



NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

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

BUDGET PROPOSALS FOR 2016/2017 TO 2019/2020 AND OPTIONS FOR COUNCIL TAX 2016/2017

Report of the Chief Fire Officer

Date: 15 January 2016

Purpose of Report:

To allow Members to consider the options for the recommendation of a balanced revenue budget to the Fire Authority for acceptance. Implications for Council Tax are also considered.

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1. BACKGROUND

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will also decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 In mid-December, the government announced the provisional grant settlement for 2016/2017 with indicative settlement figures for the following three years up to 2019/2020. The final settlement for 2016/2017 will be laid before Parliament in February.

2. REPORT

CAPITAL BUDGET PROPOSALS 2016/2017 TO 2018/2019

- 2.1 The Authority maintains a sustainable Capital Programme that has been planned out over an extended period. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme that will both ensure that property remains fit for purpose, is appropriately located and can be contained within the internal capacity of the organisation to complete.
- 2.2 The programme is set out for the next three years and reflects proposed new expenditure. Actual expenditure in each year may also be increased by slippage carried forward from the prior year.

The proposed Capital Programme for 2016/2017 to 2018/2019 is therefore as follows:

Capital Programme Item	2016/17 Proposed	2017/18 Proposed	2018/19 Proposed
	£	£	£
Appliance Replacement (3-3-3)	907,435	908,155	908,905
Special Appliances	51,800	0	0
Appliance Equipment	25,650	0	0
Light Vehicle Replacement	173,346	353,538	407,380
Transport Total:	1,158,231	1,261,693	1,316,285
Special Appliances Equipment (Holmatro)	157,000	0	0
BA Sets	0	700,000	0
Equipment Total:	157,000	700,000	0
Feasibility Studies Station design	22,500		
Fire Station Project	325,000	2,350,000	75,000
Property Total:	347,500	2,350,000	75,000

Capital Programme Item	2016/17 Proposed	2017/18 Proposed	2018/19 Proposed
ICT Capital Programme	140,000	140,000	140,000
Mobile Computing	20,000	20,000	0
Business Process Automation	95,450	0	0
ICT Total:	255,450	160,000	140,000
Agresso Upgrade	35,000	0	0
Tranman Software	11,000	0	0
IT Systems Total:	46,000	0	0
Total Capital Programme:	1,964,181	4,471,693	1,531,285

- 2.3 The rescue pump renewals programme assumes that three appliances will be replaced each year - this is a working assumption based on current fire cover arrangements. The Authority currently has a contract for rescue pump replacement procured jointly with Derbyshire Fire and Rescue Service.
- 2.4 The special appliances budget covers two activities: firstly the procurement of a new body for an existing chassis to create a general purpose lorry and back-up vehicle for the Operational Support Unit. This will allow for the disposal of two smaller vehicles; secondly the provision of updated radio and mobile data ICT equipment in two existing special appliances.
- 2.5 The light vehicle programme has been virtually suspended during recent restructures and the lives of vehicles have been extended where possible. This was to avoid purchasing vehicles which may not have been required going forward. A review of light vehicle usage and requirements is currently underway, but it is expected that there will need to be an element of “catch up” with vehicle procurement. New station vehicles are planned to be purchased in the first year of the programme.
- 2.6 The equipment programme is for the replacement of Holmatro rescue equipment hoses and pumps next year and the replacement of breathing apparatus in 2017/18 when the current provision reaches the end of its life.
- 2.7 The property programme allows for one fire station to be re-built during the three year period, together with a feasibility study to prepare for the next project. The budget has been phased such that design, project planning and tendering will take place in 2016/2017 with construction of a new station throughout all of 2017/2018 and finishing in the final year. The actual station selected for rebuild or refurbishment will depend on other factors and actual project proposals will be brought back to this committee. This budget sets aside the resources to continue with the Authority’s sustainable capital programme which will ensure that all property assets remain fit for purpose over time.
- 2.8 The ICT programme has been pared back and now contains budget to replace items by way of a rolling programme and provision for the general

expansion of ICT usage across the organisation. The business automation project will allow for the development of improved and more efficient ICT processes within the Service.

