

report

Meeting	NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM FIRE AND RESCUE AUTHORITY POLICY AND STRATEGY COMMITTEE	
Date	22 November 2006	Agenda item number

JOINT REPORT OF THE CHIEF FIRE OFFICER AND THE TREASURER

REVENUE BUDGET STRATEGY 2007/8

1. PURPOSE OF REPORT

To inform Members of the background to the setting of the 2007/8 Revenue Budget and to seek the approval of the Policy and Strategy Committee to a Budget Strategy for the 2007/8 budget to be developed by the Finance and Resources Committee for submission for final approval to the Fire and Rescue Authority.

2. BACKGROUND

At the February 2006 meeting of the Fire and Rescue Authority the Revenue Budget was set for a period of three years. It is important however that the underlying assumptions within that budget are revisited in the light of emerging budget pressures and developments within the Service.

3. HEADLINE BUDGET

3.1 The budget target for 2007/8 was set in a top down manner, firstly considering the likely levels of acceptable Council Tax and then working this back through the expected grant allocations to arrive at a figure for the Revenue Budget that would be the maximum that could be sustained.

3.2 Whilst this, to some extent, flies in the face of the best practice approach of building budgets by considering requirements first and then producing a budget, it recognises the financial constraints of the environment in which the Authority operates.

3.3 It has been calculated that in order to achieve a Council Tax rise no greater than 4.9% the Revenue Budget should be cash limited to £41,937,697. This is however dependent upon a number of base assumptions:

- i) That Aggregate External Funding (AEF which includes National Non-Domestic Rates and Revenue Support Grant) is as previously notified by DCLG i.e. £21,073,429.
- ii) That there will be some growth in the overall taxbase within the City and the County (assumed at 1.5%)
- iii) That the net effect of any surplus or deficits on Council Tax collection will be minimal.

- 3.4 The overall target level of Council Tax was effectively set by the decision of the Authority in February 2006 and was assumed at that time to be at a level that would be unlikely to cause the Secretary of State to consider using capping powers.
- 3.5 It is perhaps useful however, to consider how sensitive the overall budget figure and Council Tax figures are to variations in the assumptions being made.
- 3.6 If Council Tax was to be set at 3.9% then the target budget would reduce to £41,738,801 and require reductions of about £200,000.
- 3.7 Similarly if AEF were to be reduced by 1% then the reduction in funding would be a similar amount.
- 3.8 The target budget is also very sensitive to changes in the Council Tax base such that if the taxbase were to rise by only 0.5% the target budget would reduce by £1m. This is clearly a crucial figure which cannot be checked until the taxbase figures are declared later in the year. This rise in taxbase of 1.5% therefore becomes a key budget assumption.
- 3.9 The target budget therefore represents a cash increase of £2,090,606 which is a significant rise over 2006/7 budgets. It is important to realise however that part of the reason that this is so high is that balances were used to support the Council Tax in 2006/7 and this has to be restored

4. KEY BUDGET PRESSURES

- 4.1 Having considered what the overall budget will be it is important to consider this in the context of the actual spending requirements. £806,484 is required to take account of nationally agreed pay awards for both uniformed and non-uniformed staff. These awards are assumed to be a 3% rise in pay across the workforce.
- 4.2 The costs associated with the national projects of Firelink and the Regional Control Centre are still lacking precision and therefore some estimates have needed to be used. The Firelink costs considered here relate to the transition arrangements and not to the running costs or the costs of purchasing "add on" equipment". These estimates assume that there will still be some new burdens funding to fund some of the more obvious additional workload. £200,000 of this can be met from an earmarked reserve which was set up in anticipation of these costs in 2005/6 thus reducing the overall requirement to £100,000.
- 4.3 The 2006/7 budget was effectively supported by balances to the tune of £400,000. This support cannot be repeated in 2007/8 and it is also necessary to make a contribution to balances of £200,000 in 2007/8 in order for the overall balances target to be achieved on schedule. It has been assumed however that an additional contribution of £100,000 can be made to balances in 2006/7 from IRMP "late start" underspends thus reducing this contribution to £100,000. The overall impact of this on the Base Budget for 2006/7 will be an increase of £500,000.
- 4.4 When the 2006/7 budget was developed there were a number of items which had implications spanning more than one year. Two examples of these are:
 - i) Removal of Arson Task Force Grant £92,500
 - ii) BA Equipment replacement £110,000
- 4.5 There are various corporate issues which also need to be addressed. Most of these are small and involve both increases and decreases. The most significant items are :

Audit Fees – increase of £18,500
Subscriptions – Increase of £27,500
Legal Expenses – Increase of £13,000
Insurance uninsured losses - £40,000 estimate.
Pensions - £89,000 adjustments across the piece for pensions net to this figure.

- 4.6 There is a major saving of £200,000 which comes about as the base budget increase for shift change has not resulted in ongoing budget demands as high as that provided. Netted against this are some small changes in the admin budget and £65,000 for general inflation.
- 4.7 There is an operational equipment bid which totals some £340,000, however this does include £284,000 for the impact of the Integrated Clothing Project (ICP) and the issue of new fire kit. It is considered appropriate to begin to use some of the earmarked reserve that was set aside for fire kit albeit not all in one year. There is £600,000 in the reserve and it is suggested that this is used over a period of three years to cushion the effect of the ICP changes. This would reduce the budget requirement in 2007/8 to £90,000 but even some of this will be offset by the existing budgets for PPE.
- 4.8 A Base Budget Review has shown that there is no requirement for additional sums to support the Capital Programme. The Authority's actions in financing some elements of previous programmes directly from Revenue savings has created a surplus within this budget sufficient to meet the requirements of the 2007/8 programme.
- 4.9 There are a number of items on the RMB agenda for which funding requirements are unclear but which if pursued will have significant implications. No provision has been made at this time for these activities. It is difficult to see how they could be funded at the levels indicated without significant budget cuts being made locally. These are :
- i) Integrated ICT Solutions
 - ii) Implementation of ICS review outcomes
 - iii) Support to Assessment and Development Centres

5. SUMMARY

- 5.1 The budget for 2007/8 was effectively set by the Authority in February 2006, however this requires review to take account of current pressures.
- 5.2 Assuming the key assumptions remain good, a Revenue Budget of £41,937,697 could be achieved.
- 5.3 It is understood at this time that Council Tax Capping would probably not apply at levels below 5% however the County Council are taking the view that 4% is a target that they are seeking to achieve.
- 5.4 The most sensitive assumption is that relating to increasing Council Tax Base which impacts on the Authority as £1m of budget for every 1% change.
- 5.5 The figures set out in this paper are for information and guidance only at this stage as many of them are still being worked on.

6. FINANCIAL IMPLICATIONS

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

7. PERSONNEL IMPLICATIONS

There are no specific personnel implications within this report however there may be some implications within the detailed budget which will be prepared within the overall budget guidelines arising from this report.

8. EQUALITY IMPACT ASSESSMENT

There are no implications for equalities arising from this report.

9. RISK MANAGEMENT IMPLICATIONS

One of the most significant risks an organisation can face is that of not setting an adequate budget. Conversely, an over generous budget may result in the Secretary of State seeking to use capping powers which the Authority should seek to avoid. Nevertheless it is important that the overall position relating to budget and Council Tax is agreed to enable a detailed budget to be developed.

10. RECOMMENDATIONS

10.1 That Members approve an overall planning assumption for budget of £41,937,697.

10.2 That Members seek to achieve a Council Tax increase of less than 5%.

10.3 That Members note the budget pressures that the Authority is facing in 2007/8.

11. BACKGROUND PAPERS FOR INSPECTION

None.

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