**Date: Friday 12 July 2013**

**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 5 April 2013 (for confirmation)

Attached

**4 CAPITAL BUDGET MONITORING REPORT TO 31 MAY 2013**

Report of Chief Fire Officer

Attached

**5 REVENUE BUDGET MONITORING TO 31 MAY 2013**

Report of Chief Fire Officer

Attached

**6 PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2013**

Report of Treasurer to the Fire Authority

Attached

**7 CORPORATE RISK REGISTER**  
Report of Chief Fire Officer

Attached

**8 SCRUTINY OF BUDGETS**  
Report of Chief Fire Officer

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**

**Constitutional Services Officer – Rav Kalsi 0115 8763759**  
[carol.jackson@nottinghamcity.gov.uk](mailto:carol.jackson@nottinghamcity.gov.uk)



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

**FINANCE AND RESOURCES COMMITTEE**

**MINUTES**

of meeting held on **5 APRIL 2013** at Fire and Rescue Service Headquarters, Bestwood Lodge from 10.00 am to 11.28 am.

**Membership**

- Councillor S Carroll (Chair)
- ^ Councillor C Barnfather
- ^ Councillor B Cross
- Councillor E Kerry
- Councillor M Wood
- Councillor B Cooper (as substitute for Councillor Barnfather)

Members absent are marked ^

Present as an observer – Councillor Pulk.

**28 BREEAM AWARD**

The Chair informed the meeting that the Carlton Community Fire Station had received a BREEAM Award. BRE Environmental Assessment Method (BREEAM) was a voluntary measurement rating for green buildings that was established in the UK by the Building Research Establishment (BRE) as a tool to measure the sustainability of new non-domestic buildings in the UK. BREEAM Awards were made annually to the highest scoring building assessments certified under BREEAM Schemes in the preceding calendar year. The Awards recognised the achievement of those involved in the specification, design and construction of BREEAM assessed buildings. The Chair congratulated all those involved in the project for their hard work and asked Ian Pritchard, Estates and Procurement Manager, who was present at the meeting, to pass on the Committee’s appreciation to all the officers concerned.

**29 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Barnfather and Cross. The Chair agreed to arrange for a letter to be sent to Councillor Cross wishing him a speedy recovery from his current illness.

### **30 DECLARATIONS OF INTERESTS**

No declarations of interests were made.

### **31 MINUTES**

**RESOLVED** that the minutes of the last meeting held on 11 January 2013, copies of which had been circulated, be confirmed and signed by the Chair.

### **32 INTERNAL AUDIT ANNUAL REPORT 2012/13**

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, bringing the report prepared by the Fire Authority's Internal Auditors to the attention of members. The report was presented by Mr Rob Disney of Nottinghamshire County Council who outlined the areas which had been considered for the twelve months to the end of March 2013, summarised the reports issued and the outcome of the considerations and set out the plan for 2013/14.

Members agreed that the issue of risk management was fundamental to the performance of the Authority and that it had to be embedded into all areas of work at all levels.

#### **RESOLVED**

- (1) that the report be noted;**
- (2) that the relevant officers be requested to implement the recommendations of the Internal Audit as soon as possible.**

### **33 INTERNAL AUDIT REPORTS**

Consideration was given to the report of the Treasurer, copies of which had been circulated, presenting the reports which had been issued by Internal Audit during 2012/13 following audit work they had carried out and setting out the response of management to the recommendations made.

**RESOLVED** that the report be noted.

### **34 EXTERNAL AUDIT PLAN 2012/13**

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 2012/13 financial year.

The Strategic Director of Finance and Resources explained to the meeting that KPMG had been awarded the contract to provide external audit to public bodies across the East Midlands following the abolition of the Audit Commission. He introduced Flora Smith, Assistant Manager with KPMG who presented the report, outlining the four key

stages of the financial statements audit process for the year and the approach being taken to the audit.

Whilst the audit fees for 2012/13 would be lower than previous year's fees, the fees were based on a number of assumptions and could result in additional fees for any extra work which had to be carried out. The assumptions which were being made included assumptions that the Finance Team would provide KPMG with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. Processes were in place to agree any additional fees prior to the work being carried out.

The Chair, on behalf of the Committee thanked both the staff at KPMG and the Services' Finance Team for the work carried out in relation to the audit.

**RESOLVED that the report be noted.**

### **35 STRATEGIC RISK REGISTER**

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, asking the Committee to accept the risks that had been identified by the Corporate Management Board as having a potential impact on future strategic direction and objectives.

The Strategic Director of Finance and Resources advised the meeting that Internal Audit had highlighted the need to have a more formal approach to corporate and strategic risk registers in their last two reports on the risk management function. The strategic risk register which had been compiled could be used to help inform the development of the Service's corporate objectives and ensure that the organisation remained sufficiently flexible to respond to future change through long-term strategic planning.

Members requested that a further column be added to the Register to include the likely impact of the identified risks.

It was proposed that further member training take place on a number of topics, including understanding the statement of accounts, treasury management, budgeting and budget monitoring, risk management and the role of the risk manager and the CIPFA guide to local government finance for members. This would be open to all Fire Authority members but was primarily targeted at members of the Finance and Resources Committee.

Councillor Wood requested that the Strategic Director of Finance produce a list of the top ten risks to the Authority and that the Risk Register be presented to the full Fire Authority for discussion.

**RESOLVED**

- (1) that the risks identified by the Corporate Management Board as having a potential impact on future strategic direction and objectives be accepted;**
- (2) that the Committee receive an annual update from the Corporate Management Board;**

- (3) that a report on the Risk Register be brought back to the Committee twice a year;
- (4) that members of the Committee receive further training to include understanding the statement of accounts, treasury management, budgeting and budget monitoring, risk management and the role of the risk manager.

### **36 CAPITAL BUDGET MONITORING REPORT TO 28 FEBRUARY 2013**

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 February 2013, analysing significant variances against the original programme.

The report was presented by the Strategic Director of Finance and Resources who confirmed that the capital budget monitoring statement was showing an underspend to date of £3,950,000 against the budget for the year of £5,443,000. The budget for the year included slippage of £1,669,000 brought forward from 2011/12 which had been approved by the Authority on 29 June 2012.

**RESOLVED that the report be noted;**

### **37 REVENUE MONITORING REPORT TO 28 FEBRUARY 2013**

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 February 2013 analysing significant variances against the original programme.

The report was presented by the Strategic Director of Finance and Resources who confirmed that the revenue budget monitoring statement was showing an underspend to date of £1,913,000 against a budget for the year of £46,494,000. The projected outturn variance for the year was an underspend of £1,845,000.

**RESOLVED that the report be noted;**

### **38 PRUDENTIAL CODE MONITORING REPORT TO 28 FEBRUARY 2013**

Consideration was given to the report of the Treasurer, copies of which had been circulated, giving details of performance up to the end of February 2013 relating to the prudential indicators for capital accounting and treasury management.

**RESOLVED that the report be noted.**

### **39 VALUE FOR MONEY**

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, outlining the proposed programme for achieving and demonstrating Value for Money in 2013/14 and reporting on progress against the Value for Money Programme for 2012/13.

The report was presented by the Strategic Director of Finance and Resources who advised the meeting that the Procurement Team would continue to take a pro-active

approach to ensure that the Service received value for money on all items purchased. The tender plan for 2013/14 included equipment, medical and occupational health services, and a new training management database.

**RESOLVED that the report be noted.**

#### **40 UPDATE ON THE INVESTMENT IN SUSTAINABLE ENERGY TECHNOLOGIES**

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, updating members on the capital investment and revenue income return of the sustainable energy technologies project carried out in 2012.

Ian Pritchard, Estates and Procurement Manager, updated the meeting on the project progress at the various sites, giving details of estimated annual generation and tariffs, actual generation and looking at the assumptions made for variables and the constraints.

Since the report had been written, the figures for March 2013 had been produced. The early indications showed that the project was on track to deliver the savings to the annual revenue budget and payback the capital expenditure as originally predicted despite the fact that 2012 had been a poor year for sunshine in the UK which had impacted upon the amount of electricity generated through photovoltaic panels.

The Chair thanked Mr Pritchard for his informative report.

**RESOLVED that the report be noted.**

#### **41 TENDER FOR MOTOR INSURANCE**

Consideration was given to the report of the Chief Fire Officer, copies of which had been circulated, giving details of the recent tender for motor insurance and subsequent award of the contract.

The report was presented by the Strategic Director of Finance and Resources who reminded members that due to the existing motor insurers deciding to terminate their long term agreement with the Authority and significantly raise their premiums, it had been decided to run a formal tender and to consider the retention of additional risk via the use of an internal insurance fund. The Authority's brokers had carried out the exercise and had concluded that the use of an insurance fund was not appropriate. The insurance was subsequently put out to tender using a combination of higher deductibles and stop losses. The preferred option was to take the lowest risk option of a higher premium and then to work with insurers to drive claims down to make a higher deductible option more viable in the future.