- 2.9 Two IT systems will require upgrades: the Agresso finance and procurement system and the Tranman transport system.
- 2.10 The Chair of the Finance and Resources Committee spent the day with capital budget holders on 3rd November 2015, going through the capital programme plans and their revenue implications.

REVENUE BUDGETS 2016/2017 TO 2019/2020

- 2.11 The budget report presented to the Fire Authority in February 2015 detailed a revenue budget requirement of £42.6m for 2016/2017. It was estimated at this time that this would result in a budget deficit of between £2.3m and £2.7m for that year, and that there would continue to be a budget deficit going forward although this was based on assumptions about future funding levels. During this year's budget process further savings have been driven out and in December 2015 the Fire Authority approved a number of measures which would result in a reduced budget requirement over the next three years.
- 2.12 Detailed budgets have been prepared for the three years 2016/2017 to 2018/2019. A broad outline estimate of the budget requirement for 2019/2020 has also been prepared to give a budget requirement for each of the next four years. A number of key assumptions have been made in drawing up these budgets including assumed pay awards of 1% per annum for all groups of employees. The budget for 2016/2017 will not be finalised until the end of January 2016, when the surplus or deficit on collection fund is confirmed by the billing authorities.
- 2.13 The base budget for the current year 2015/2016 is £41,782,731. This can be sub-divided into its major elements:

Budget Heading	Base Budget 2015/16 £000's	Percentage of Total Budget
Wholetime Pay	22,152	53.0%
Retained Pay	2,500	6.0%
Control Pay	1,057	2.5%
Admin. & Support Pay	5,589	13.4%
Total Pay	31,298	74.9%
Capital Financing	2,225	5.3%
Non Pay	8,260	19.8%
Total Budget	41,783	100.0%

2.14 The budget process has resulted in a number of proposed changes to the 2015/2016 base budget, and these are set out in the following table:

Changes to Budget Requirement		£000's	£000's
Base Budget 2015/16			41,783
Pay and Inflation			
	Pay awards 1%	313	
	Increase in Competent Nos	112	
	Pension Scheme Adjustments	87	
	NI End of Contracting Out	518	
	2 Fewer Bank Hols	-141	
	Correction re flexi allowance	-27	
	Reinstate previous savings / Increase in RDS	325	
	Increments	46	
	Job evaluation changes	11	
	Inflation Non-pay	7	
	Inflation - Premises budgets	16	1,267
Growth			
	Work Proposals:		
	- RDS Protective equipment	90	
	- Organisational Development	75	
	- Gym Equipment - Cross trainers	4	
	- Gym Equipment - functional	10	
	- Occupational Health system upgrade	19	
	- Musculo-skeletal screening programme	10	
	- Photo Ionisation Detectors	25	
	Short term project work	185	
	Pensions administration	13	
	Fire-ground catering	8	
	Insurances	5	
	Fire-Link increase	98	
	Tri-Service regional team	52	
	Ill health retirements	21	
	Princes Trust	120	734
Savings			
	- Section 31 Grant Business Rates Retention	-118	
	- Primary Key Authority	-8	
	- HR Non-pay budget savings	-6	
	- Pensions costs from revenue	-6	
	- External Audit Fees	-11	
	- Legal Services	-45	
	- National Operational Guidance	-20	
	- Community Safety	-39	
	- Members allowances	-6	
	- PPE & Uniform	-27	

