



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

Minutes of the meeting held at Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP on 19 January 2024 from 10.01 am – 10.52 am

Membership

Present

Councillor Michael Payne (Chair for the meeting)
Councillor Liaqat Ali
Councillor Callum Bailey
Councillor Richard Butler
Councillor Michael Edwards
Councillor Sybil Fielding
Councillor Jonathan Wheeler

Absent

Councillor John Clarke MBE
Councillor Roger Upton

Colleagues, partners and others in attendance:

Craig Parkin – Chief Fire Officer
Leila Berry– Assistant Chief Fire Officer
Mark Kimberly –Interim Treasurer to the Authority
Tracy Stevenson – Temporary Head of Finance
Catherine Ziane-Pryor – Governance Officer

20 Apologies for Absence

Councillor John Clarke MBE (Councillor Michael Payne, Chair of the Authority, substituting and Chairing)
Councillor Roger Upton (Councillor Jonathon Wheeler substituting).

21 Membership

To note the change in membership to the Authority and this Committee by Nottingham City Council in the replacement of Councillor Anwar Khan with Councillor Michael Edwards.

22 Declarations of Interests

None.

23 Minutes

The minutes of the meeting held on 20 October 2023, were confirmed as a true record, and signed by the Chair presiding.

24 Revenue, Capital and Prudential Code Monitoring Report to 30 November 2023

Mark Kimberly, Interim Treasurer to the Authority, and Tracy Stevenson, Temporary Head of Finance, presented the quarterly report with highlighted points including the following and responses to members' questions:

- a) Section 2 of the report refers to the underspend as of the end of November of £606,000 against the revised budget of £50.057 million;
- b) Whilst the approved budget included a £404,000 contribution from earmarked reserves, it is not predicted that the Service will need to use reserves into this financial year;
- c) Virements were previously approved to fund improvement projects, one of which, breathing apparatus wash facilities, is requested to be funded in this financial year, with funds transferred from the revenue to the capital programme;
- d) The majority of the underspend is on Whole-Time pay, which accounts for £344,000, however, as a result, the overtime budget is overspent by £80,000;
- e) The On-Call pay budget is anticipated underspend by £112,000, although this may change due to the additional demands of the recent flooding;
- f) Nonuniform pay is anticipated to underspend by £122,000 due to vacancies;
- g) An overspend of £37,000 is anticipated with regard to pension budgets, particularly gratuity payments;
- h) Other variances are set out in the report including transport -related costs, premises costs, supplies and services, and other income;
- i) Reserves are currently in a good position at £10.4 million;
- j) Capital programme variances are set out at appendix C to the report, including slippage into the next financial year of £1.1 million for aerial ladders, potentially with further slippage regarding other vehicle purchases;
- k) With the exception of Capital Finance Requirement, all Prudential Indicators were observed. The level of borrowing was exceeded due to the benefits of accessing a lower fixed rate interest, which once invested, could achieve a greater interest rate, and therefore income. This is a short-term approach and borrowing is expected to return to anticipated levels at the end of March 2024;
- l) The October flooding took place to the north of the county, mainly in the Retford area, with the January flooding focusing around the River Trent. The extent of flooding was localised on each occasion, but resulted on the additional use of resources. The impact on on-call hours can be calculated provided to members.

- m) The £85,000 gas bill dispute, referred to in paragraph 2.9 of the report, relates to the old headquarters buildings which is on a metred charge, and so since being vacant, cannot have accrued such a debt, so is being challenged;
- n) The specification for the command unit chassis, ICT and electronics was amended from that of the indicative figure for initial budgeting. The specification was broadened to extend the expected longevity and capability of equipment to include large scale incidents, for which additional technology was required, hence the £225,000 additional cost. This was reported to the senior leadership team in November 2023;
- o) Following the move from the old headquarters to the joint headquarters, for a limited period, staff were granted an allowance for the additional time and mileage incurred travelling to the new headquarters.

Members commented:

- p) The significant change in the financial position of the Service since the last report, with the longer-term improved position, is welcomed;
- q) Further information on the cost of the flooding would be welcomed, including a comparison of the January and October flooding periods and extent.

Resolved to:

- 1) note the contents of the report;**
- 2) approve the transfer of the £160k previously approved for breathing apparatus wash facilities to the capital programme, as set out in paragraph 2.28 of the report.**

25 Budget Proposals for 2024/25 to 2027/28 and Options For Council Tax 2024/25

Tracy Stevenson, Temporary Head of Finance, presented the report, with comments and strategic financial advice from Mark Kimberly, Interim Treasurer to the Authority.

The report seeks the committee's recommendation to the Authority, for setting the 2024/25 council tax precept, having had full consideration to the current and future year's budgets.