**RESOLVED that the appointment of QBE via Risk Management Partners as the Authority's motor insurers for 2013/14 be noted.**







**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 MAY 2013**

## **Report of the Chief Fire Officer**

**Agenda Item No:**

**Date:** 12 July 2013

**Purpose of report:**

To report to Members on Capital Programme progress in the year 2013/14 to the end of May 2013. This report analyses significant variances against the original programme.

### **CONTACT OFFICER**

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Strategic Director of Finance and Resources

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## **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 £7,849k, against the budget for the year of £8,339k. The budget for the year includes slippage of £3,142k brought forward from 2012/13, which was approved by Members of the Fire Authority on 28 June 2013. Overall, capital expenditure is likely to reach £6,190k by the end of the year but the outturn will be continually reviewed and reported throughout the year.
- 2.2 The Authority has received a capital grant of £1,088k 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 £2,000k. This will keep the need to borrow to finance the programme to a minimum, thereby reducing revenue costs in future years.

### **SIGNIFICANT VARIANCES**

#### **TRANSPORT:**

- 2.3. Work to evaluate chassis manufacturer options for new Rescue Pumps has been carried out and the final chassis quotations from three suppliers are awaited so that orders can be placed for Euro 5 chassis before the need to go to Euro 6 and incur the additional costs that Euro 6 engine vehicles will bring. Work to review the equipment inventory and refreshing the Rescue Pump Technical Specification Requirement is underway and a consultation questionnaire has been circulated to station personnel for their feedback to aid this process. When this work has been completed the process of the mini-competition for bodywork and fire engineering can be undertaken to select a bodybuilder and put in place another multi-year contract.
- 2.4. The body-build of the new Aerial Ladder Platform (ALP) has commenced but delivery has slipped due to delays with vehicles ahead of the Nottinghamshire ALP in the suppliers build schedule. Delivery to the Service of the completed vehicle is now forecast to have slipped from the end of June to the end of August/early September.
- 2.5 The Special Appliances budget for 2013/14 is £2,038k, in addition £180k was slipped from 2012/13. The original Fire Cover Review recommendation was to reduce the number of pumping appliances in the fleet 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. It is likely that the replacement programme will need to change again as the Service seeks to make the necessary budget savings required in forthcoming years.

- 2.6 The award of a contract for a water/foam unit was made during May and the build work has already commenced with delivery anticipated to be the end of August.
- 2.7 A chassis cab is on order for a new Flood Response Unit and the specification for the bodywork and associated equipment is being drawn up to meet the user requirement prior to obtaining quotations for the vehicle body-build.
- 2.8 Initial designs to re-use other existing vehicles for Special appliances are also being drawn up or explored to reduce expenditure. Some of the Special appliances will also require an interim Mobile Data Terminal (MDT) solution and work is underway with the ICT department to facilitate this whilst awaiting the new MDT solution from the Tri-Service project.
- 2.9 Light vehicle replacement for 2013/14 has been examined carefully and reduced where possible on the basis of increased vehicle life assumptions. As yet the re-structure has not thrown up any surplus vehicles to enable fleet reduction. Although some planned procurement of new light vehicles has taken place further work is to be carried out to identify if the light vehicle can be reduced to make cost savings.

#### **PROPERTY:**

- 2.10 The Property programme for the year is currently showing an underspend to date of £4,274k. The main reason for the underspend is the measured slowdown of the capital programme following 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 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. Works to the temporary fire station are due to commence in June and be completed by September 2013. Planning decisions are expected from the Local Authority by 18 July 2013. Invitations to tender are due back by 5 August 2013. Work is anticipated to start early September 2013 and be completed by September 2014. The estimated cost in 2012/13 is anticipated to be £1.2m and a further £1.3m in 2013/14. The total project budget is currently estimated to be in the region of £2.64m; however this is still based on an outline specification and will be subject to the results of the tendering exercise.
- 2.11 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 financial year. The budget estimate for

the project (excluding the land purchase) is yet to be confirmed as this will be reliant on the final site selection and the operational requirement of the station.

- 2.12 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 contractor has been instructed and has now started work on site. The estimated overall project cost is expected to be overspent by £41k; this in part was due to unexpected costs related to the relocation of gas, fire hydrant and water main. The overall project cost is expected to be in the region of £790k. This overspend will be reviewed as the year progresses and could be met from the capital contingency budget at the end of the year or from underspends in other projects.
- 2.13 Sustainable energy project: this project was largely completed in 2011/12. The final project costs are within the project budget and the retentions and outstanding fees are circa £15k to £20k, due in 2013/14.

#### **INFORMATION & COMMUNICATIONS TECHNOLOGY:**

- 2.14 The Information and Communications Technology budget is currently under spending by £941k to date against the annual budget of £1,110k. Some projects were delayed in 2012/13 and have been slipped into 2013/14 – 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 £93k was brought forward from last year's programme to pay for licences which started in 2013/14.
- 2.15 Following an assessment of the impact of both the Tri-Service Control 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 2013/14 with budget provision of £195k having been slipped accordingly.
- 2.16 Phase one of the HR system project and phase two (Procurement) has been completed. The Tender has been awarded and Phase 3 (implementation) has now commenced, with completion expected early in 2014/15.
- 2.17 The Microsoft Infrastructure 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 2013/14 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 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 system. Funds were 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 Tri-Service Control project may or may not include a data capture solution and this decision is expected early this year. 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 influenced the decision to extend the pilot.

### **3. FINANCIAL IMPLICATIONS**

The forecasted level of capital expenditure for this year is set out within the body of the report. Decisions on the financing of capital expenditure will be taken towards the end of the year, and will be in the context of actual levels of capital expenditure and the overall financial position of the Authority.

### **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 £1,110k programme due to the high level of commitment required for the Tri-Service Control project. 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;
  - Relocation of Central Fire Station;
  - Edwinstowe Fire Station Conversion;
  - Replacement Aerial Ladder Appliance;
  - Replacement IT equipment;
  - HR System replacement.
- 8.8 There is an intrinsic link between the project to replace Central Fire Station and the sale of the existing building. Any delay in sourcing land for the relocation will inevitably delay the sale of the existing building which may in turn result in delayed capital receipts and frustration of development partners. Strenuous efforts are being made with the potential vendors of the identified site to move this purchase forward.

- 8.9 The replacement of the ALP appliance is slightly delayed, but not posing a 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 not due to be fully installed and in use for several months 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-Service Control project is not covered within the capital programme, as the purchase of the system is being managed 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 contract awarded and the implementation phase started. The Authority has received a capital grant of £1,800k to fund its share of the total project.

## **9. RECOMMENDATIONS**

That Members note the content of this report.

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

None.