Changes to Budget Requirement		£000's	£000's
	- Lync telephony	-35	
	- ICT contracts	-78	
	- ICT consumables etc.	-13	
	- Operational Equipment	-8	
	- Fuel	-31	
	- Fleet Maintenance	-29	
	- Fleet modifications	-29	
	- Guildhall charge reduction	-19	
	- Marketing & Publicity	-2	
	- Printing	-6	
	- New Dimensions - use of earmarked reserve	-10	
	- Treasurer	-6	
	- L&D non-pay	-70	
	- Special service charges	-12	
	- Room hire charges	-30	-664
Capital Financing			167
Restructuring			
	Fire Protection Conversions	-15	
	Specialist Rescue	-836	
	- SRT less additional equipment costs	19	
	Contribution to earmarked reserve to fund SRT reduction in posts in advance of natural turnover	350	
	Flexi Station Managers	-269	
	- Post conversion: Equipment Grade 6	35	
	Hydrant Maintenance Inspection	-40	
	- Removal of Hydrant Maintenance recharge	-23	
	Procurement / Estates Restructure	13	
	District Administration Restructure	-180	
	HR Administrator	36	
	Corporate Communications Out of Hours Rota	27	
	Corporate Comms. Restructure	3	
	Strategic Team Restructure	-81	
	Enhanced Crewing - deletion of 10 posts	-387	
	Finance Dept.	9	-1,340
Adjustment to Reserves	Eliminate contribution 15/16		-570
Miscellaneous minor adjustments			27
Budget Requirement 2016/17			41,404

FUTURE YEARS

- 2.15 The detail of the budget requirements for 2017/2018 and for 2018/2019 will be set out in the budget paper to be presented to the Fire Authority in February. The total budget requirements for all four years of the medium term budget period are:

Year	£000's
2016/2017	41,404
2017/2018	42,265
2018/2019	42,769
2019/2020	43,282

FINANCING THE BUDGET

- 2.16 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional finance settlement on 17th December 2015 and this is being used for planning purposes as the final settlement is not expected until February 2016. Experience shows that there is likely to be little change from the provisional figures. The settlement covered all four years of the medium term budget period and the government has offered local authorities a commitment that the settlement figures for the whole period will remain largely unchanged if authorities make an application for a guaranteed settlement and publish an efficiency plan. Such a commitment would give the authority an element of certainty around its future funding and would assist the process of planning to achieve budgetary reductions.
- 2.17 In making predictions about budget financing some assumptions have been made. These are:

- i) **That business rates collected by the billing authorities will be broadly in line with the assumptions made in the provisional settlement.**
This is unknown but the assumptions in the provisional settlement seem to be broadly in line with the figures declared by the billing authorities last year. Business rates funding will be confirmed by billing authorities at the end of January 2016.
- ii) **That the taxbase will increase in line with forecasts provided by the billing authorities**
This again is unknown until the end of January 2016 but it is unlikely that the actual taxbase will be significantly different from forecasts.
- iii) **That the actual settlement is the same as the provisional.**
This is a reasonably safe assumption, given that there is hardly ever a change in these figures.
- iv) **That surpluses and deficits on the collection fund accounts will be broadly the same as they were in 2015/16.**

This is probably the most risky assumption in that billing authorities will not declare their position until the very end of January and the issue of Council Tax arrears is not only very sensitive but the actual amounts declared as uncollectable will vary from one authority to another. The budget assumes that there will be an overall surplus on collection which is the same as the current year i.e. £292k – if there is a material difference from this assumption then this will most likely have to be managed through General Reserves.

2.18 The finance settlement provided the provisional figures shown in the following table:

	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
Revenue Support Grant	8,867,336	6,978,641	5,961,472	5,335,308
Business Rates Assumption	3,395,405	3,462,187	3,564,324	3,678,247
Top Up Grant	6,531,053	6,659,508	6,855,969	7,075,098
Total External Funding	18,793,794	17,100,336	16,381,765	16,088,653

The reduction in external funding between 2015/2016 and 2019/2020 amounts to almost 21%.

- 2.19 The government announced, within the finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would remain at 2%. No council tax freeze grant is being offered to authorities who maintain council tax next year at current levels.
- 2.20 The following table brings together the budget requirement and the finance settlement figures and presents the position for the Authority if there was no change to the level of council tax in each of the four years:

	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
Total External Funding	18,793,794	17,100,336	16,381,765	16,088,653
Budget Requirement	41,404,173	42,265,320	42,769,263	43,282,494
Balance to be met locally	22,610,379	25,164,984	26,387,498	27,193,841
Council Tax Yield*	21,926,586	22,200,668	22,500,377	22,804,132
Budget Shortfall (Cumulative)	683,793	2,964,316	3,887,121	4,389,709

*Assumes a rise in tax base but no rise in Council Tax

The above figures show that a budget deficit of £684k will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2016/2017. Even when this has been achieved, there will be a requirement to find further savings of approximately £3.7m by 2019/2020 (savings of £4.4m in total).