Following points were highlighted and members questions responded to:

- a) Section 2 of the report highlights capital budget proposals for the period 2024/25 to 2027/28 with the proposed Capital Programme attached to report as appendix A, which will continue to be kept under review;
- b) The 2024/25 programme totals £8.228 million, but will increase with any slippage from the current financial year;

- c) Of the 17 new pumping appliances on order, only one will be completed in this financial year, with the remaining 16 accounted for in the 2024/25 programme. Once the order is completed, further planned purchases will be delayed;
- d) The £2 million ICT budget for the replacement Service Control and Mobilising System is still indicative and may require revision once the procurement exercise is finalised;
- e) The Capital Programme is mainly funded from borrowing;
- f) It is anticipated that the Authority will have difficulty setting a balanced budget in 2024/25, mainly as a result of the effect of increased inflation, which in turn impacts on pay awards, along with uncertainty around some income streams;
- a) Now that the Local Government Finance Settlement for 2024/25 has been released, Table 1 of the report sets out the changes in assumptions, which total a £508,000 budget decrease;
- b) A further risk to the Authority has been identified with regard to employers contributions for firefighters pensions at 37.6%, from the previous 28%;
- c) the firefighter pension scheme runs at a deficit of approximately £600 million each year which forms part of the total Central Government funding £2.6 billion per year for the sector. Whilst the Fire Authority does receive a grant from Central Government top up employer contributions, assurance is required that further shortfalls will also be covered, otherwise the Fire Authority will be required to cover the cost, even though the decision is made nationally and the Fire Authority doesn't have any say. The immediate detriment scheme is expected to be underwritten by Central Government, but the Authority has set aside earmarked reserves of £200,000, if this is not the case;
- d) A spike in On-Call overtime costs is predicted as a result of the additional activity around the recent flooding, but is not expected to be as extensive as the very hot dry summer of 2022. Although figures are yet to be determined, the information will be forwarded to members of the committee;
- e) Although currently being negotiated at a national level, the firefighter pay award increase planning assumption is 5% for 2024/25, 3% for 25/26 and 2% ongoing. However, whilst this settlement may be lower than anticipated, an increase per 1% will have a £320,000 cost impact to the Service. Therefore to ensure that the Service can cover the cost of an increase, the assumption as set out above, is recommended;
- f) Whilst a £5 council tax increase will not be permitted this year, a 2.95% increase would provide additional funding for approximately £1.29 million, and a 1.95% increase would provide £991,000 of additional funding;
- g) As of April 2024, reserves are anticipated to total £10.3 million, with 5.2 million held as general fund reserves, and 5.1 million is earmarked reserves;
- h) The final financing settlement from Central Government is expected in February, and it is predicted to reflect the provisional figures;

- i) The budgetary impact anticipated for each of the three options presented to the committee of, a council tax freeze, a 1.95% increase, and a 2.95% increase, are set out individually in the report, with Table 6 of the report providing a summary comparison table;
- j) The reasoning behind a 2.95% increase, within the 3% limit, and not a 2.99% increase, is to ensure that any variance will not come too close to the limit and trigger challenge;
- k) The committee is requested to consider the impacts of budget deficits on the Service, and whilst reserves may initially be used to help balance the budget, they would not address the ongoing financial shortfall and impact on services;
- l) With multiple financial impact uncertainty and possibilities such as inflation, a potential pay restraint in the public sector, and a year-by-year government settlement that does not easily enable forward planning, the assumption of a 3 - 5% pay award increase, which is set externally at a national level, is a robust approach to enable financial planning;
- m) With every option there will still remain the deficit, but the higher the council tax increase, the lower the deficit. If the lower-level council tax increase is selected, this presents significant financial pressure which will result in real time cuts to the Service. If the higher-level council tax increase is chosen, the Service does have the capability to fill the gap, with the inclusion of ongoing efficiencies;
- n) It should be noted that with a general election pending, Central Government policy may change, including around the financial settlement, but the Service must work with the confirmed information currently available.

Members of the committee commented as follows:

- o) Whilst inflation is dropping there is still ongoing economic uncertainty and with the government only providing a one year at a time settlement it is sensible to support a 3 - 5% assumption for the pay award increase;
- p) Although not present, the Chair has confirmed that he supports a 2.95% increase in council tax;
- q) During the recent public consultation a clear view of residents is that there is no appetite for Fire Service and station cuts and reductions. If a rise of less than 2.95% council tax increase is implemented financial planning will be difficult;
- r) The results of the public consultation were clear that overall, residents would be prepared to pay more to protect services. If this committee recommends to the Authority, and the Authority approve the 2.95% increase, frontline services will be protected, at least initially for a few years;
- s) If a 2.95% is requested, the majority of residents will pay little more than an additional 14p per month extra, which is a small increase to protect services;

- t) Whichever option is selected, unless there are substantial financing changes, there will be an impact on frontline services in the future;
- u) A council tax increase is not welcomed, but is supported in principle as the recent consultation has shown that residents are willing to pay more to maintain the current services available;
- v) In addition to the general election, the future mayoral elections may impact on services, so political, cross-party consensus is particularly important at this time and very much welcomed;
- w) Following the recent flooding and ongoing predicted storms, the Service would benefit from better publicity of its activities, including the new challenges faced within the City regarding development.

Resolved

- 1) to recommend to the Fire Authority, that Council Tax is increased by 2.95%;**
- 2) to endorse the pay award financial assumptions as set out in paragraph 2.31 of the Budget Proposals for 2024/25 to 2027/28 report.**