Frank Swann  
**CHIEF FIRE OFFICER**

## Capital Budget Monitoring report as at 31 May 2013

|   | 2013/14<br>Approved<br>Budget<br>£000's | 2012/13<br>Slippage<br>£000's | 2013/14<br>Revised<br>Budget<br>£000's | Actual<br>to Date<br>£000's | Variance<br>to Date<br>(Under) /<br>Over<br>£000's | Estimated<br>Outturn<br>£000's | Estimated<br>Outturn<br>Variance<br>£000's | 2014/15<br>Provisional<br>Budget<br>£000's |
|---|---|-------------------------------|--|-----------------------------|--|--------------------------------|--|--|
| <b>TRANSPORT</b>                              |   |                               |  |                             |  |                                |  |  |
| Rescue Pump replacement programme             |   |                               |  |                             |  |                                |  | 1,263                                      |
| Special Appliances                            | 2,038                                   | 180                           | 2,218                                  | 70                          | -2,147   | 2,218                          |  |  |
| Small vehicle replacement programme           | 445                                     |                               | 445                                    | 23                          | -421   | 445                            |  | 351  |
|   | <b>2,482</b>                            | <b>180</b>                    | <b>2,662</b>                           | <b>94</b>                   | <b>-2,569</b>                                      | <b>2,662</b>                   |  | <b>1,614</b>                               |
| <b>PROPERTY</b>                               |   |                               |  |                             |  |                                |  |  |
| <b>Station Improvements</b>                   |   |                               |  |                             |  |                                |  |  |
| Edwinstowe Fire Station Conversion Project    |   | 424                           | 424                                    | 249                         | -175   | 465                            | 41   |  |
| Blidworth Fire Station                        |   | 25                            | 25                                     | -4                          | -29  | 20                             | -5   |  |
| Central Fire Station - Land Purchase          |   | 466                           | 466                                    |                             | -466   | 146                            | -320                                       |  |
| Retford Fire Station                          |   | 1,426                         | 1,426                                  | 48                          | -1,378   | 1,262                          | -164                                       |  |
| Station Refurbishment                         |   |                               |  |                             |  |                                |  | 2,310                                      |
| Tuxford Fire Station                          |   |                               |  |                             |  |                                |  |  |
| Carlton Fire Station                          |   |                               |  |                             |  |                                |  |  |
| Sustainable Technology Project Phase 1 - 2011 |   | 26                            | 26                                     |                             | -26  | 25                             | -1   |  |
| Purchase of Land for New Fire Station         | 2,200                                   |                               | 2,200                                  |                             | -2,200   | 500                            | -1,700                                     |  |
| Service Development Centre Shower Block       |   |                               |  |                             |  |                                |  |  |
|   | <b>2,200</b>                            | <b>2,367</b>                  | <b>4,567</b>                           | <b>293</b>                  | <b>-4,274</b>                                      | <b>2,418</b>                   | <b>-2,149</b>                              | <b>2,310</b>                               |
| <b>I.T. &amp; COMMUNICATIONS</b>              |   |                               |  |                             |  |                                |  |  |
| Business Continuity & Disaster Recovery       | 30                                      | 11                            | 41                                     |                             | -41  | 41                             |  | 30   |
| Business Process Automation                   | 150                                     | 195                           | 345                                    |                             | -345   | 345                            |  |  |
| Mobile Computing                              |   | 20                            | 20                                     |                             | -20  | 20                             |  |  |
| HR System Upgrade                             | 150                                     | 228                           | 378                                    | 3                           | -375   | 378                            |  |  |
| Microsoft Infrastructure Upgrade              |   | 93                            | 93                                     |                             | -93  | 93                             |  |  |
| Office 2010 Windows 7 Upgrade                 |   |                               |  |                             |  |                                |  |  |
| Business Expansion                            | 25                                      |                               | 25                                     |                             | -25  | 25                             |  | 25   |
| Replacement Equipment                         | 85                                      | 1                             | 86                                     | 90                          | 4  | 86                             |  | 85   |
| CFRMIS Ops Intel Database                     |   | 47                            | 47                                     |                             | -47  | 47                             |  |  |
| Tri Service Control Project                   | 75                                      |                               | 75                                     |                             |  | 75                             |  |  |
| Information Systems Development               |   |                               |  |                             |  |                                |  | 100  |
|   | <b>515</b>                              | <b>595</b>                    | <b>1,110</b>                           | <b>94</b>                   | <b>-941</b>  | <b>1,110</b>                   |  | <b>240</b>                                 |
|   |   |                               |  |                             |  |                                |  |  |
|   | <b>5,197</b>                            | <b>3,142</b>                  | <b>8,339</b>                           | <b>480</b>                  | <b>-7,784</b>                                      | <b>6,190</b>                   | <b>-2,149</b>                              | <b>4,164</b>                               |
| Sale of Principal Officers Cars               |   |                               |  |                             |  |                                |  |  |
| Sale of Rescue Pumps                          |   |                               |  |                             |  |                                |  |  |
| Revenue Contribution                          | -2,000                                  |                               | -2,000                                 |                             | 2,000  | -2,000                         |  | 0  |
| Capital Grant                                 | -1,088                                  |                               | -1,088                                 | -1,088                      |  | -1,088                         |  | -1,088                                     |
| <b>Total</b>                                  | <b>-3,088</b>                           |                               | <b>-3,088</b>                          | <b>-1,088</b>               | <b>2,000</b>                                       | <b>-3,088</b>                  |  | <b>-1,088</b>                              |
|   |   |                               |  |                             |  |                                |  |  |





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

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

**REVENUE BUDGET MONITORING  
TO 31 MAY 2013**

Report of the Chief Fire Officer

**Date:** 12 July 2013

**Purpose of Report:**

To report to Members on the financial performance of the Service in the year 2013/14 to the end of May 2013. This report analyses significant variances against the original budget.

**CONTACT OFFICER**

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## 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. At this early stage in the year, estimates of projected outturn are quite liable to change due to the relatively small amount of data available.

## 2. REPORT

### SUMMARY

- 2.1 The revenue budget monitoring statement for May 2013 is showing an underspend to date of £443k against a budget for the year of £43,899k. The projected outturn variance for the year is an underspend of £779k.
- 2.2 The underspend to date of £433k and the projected underspend of £779k 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 2013/14 budget assumes that a contribution of £2,065k will be made from general reserves to support the budget. This transfer from reserves will be made at the end of the financial year and is disregarded for the purposes of providing Members with a picture of performance against the revenue budget. The £2,065k comprises £2,000k to fund a revenue contribution to capital expenditure and £65k to fund the shortfall between the budget requirement and the resources available to finance the budget.
- 2.5 Key issues to note are: expenditure within wholetime pay to maintain crewing now stands at £87k to the end of May.

### SIGNIFICANT VARIANCES

- 2.6 **WHOLETIME PAY:** (Annual Budget £23,344k). The wholetime establishment continues to be slightly below strength, with numbers in post as at the end of May standing at 537 against an establishment of 541. A cohort of trainee firefighters will start in September 2013, and it is likely that until then numbers will fall further with retirements. 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 the shortfall. The crewing of the West Bridgford second appliance is causing a net overspend to date of £20k. At this stage of the year, it has been assumed that overall, the cost of wholetime pay will be contained within the budget for the whole year, and this assumption will be refined as the year progresses. **The forecast outturn on wholetime pay will be reported as the year progresses.**

- 2.7 **RETAINED PAY:** (Annual Budget £2,777k). The retained pay budget continues to underspend, despite the number of mobilisations being higher for April and May compared to the same period last year (547 2013 / 513 2012). The underspend to date is £48k. The projected outturn includes the pay award but is based on assumptions about future expenditure and will be revised as the year progresses. **The forecast outturn underspend on Retained Pay is £393k.**
- 2.8 **ADMINISTRATIVE AND SUPPORT STAFF PAY:** (Annual Budget £5,715k). There are currently 25 vacancies in the establishment, which are causing the budget to underspend to date. It is assumed that most of these vacancies will be filled during the year and the agreed pay award has been taken into account in the projected outturn. **The forecast outturn underspend on Administrative and Support Pay is £250k.**
- 2.9 **CONTROL PAY:** (Annual Budget £1,043k). The control budget is based on an establishment of 26, however the actual establishment for May is 27, which has resulted in an over spend to date of £25k. This over-establishment will be resolved in January 2014, when one employee will leave under the voluntary redundancy scheme. The reason for retaining this employee until then is to deal with the additional workload arising from the Tri-Service Control project. The outturn figure is based on the actual establishment and includes the pay award. **The forecast outturn overspend on Control Staff is £44k.**
- 2.10 **INDIRECT EMPLOYEE EXPENSES:** (Annual Budget £503k). Recruitment Advertising is under spending to date by £3k and the forecast underspend is £6k. The Training budgets are currently under spending to date by £45k; outturns will be reported as the year progresses. **The forecast outturn underspend on Indirect Employee Expenses is £6k.**
- 2.11 **PENSIONS:** (Annual Budget £775k). The pension's budget is currently under spending by £69k which is mainly due to injury allowances and based on current information. This will be reviewed and reported as the year progresses. **The forecast outturn on Pensions will be reported as the year progresses.**
- 2.12 **ENERGY COSTS:** (Annual Budget £373). The underspending to date on energy costs is £14k. **The forecast outturn on Energy Costs will be reported as the year progresses.**
- 2.13 **DIRECT TRANSPORT COSTS:** (Annual budget £1,082k.) Fuel is overspending to date by £49k, 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. **The forecast outturn on Direct Transport Costs will be reported as the year progresses.**

- 2.14 **CAR ALLOWANCES:** (Annual budget £420k). Despite budgetary savings having been implemented for 2013/14, car allowances continue to underspend as they did in 2012/13. This may be partly due to vacancies, but this area of the budget will be further examined in detail during the forthcoming budget process. **The forecast outturn underspend on Car Allowances is £54k.**
- 2.15 **OTHER TRANSPORT:** (Annual budget £422k). The Authority's motor insurance has been re-tendered and, due to the worsened claims history and current insurance market conditions, the insurance premium has increased by £58k beyond the level budgeted for. **The forecast outturn overspend on Other Transport is £58k.**
- 2.16 **EQUIPMENT:** (Annual budget £925k). 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 £12k. Operational equipment is currently under spending by £9k but this is not expected to continue throughout the year. **The forecast outturn underspend on Equipment is £50k.**
- 2.17 **COMMUNICATIONS AND COMPUTING:** (Annual Budget £1,714k). The contracts for computer software maintenance and non-contracted services have been either reviewed or renegotiated for 2013/14 and this is expected to result in an estimated outturn underspend of £49k. **The forecast outturn underspend on Communications and Computing is £49k.**
- 2.18 **CAPITAL FINANCING COSTS:** (Annual budget £4,345). It is assumed at this stage in the year that the £4,345k budget for capital financing will be required. **The forecast outturn on Capital Financing Costs will be reported as the year progresses.**

### 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**

It is recommended that Members note the contents of this report.