- 2.21 A council tax increase of 1% would generate additional funding of £218k, and a 1.95% increase would realise a total of £427k in 2016/2017. For a Band D household a 1.95% increase would see a rise in council tax to £73.85 per annum (an increase of £1.41 per annum, which is just under 3 pence per week).

RESERVES AND BALANCES

- 2.22 General reserves stood at £6.535m in March 2015 and the latest position on revenue budget monitoring (a report is elsewhere on this agenda) indicates that an additional £471k will be added to general reserves at the end of this financial year, bringing the total general reserves balance to £7.006m. Conversely earmarked reserves will be reducing by at least £500k in 2015/2016 as they are used to fund transitional and other costs. A risk assessment to determine the minimum level of general reserves to hold is underway and the results of this will be reported to the Fire Authority in February.

BUDGET OPTIONS

- 2.23 The Fire Authority at the December 2015 meeting considered four options for council tax. Two of these were eliminated from further consideration, with the Authority recommending that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:
- The options for council tax to be recommended to the Fire Authority will be limited to either a council tax freeze or an increase in council tax within the referendum limit;
 - If required, options for eliminating any budget deficit to enable the Fire Authority to approve a balanced budget as required by law will be presented to the Fire Authority.
- 2.24 The effect of a zero increase in council tax is set out in paragraph 2.20 above and shows a significant deficit for the four years. With the removal of council tax freeze grant as an incentive for Authorities to maintain council tax at current levels, this is a less attractive option than it may have been previously. The current level of council tax for a Band D household is £72.44 per annum.

- 2.25 A proposal to increase Council Tax by 1.95% in each of the four years of the budget strategy would yield the following results:

	2016/2017 £	2017/2018 £	2018/2019 £	2019/2020 £
Total External Funding	18,793,794	17,100,336	16,381,765	16,088,653
Budget Requirement	41,404,173	42,265,320	42,769,263	43,282,494
Balance to be met locally	22,610,379	25,164,984	26,387,498	27,193,841
Council Tax Yield*	22,353,373	23,074,107	23,842,200	24,636,270
Budget Shortfall (Cumulative)	257,006	2,090,877	2,545,298	2,557,572

*Assumes a rise in tax base and a 1.95% increase in Council Tax each year

- 2.26 There are two advantages associated with implementing a council tax increase in 2016/2017: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by £427k in 2016/2017. However, this would still leave the Authority with budget savings of £257k to find in order to approve a balanced budget as required by law.
- 2.27 The decisions required to solve the budget deficits for 2017/2018 and the following two years will be beyond the scope of this Committee but will be a key issue for the Authority to consider over the forthcoming months and years.
- 2.28 Regardless of which council tax option the Fire Authority chooses to take in February the problem of a budget deficit will need to be solved. Given the time that it will take to plan and implement a solution (implementation may not be possible until the 2017/2018 financial year) Members may wish to consider using general reserves to support the budget deficit in 2016/2017.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in 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, although the achievement of budgetary savings in future years will undoubtedly have an impact.

5. EQUALITIES IMPLICATIONS

An equality impact assessment (EIA) has not been undertaken because this report relates to a series of recommendations which will be consulted upon. It is anticipated that a full EIA will be carried out on the report that goes to the Fire Authority in February 2016.

6. CRIME AND DISORDER IMPLICATIONS

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

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2016/2017 but may acknowledge potential budget shortfalls for future years.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 Council tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.
- 8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. RECOMMENDATIONS

It is recommended that members consider the contents of this report and make appropriate recommendations to the Fire Authority.

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

None.

John Buckley
CHIEF FIRE OFFICER