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

None.

Frank Swann  
**CHIEF FIRE OFFICER**

|   | Annual<br>Budget<br>£000 | Budget<br>Profile at<br>Feb<br>£000 | Actual<br>to Feb<br>£000 | Variance<br>to Feb<br>(Under) /<br>Overspent<br>£000 | Forecast<br>Outturn<br>£000 | Forecast<br>Outturn<br>Variance<br>£000 | Forecast<br>Outturn<br>Variance<br>% |
|---|--------------------------|-------------------------------------|--------------------------|--|-----------------------------|---|--------------------------------------|
| <b>Employees</b>                              |                          |                                     |                          |  |                             |   |                                      |
| Wholetime                                     | 23,344                   | 3,891                               | 3,911                    | 20   | 23,344                      | 0                                       | 0%                                   |
| Retained                                      | 2,777                    | 231                                 | 183                      | (48)   | 2,384                       | (393)                                   | -1%                                  |
| Non-Uniformed                                 | 5,715                    | 952                                 | 833                      | (119)  | 5,465                       | (250)                                   | -4%                                  |
| Control                                       | 1,043                    | 171                                 | 196                      | 25   | 1,087                       | 44                                      | 4%                                   |
| Allowances                                    | 46                       | 8                                   | 9                        | 1  | 46                          | 0                                       | 0%                                   |
| Indirect Employee Expenses                    | 503                      | 84                                  | 34                       | (50)   | 497                         | (6)                                     | -1%                                  |
| Pension                                       | 775                      | 181                                 | 112                      | (69)   | 775                         | 0                                       | 0%                                   |
| <b>Total Employees</b>                        | <b>34,203</b>            | <b>5,518</b>                        | <b>5,278</b>             | <b>(240)</b>   | <b>33,598</b>               | <b>(605)</b>                            | <b>-2%</b>                           |
| <b>Premises</b>                               |                          |                                     |                          |  |                             |   |                                      |
| Repairs/Alterations/Maintenance               | 488                      | 81                                  | 57                       | (24)   | 488                         | 0                                       | 0%                                   |
| Energy Costs                                  | 373                      | 46                                  | 32                       | (14)   | 373                         | 0                                       | 0%                                   |
| Rent/Rates/Water                              | 813                      | 27                                  | 3                        | (24)   | 813                         | 0                                       | 0%                                   |
| Other Premises Costs                          | 379                      | 57                                  | 52                       | (5)  | 379                         | 0                                       | 0%                                   |
| <b>Total Premises</b>                         | <b>2,053</b>             | <b>211</b>                          | <b>144</b>               | <b>(67)</b>  | <b>2,053</b>                | <b>0</b>                                | <b>0%</b>                            |
| <b>Transport</b>                              |                          |                                     |                          |  |                             |   |                                      |
| Direct Transport Costs                        | 1,082                    | 180                                 | 222                      | 42   | 1,082                       | 0                                       | 0%                                   |
| Car Allowances                                | 420                      | 70                                  | 31                       | (39)   | 366                         | (54)                                    | -13%                                 |
| Other Transport                               | 422                      | 243                                 | 290                      | 47   | 480                         | 58                                      | 14%                                  |
| <b>Total Transport</b>                        | <b>1,924</b>             | <b>493</b>                          | <b>543</b>               | <b>50</b>  | <b>1,928</b>                | <b>4</b>                                | <b>0%</b>                            |
| <b>Supplies &amp; Services</b>                |                          |                                     |                          |  |                             |   |                                      |
| Equipment                                     | 925                      | 126                                 | 82                       | (44)   | 875                         | (50)                                    | -5%                                  |
| Clothing Uniform/Printing/Stationery/Catering | 471                      | 72                                  | 71                       | (1)  | 471                         | 0                                       | 0%                                   |
| Services                                      | 484                      | 282                                 | 258                      | (24)   | 484                         | 0                                       | 0%                                   |
| Communications and Computing                  | 1,714                    | 272                                 | 227                      | (45)   | 1,665                       | (49)                                    | -3%                                  |
| Miscellaneous Expenses                        | 664                      | 137                                 | 74                       | (63)   | 664                         | 0                                       | 0%                                   |
| Recharge Expenditure - Company/Trading        |                          |                                     |                          |  |                             |   |                                      |
| Accounts                                      | 24                       | 0                                   | 0                        | 0  | 24                          | 0                                       | 0%                                   |
| <b>Total Supplies &amp; Services</b>          | <b>4,282</b>             | <b>889</b>                          | <b>712</b>               | <b>(177)</b>   | <b>4,183</b>                | <b>(99)</b>                             | <b>-2%</b>                           |
| <b>Support Services</b>                       |                          |                                     |                          |  |                             |   |                                      |
| Treasury & Committee Services                 | 217                      | 8                                   | 8                        | 0  | 217                         | 0                                       | 0%                                   |
| Legal Services                                | 100                      | 17                                  | 11                       | (6)  | 100                         | 0                                       | 0%                                   |
| <b>Total Support Services</b>                 | <b>317</b>               | <b>25</b>                           | <b>19</b>                | <b>(6)</b>   | <b>317</b>                  | <b>0</b>                                | <b>0%</b>                            |
| <b>Capital Financing Costs</b>                |                          |                                     |                          |  |                             |   |                                      |
| Interest Payments                             | 1,059                    | 6                                   | 37                       | 31   | 1,059                       | 0                                       | 0%                                   |
| Debt Management Expenses                      | 3,286                    | 0                                   | 0                        | 0  | 3,286                       | 0                                       | 0%                                   |
| <b>Total Capital Financing Costs</b>          | <b>4,345</b>             | <b>6</b>                            | <b>37</b>                | <b>31</b>  | <b>4,345</b>                | <b>0</b>                                | <b>0%</b>                            |
| <b>Income</b>                                 |                          |                                     |                          |  |                             |   |                                      |
| Government Grants                             | (222)                    | (143)                               | (145)                    | (2)  | (222)                       | 0                                       | 0%                                   |
| Other Grants/Reimbursements/Contributions     | (2,209)                  | (21)                                | (49)                     | (28)   | (2,227)                     | (18)                                    | 1%                                   |
| Customer and Client Receipts                  | (669)                    | (21)                                | (27)                     | (6)  | (669)                       | 0                                       | 0%                                   |
| Interest                                      | (125)                    | (21)                                | (19)                     | 2  | (125)                       | 0                                       | 0%                                   |
| <b>Total Income</b>                           | <b>(3,225)</b>           | <b>(206)</b>                        | <b>(240)</b>             | <b>(34)</b>  | <b>(3,243)</b>              | <b>(18)</b>                             | <b>1%</b>                            |
| <b>Net Expenditure</b>                        | <b>43,899</b>            | <b>6,936</b>                        | <b>6,493</b>             | <b>(443)</b>   | <b>43,181</b>               | <b>(718)</b>                            | <b>-2%</b>                           |
| <b>Financed By</b>                            |                          |                                     |                          |  |                             |   |                                      |
| Precept Income                                | (19,921)                 |                                     |                          |  |                             |   |                                      |
| Revenue Support Grant and Non Domestic Rates  | (23,978)                 |                                     |                          |  |                             |   |                                      |
| <b>Total Financing</b>                        | <b>(43,899)</b>          |                                     |                          |  |                             |   |                                      |



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

# **PRUDENTIAL CODE MONITORING REPORT TO 31 MAY 2013**

Report of the Treasurer to the Fire Authority

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**Agenda Item No:**

**Date:** 12 July 2013

**Purpose of Report:**

To inform Members of performance for the period March 2013 up to 31 May 2013 relating to the prudential indicators for capital accounting and treasury management. This period covers the last month of the 2012/13 financial year and the first two months of the 2013/14 financial year.

**CONTACT OFFICER**

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## **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 2013/14 at its meeting on 22 February 2013.
- 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 2013/14 after the end of the financial year. These indicators are:
  - ratio of financing costs to net revenue stream 2013/14 (affordability);
  - incremental impact of capital investment decisions on Council Tax 2013/14 (affordability);
  - total capital expenditure 2013/14;
  - Capital Financing Requirement as at 31 March 2014.
- 2.1 In terms of borrowing, the indicator "gross borrowing and the capital financing requirement (CFR)" (a prudence indicator) requires that gross external borrowing does not, except in the short term, exceed the CFR. The CFR at 1 April 2013 is estimated at £24.645m and estimated to be £26.032m by the year end. During the period 1 April 2013 to 31 May 2013 the gross indebtedness of the Authority, calculated at the start of each month, did not exceed £25.539m including any requirements for temporary overdrafts. As at 31 May 2013, the gross debt of the Authority was £25.539m, which is below the estimated CFR for the end of the year.
- 2.3 The Authority set an operational boundary for 2013/14 of £27,233m and an authorised limit of £29,956m. 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 May 2013.

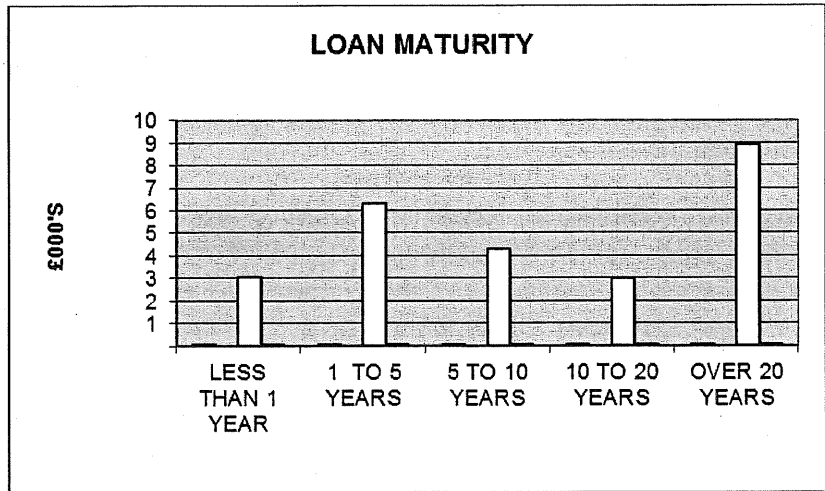
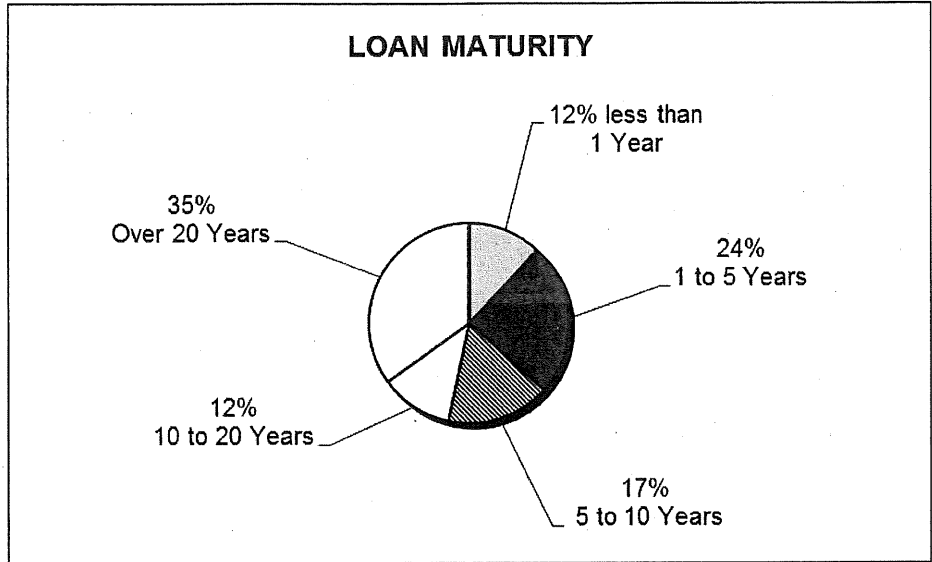
### Treasury Management Indicators

- 2.4 A graph of cumulative interest received is shown on Appendix C. An interest earnings budget of £125k was set for 2013/14 and as at 31 May 2013 £19k had been received and the current forecast for investment income for the year is £125k. Cumulative interest earned for 2012/13 up to the end of March 2013 was £143k. 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 May 2013, 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 two month period up to 31 May 2013 the account has not been overdrawn. A graph of cash balances for the period up to 31 May 2013 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 May 2013 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 May 2013, 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.

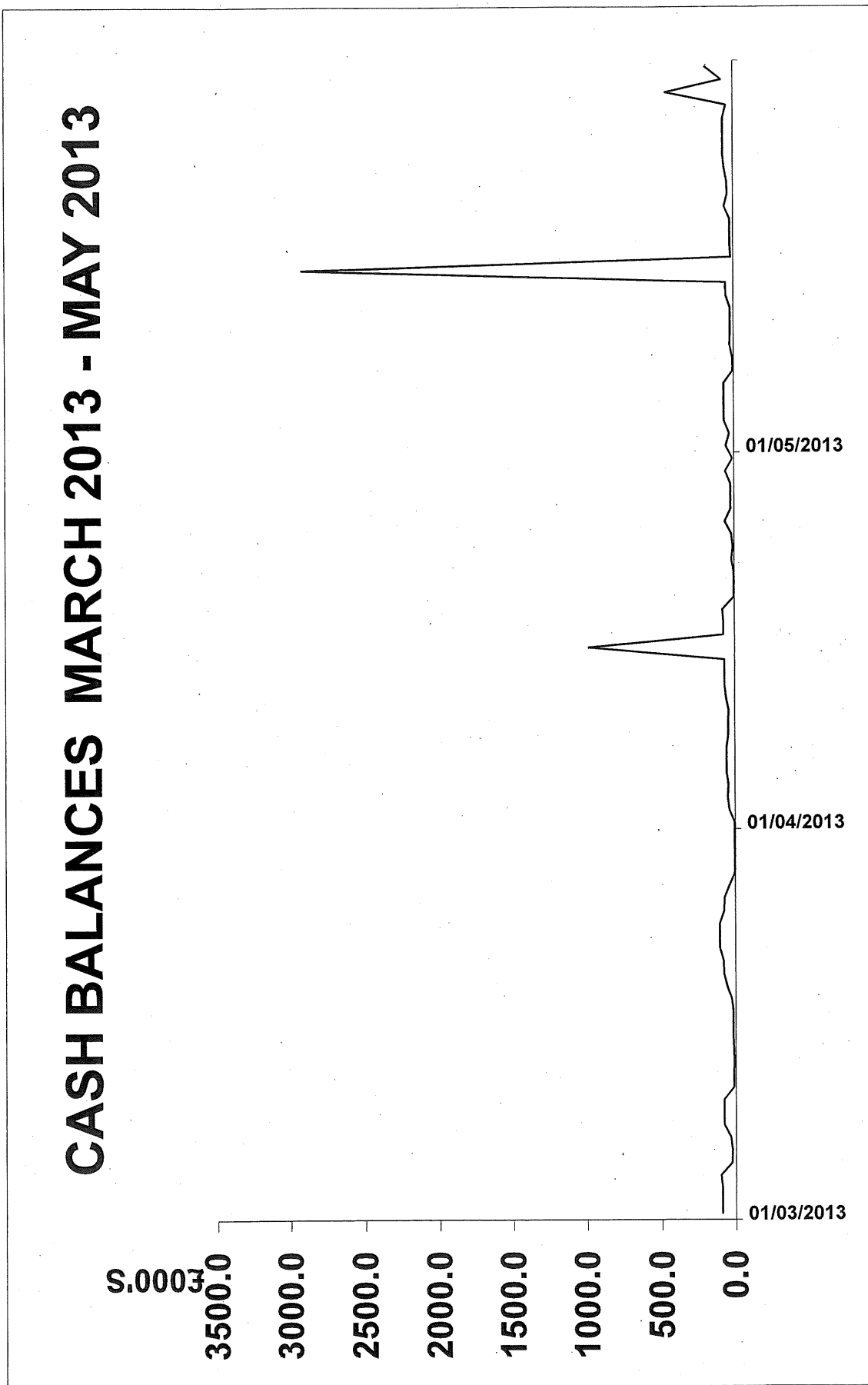
## **9. RECOMMENDATIONS**

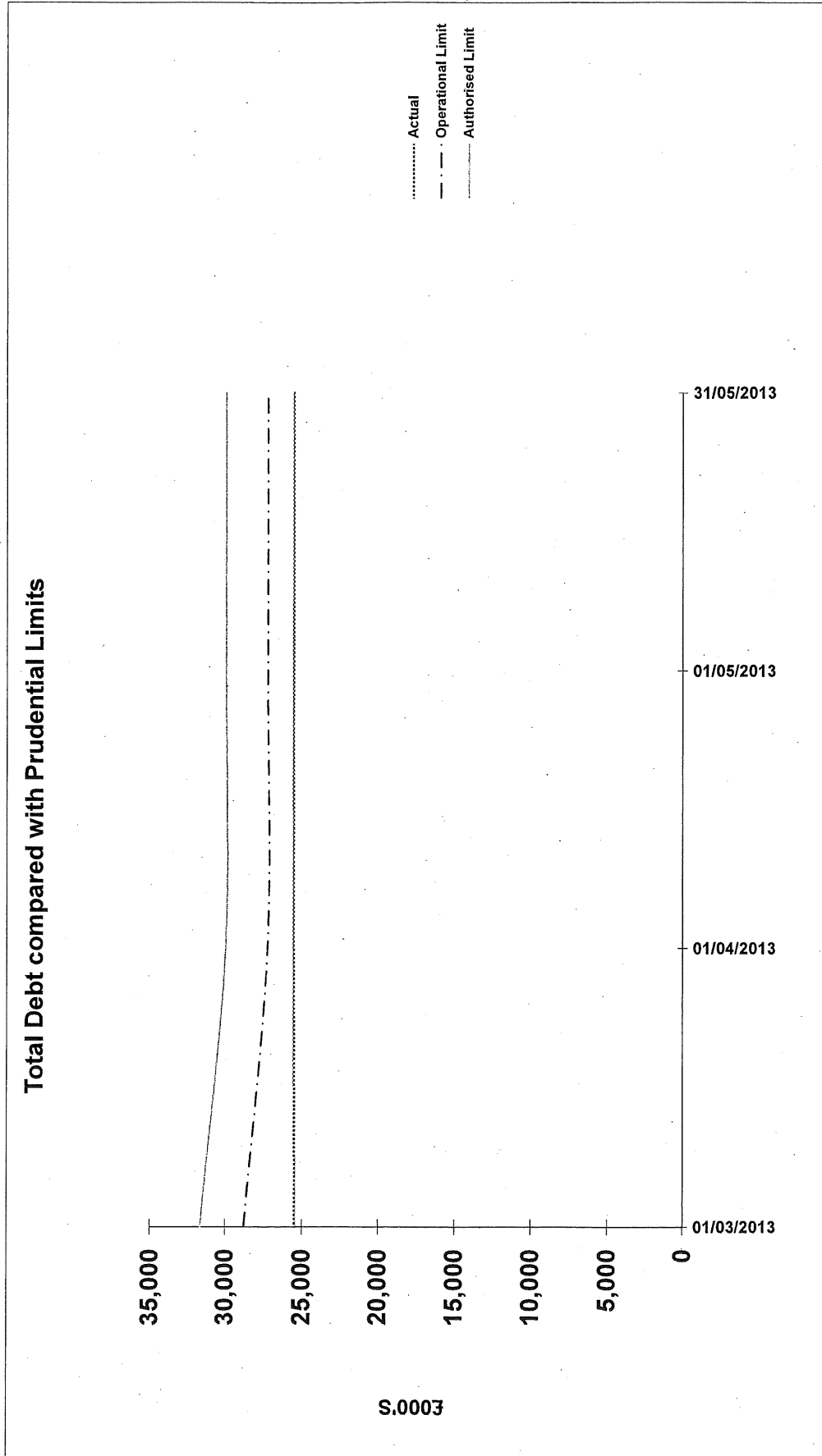
That Members note the contents of this report.

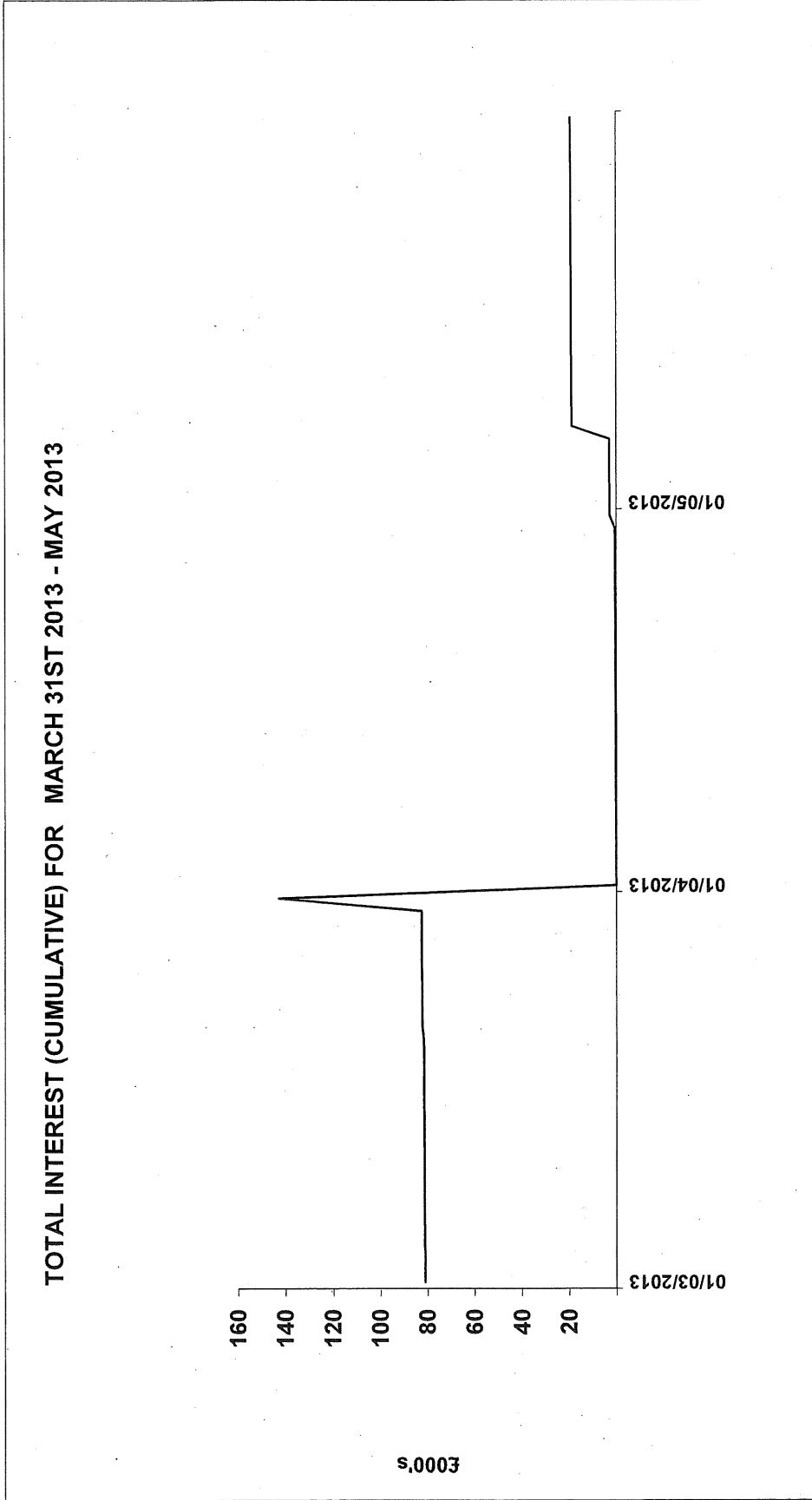
## **10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)**

None.

Peter Hurford  
**TREASURER TO THE FIRE AUTHORITY**









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

# **CORPORATE RISK REGISTER**

Report of the Chief Fire Officer

**Agenda Item No:**

**Date:** 12 July 2013

**Purpose of Report:**

To provide Members with an updated Strategic Risk Register, a Corporate Risk Register and with a Risk Management Strategy Statement.  
To highlight the 10 most significant corporate risks for the Authority.

## **CONTACT OFFICER**

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(0115) 967 5889 [matt.sismey@notts-fire.gov.uk](mailto:matt.sismey@notts-fire.gov.uk)

## **1. BACKGROUND**

- 1.1 Members of the Finance and Resources Committee on 5 April 2013 considered the Strategic Risk Register as well as the Internal Audit Annual report, which highlighted deficiencies in risk management within the Service. Members requested that the following items be brought back to the July 2013 committee:
- the Strategic Risk Register with the severity of impact included for each item;
  - the Corporate Risk Register;
  - a report containing both risk registers twice a year and evidence that employees are managing risks identified;
  - risk management training for Members at the next meeting of Finance and Resources Committee;
  - a list of the top 10 risks for the Authority;
  - the Corporate Risk Strategy, which would then need to be reported onto the full Fire Authority.
- 1.2 This report updates Members of the Finance and Resources Committee on progress made against these requests.

## **2. REPORT**

- 2.1 The Strategic Risk Register is a document which is used to ensure that the Authority has the flexibility to respond to factors that may affect long-term strategic vision or aims. Following the April Finance and Resources Committee, the Business Risk Manager and Principal Accountant reviewed the Strategic Risk Register and assigned potential impact levels for each of the risks identified. One further amendment has been made to the register since April – the risks relating to green technologies now also refers to the issue of the security of future supply. The amended Strategic Risk Register was subsequently discussed and approved by the Corporate Management Board (CMB) and is attached at Appendix A.
- 2.2 Members of CMB, in conjunction with the Business Risk Manager, have agreed the content of a Corporate Risk Register. The Corporate Risk Register describes those risks that are so significant that they require management and monitoring at that level and relate primarily to the effective running of the Service as a legal entity. The Corporate Risk Register is attached at Appendix B.
- 2.3 Following this initial presentation of the Strategic and Corporate Risk Registers to the Finance and Resources Committee, the Business Risk Manager will bring a report to the January Committee meeting and every



second meeting thereafter. The report will provide assurance to Members on the management of risks identified in the Corporate Risk Register, and a commentary on any issues arising from the Strategic Risk Register.

2.4 At the last meeting of the Committee, Members requested that training be delivered at this meeting. However, given that the Committee is newly reconvened following the Authority's AGM, and because the intention is that the training will be practical and will refer to the strategic and corporate risk registers, it was felt that Members should have the opportunity to formally receive this initial report, confirm that they still wish to receive risk management training and, if appropriate, identify areas of interest to be covered in future training sessions.

2.5 The top 10 risks currently facing the Authority, following the implementation of control measure are (with their risk scores in brackets):

- Use of vehicles on Authority business (15)
- Major, multi-agency incident (12)
- Legal compliance (10)
- Preventable fire deaths (10)
- Health, safety, welfare and environment (10)
- Budget performance (9)
- Workforce issues (9)
- Major projects (9)
- Availability of assets (9)
- Mobilising and operational communications (8)

These are the key risks to which CMB should be allocating management effort and resource as they currently have the greatest potential of stopping the Authority from achieving its strategic aims and objectives.

If the control measures that are currently in place are disregarded, the top 10 risks facing the Authority are:

- Use of vehicles on Authority business (20)
- Legal compliance (20)
- Health, safety, welfare and environment (20)
- Preventable fire deaths (20)
- Budget performance (16)
- Workforce issues (16)
- Major projects (16)

- Major, multi-agency incident (16)
- Mobilising and operational communications (15)
- Availability of assets (15)

These are the key risks where Members and CMB should be seeking assurance that risk control measures are effective, as the failure of risk control measures may place the Authority at unacceptable risk.

2.6 A proposed risk management strategy statement is shown at Appendix C.

### **3. FINANCIAL IMPLICATIONS**

There are no financial implications arising directly from this report, although risks relating to financial matters have been identified within the Corporate Risk Register

### **4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS**

There are no human resources or learning and development implications arising directly from this report, although risks relating to workforce issues have been identified within the Corporate Risk Register.

### **5. EQUALITIES IMPLICATIONS**

An Equality Impact Assessment has not been undertaken because this report is not about a new policy, it is a presentation of corporate and strategic risks.

### **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, although risks relating to legal compliance have been identified within the Corporate Risk Register.

### **8. RISK MANAGEMENT IMPLICATIONS**

The failure of the Service to respond to the recommendations of Internal Audit with regard to corporate risk management in itself poses a risk. Risk management is a key element of the corporate governance framework and it is important to continue with the process of embedding risk management in the business culture of the Service and in reporting to Members and providing assurance on this matter.

## **9. RECOMMENDATIONS**

It is recommended that:

- 9.1 Members note and endorse the Strategic Risk Register.
- 9.2 Members note and endorse the Corporate Risk Register.
- 9.3 Members in future receive a twice-yearly report from the Business Risk Manager as outlined in paragraph 2.3.
- 9.4 Members note the top ten most significant risks facing the Authority.
- 9.5 Members note and endorse the risk management strategy statement shown at Appendix C.

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

None.

Frank Swann  
**CHIEF FIRE OFFICER**

## Strategic Risk Register

| Strategic Risk                                      | Action  | Potential Impact |
|---|---|------------------|
| Change in UK government                             | Keep informed of political intentions at a national level to establish whether a future government may change the emphasis of fire and rescue service activity, i.e. localism, greater national resilience roles, shifts in the balance of prevention/response/enforcement. | High             |
| Change in local balance of power                    | Keep informed of political intentions at local level to ascertain possible future intentions in terms of budget setting and significant shifts in local priorities.   | Medium           |
| Impacts from EU:<br>admittance of new Member States | No direct funding from EU, but must be alert to the wider financial implications for the UK in the event of greater net contributions to EU funds.  | Medium           |
| Interest rates: currently low                       | Consider implications as part of annual Treasury Management Strategy.<br>May choose to undertake capital projects on basis of low borrowing rates, but remain aware of potential future refinancing costs when interest rates rise.   | Medium           |
| Inflation   | Monitor economic situation and forecasting data as any significant or sustained rise in the inflation rate may put pressure on interest rates and on cost base.   | High             |
| Recession/growth and the burden of taxation         | Recession and associated decreases in tax receipts.<br>Develop means of effectively utilising increased funding once sustained growth is achieved in order to minimise future risk of recession   | High             |
| Increased levels of poverty                         | Question assumptions in IRMP with regard to the identification of vulnerable groups.  | High             |

| Strategic Risk   | Action  | Potential Impact |
|--|---|------------------|
| Stakeholder expectations increased in periods of strong funding                      | <p>Focus corporate objectives on statutory responsibilities.</p> <p>Consider potential impact of future funding restrictions prior to committing to work not covered by statute and have an exit strategy planned.</p> <p>Manage public expectation to a level that is consistently attainable, rather than to short-term levels of funding.</p>  | High             |
| National or local demographics, migration and age profiles                           | <p>Ensure that corporate objectives and long-term planning prepares the Service for serving an ageing population, not just a future elderly population.</p> <p>Question how the Service can attract and retain good quality employees in a situation of decreasing supply.</p> <p>Be aware that cultural migration has the potential to influence the cultural balance of a whole community. Individual cultures should not be viewed in isolation.</p> | High             |
| Social media   | <p>Be aware that social media invites interaction.</p> <p>Ensure consistency of message across all media platforms.</p>   | High             |
| Technology:<br>Delivery of services<br>Management of delivery<br>Back-office support | <p>Look to use technology to do better things, not simply the same things better.</p> <p>Take a balanced view – be aware of the capabilities of new technologies, but ensure that the use of technology is driven by the corporate objectives and not the other way around.</p>   | Medium           |
| Weather extremes   | <p>Assess whether the corporate objectives provide sufficient flexibility in terms of people, equipment and finance to respond to extreme weather events.</p>   | High             |
| Green technologies   | <p>Increasingly mandated through legislation, or encouraged by taxation policy and social pressure, the corporate objectives should reflect, or be developed in the context of the increasing importance of green technologies. Security of supply may become an issue.</p>   | High             |

| Strategic Risk  | Action  | Potential Impact |
|---|---|------------------|
| Statutory obligations: <ul style="list-style-type: none"> <li>• What you deliver</li> <li>• How you deliver it</li> </ul> | Ensure clarity over which elements of current service provision are underpinned by statute and what is delivered under 'moral obligation'.<br>Acknowledge that any elements of the current service delivered under moral obligation and not likely to become a statutory obligation constitute a low priority and may have to cease.<br>Remain informed, across all professions, of variations in legislative requirements. | Medium           |
| Competition law:<br>Deregulation of sector  | Consider how the Service would respond to partial or total deregulation of fire service provision, for example, an increase in the number of private fire and rescue services serving large commercial organisations, or the contracting out of non-statutory or specialist functions.  | High             |
| Employment law  | Be alert to changes in societal norms and expectations that may result in the need to more clearly reflect equalities, diversity and human rights in corporate objectives.  | High             |
| Legal precedents  | Maintain an awareness of live litigation that relates to operational activity or organisational management and act as appropriate on any outcomes.  | Medium           |

**Appendix B**

**Corporate Risk Register**

| Risk Title  | Risk Description  | L | S | Risk Score | Existing Controls  | L | S | Risk Score | Further Controls Required  | Risk Owner                |
|---|---|---|---|------------|--|---|---|------------|--|---------------------------|
| <b>Corporate Objective: Diversity and Workforce</b> |   |   |   |            |  |   |   |            |  |                           |
| 1. Health, safety, welfare and environment          | The risk arising from the hazards associated with the Service's activities which may cause injury, ill-health or death to employees and / or non-employees and could result in both criminal and civil sanctions, reputational damage and negative effects on service delivery and employee morale                          | 4 | 5 | 20<br>VH   | The availability of "competent persons" to advise the Service of its duties and necessary risk controls which are then translated into safe systems of work  | 2 | 5 | 10 H       |  | ACFO<br>Corporate Support |
| 2. Workforce Issues                                 | Inability to maintain sufficient or adequate workforce to meet service requirements. Issues around competency of staff, loss of corporate memory and single points of failure or critical persons in specific roles<br><br>Potential for poor industrial relations, resulting in a loss of morale or workforce availability | 4 | 4 | 16<br>VH   | HR function with advisory capacity and suite of policies. Workforce planning, providing overview of workforce.L&D function, operational training against role maps and PDR process to identify training needs. Maintenance of Competence policy.Formal negotiation and consultation channels with representative bodies through Industrial Relations Officer | 3 | 3 | 9 H        | CMB to discuss whether formal succession planning process required | ACFO<br>Corporate Support |

| Risk Title                               | Risk Description  | L | S | Risk Score | Existing Controls   | L | S | Risk Score | Further Controls Required  | Risk Owner                 |
|--|---|---|---|------------|---|---|---|------------|--|----------------------------|
| 3. Use of vehicles on Authority business | The risk of accidents or other events arising from vehicle defects or by the driving of employees | 4 | 5 | 20 VH      | Road Risk Group<br>Transport function to manage vehicle assets<br>Driver training by L&D function<br>Insurance cover to mitigate financial losses | 3 | 5 | 15 VH      | Driving safety policy currently under consultation<br>Blue-light risk assessment<br>Non-emergency driving generic risk assessment<br>External review by insurers | ACFO<br>Corporate Support  |
| <b>Corporate Objective: Response</b>     |   |   |   |            |   |   |   |            |  |                            |
| 4. Operational equipment                 | Inadequacy of operational equipment or personal protective equipment                              | 3 | 4 | 12 VH      | Appropriate specification and selection of equipment, process for commissioning and procuring equipment   | 2 | 3 | 6 M        |  | ACO<br>Finance & Resources |



| Risk Title                             | Risk Description  | L | S | Risk Score | Existing Controls  | L | S | Risk Score | Further Controls Required | Risk Owner                    |
|--|---|---|---|------------|--|---|---|------------|---------------------------|-------------------------------|
| 5. Mobilising                          | Loss of mobilising capability<br>Risks around replacement of Airwave system – details not yet known   | 3 | 5 | 15<br>VH   | Secondary and tertiary mobilising arrangements in place. Maintenance contract in place for current system. Replacement mobilising system under consideration – to include cover arrangements.  | 2 | 3 | 6 M        |                           | ACO<br>Finance &<br>Resources |
| <b>Corporate Objective: Resilience</b> |   |   |   |            |  |   |   |            |                           |                               |
| 6. Availability of assets              | The risk that the Service will lose widespread access to key assets – this may include premises, equipment, ICT systems and data or employees | 3 | 5 | 15<br>VH   | Business continuity management plan and process in place. Asset maintenance plans supported by Redkite asset management system. Planned replacement and upgrade programmes. Defect reporting in place. Competent operational managers. | 3 | 3 | 9H         |                           | ACFO<br>Corporate<br>Support  |
| 7. Major, multi-agency incident        | The risk that the Service will fail to work effectively in such an incident   | 4 | 4 | 16<br>VH   | Multi-agency exercises to practice response<br>Partnership working on the development of protocols   | 4 | 3 | 12 H       |                           | DCFO                          |

| Risk Title   | Risk Description   | L | S | Risk Score | Existing Controls  | L | S | Risk Score | Further Controls Required | Risk Owner                    |
|--|--|---|---|------------|--|---|---|------------|---------------------------|-------------------------------|
| <b>Corporate Objective: Prevention</b>                 |  |   |   |            |  |   |   |            |                           |                               |
| 8. Preventable fire deaths                             | The risk that a person will die in a fire, where the Service failed to put in place an intervention which would have reduced the risk  | 4 | 5 | 20 VH      | Operational response<br>Work with partner agencies to identify and target high risk individuals with community safety interventions  | 2 | 5 | 10 VH      |                           | DCFO                          |
| <b>Corporate Objective: Governance and Improvement</b> |  |   |   |            |  |   |   |            |                           |                               |
| 9. Budget performance                                  | The risk that revenue or capital budgets will significantly overspend or underspend  | 4 | 4 | 16 VH      | Medium-term financial strategy. Annual review of budget planning assumptions. Finance staff work with budget managers to develop realistic budgets. Regular budget monitoring reported to CMB and F&R Committee. | 3 | 3 | 9H         |                           | ACO<br>Finance &<br>Resources |
| 10. Major projects                                     | The risk that a key project will over-run, overspend or fail to achieve its objectives<br>2013/14 Year:<br><ul style="list-style-type: none"> <li>• Tri-Service Control project</li> <li>• HR system project</li> <li>• Auto-enrolment.</li> </ul> | 4 | 4 | 16 VH      | Programme and project management framework<br>Active risk management by Project Leads  | 3 | 3 | 9H         |                           | DCFO                          |

| Risk Title                      | Risk Description   | L | S | Risk Score | Existing Controls   | L | S | Risk Score | Further Controls Required | Risk Owner                    |
|---------------------------------|--|---|---|------------|---|---|---|------------|---------------------------|-------------------------------|
| 11. Employee and Member conduct | Any or all of the following risks: <ul style="list-style-type: none"> <li>a) The risk that the Service will suffer a major irregularity or fraud</li> <li>b) The risk of unethical behaviour or misconduct on the part of employees or Members.</li> </ul> | 3 | 4 | 12<br>VH   | Finance and Business Risk Management function. Effectiveness of financial internal controls assessed by Internal Audit function. Scheme of Financial Management. Counter-fraud policy. Indemnity insurance (does not cover fraud).                                | 2 | 3 | 6M         |                           | ACO<br>Finance &<br>Resources |
| 12. Legal compliance            | The risk that the Service will fail to comply with legal requirements  | 4 | 5 | 20<br>VH   | Professional experts employed in areas such as HR, Finance, Procurement, Health & Safety. Monitoring Officer. Business Risk Manager to help identify vulnerabilities. Use of external lawyers to advise on compliance in areas not covered by in-house expertise. | 2 | 5 | 19 H       |                           | DCFO                          |

**Risk Scoring Matrix**

| Severity         | Likelihood      |            |               |                  |             |
|------------------|-----------------|------------|---------------|------------------|-------------|
|                  | 1<br>Negligible | 2<br>Minor | 3<br>Moderate | 4<br>Significant | 5<br>Severe |
| 5<br>Severe      | Medium          | High       | Very High     | Very High        | Very High   |
| 4<br>Significant | Medium          | High       | Very High     | Very High        | Very High   |
| 3<br>Moderate    | Medium          | Medium     | High          | High             | High        |
| 2<br>Minor       | Low             | Low        | Medium        | Medium           | Medium      |
| 1<br>Negligible  | Low             | Low        | Low           | Low              | Low         |

### **Corporate Risk Management Strategy Statement**

Nottinghamshire Fire and Rescue Service is a risk aware organisation. It recognises that the structure and management of the 'business' gives rise to risks that need to be managed at the corporate level.

These 'corporate risks' are different to community risk, which is identified through IRMP and statutory duties, and informs the nature of the services to be delivered; and operational risk, such as the health and safety of employees when delivering those services.

The Service will seek to manage its corporate risks using proven, internationally-recognised techniques and standards and strives to achieve excellence in corporate risk management activity when assessed against both recognised standards and peer organisations. It will effect this excellence in corporate risk management through a Principal Officer 'Champion', the employment of a professionally qualified and experienced Business Risk Manager, and the engagement of Elected Members in an assurance role via the Finance and Resources Committee. Corporate Management Board shall have the overall responsibility for ensuring that the Service's corporate risks are effectively managed.

Individual corporate risk management responsibilities will be detailed in a corporate risk management policy, with tools and techniques for effecting corporate risk management made available via associated procedures and/or guidance documents.

The Service recognises that it is not always possible, nor desirable to completely eliminate risk, and that this may result in different levels of risk being acceptable for different work streams or elements of business activity. This appetite and tolerance for risk will be established through debate and consensus, and reports concerning performance against those appetites and tolerances will be scrutinised by management and Elected Members. Managers will be encouraged to embrace projects and work that involve well-managed risk as part of an overall low risk approach.





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

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

# **SCRUTINY OF BUDGETS**

## **Report of the Chief Fire Officer**

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**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**

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## 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       |
| <b>Deficit</b>              | <b>65,200</b> | <b>1,868,870</b> | <b>4,573,158</b> |

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       |
|                             |               |                  |                  |
| <b>Deficit @ 1%</b>         | <b>65,200</b> | <b>1,886,337</b> | <b>4,389,420</b> |
| <b>Deficit @ 2%</b>         | <b>65,200</b> | <b>1,687,123</b> | <b>3,985,016</b> |

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**