



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUDGET PROPOSALS FOR 2012/2013 TO 2014/2015 AND OPTIONS FOR COUNCIL TAX

Report of the Chief Fire Officer

Agenda Item No:

Date: 13 January 2012

Purpose of Report:

To allow Members to consider the options for the recommendation of a balanced revenue budget over the next three years 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 The Fire Authority issued budget guidance to the Finance and Resources Committee to enable budget planning to begin and officers have worked to develop budget plans within those parameters.
- 1.3 In early December the government announced the provisional grant settlement for 2012/2012 which gives certainty to budget planning for 2012/2013 only, the remaining years within the Medium Term Financial Strategy being somewhat unclear at present.

2. REPORT

Revenue Budgets 2012/2013 to 2014/2015

- 2.1 Revenue budget predictions were made in preparation for the 2011/2012 budget settlement and included within them all of the savings anticipated to arise from the implementation of the Fire Cover Review as well as a number of other efficiency savings that were targeted during the CSR period. In addition to this and more importantly, assumptions had been made for pay awards to be of the order of 2.5%.
- 2.2 The reality since these assumptions were made is that government have announced a public sector pay cap for two years at 1%, substantial savings have been made in areas such as insurance and vehicles maintenance which make the budget requirement significantly less than anticipated in February 2011. Broadly these differences are:

Year	2011 Estimate	Latest Estimate	Difference
	£000's	£000's	£000's
2012/2013	45,208	44,585	-623
2013/2014	45,216	43,460	-1,756
2014/2015	45,519	44,154	-1,365

- 2.3 These figures included the savings to be made from the Fire Cover Review as it had been consulted on and therefore provide a direct comparison to the estimates from February 2011. At the Fire Authority meeting on 16 December Members agreed to reinvest some of the savings from Fire Cover Review into front line services such that £466,000 of the original savings will not now be made. This changes the figures as follows:

Year	2011 Estimate	Latest Estimate	Difference
	£000's	£000's	£000's
2012/2013	45,208	44,678	-530
2013/2014	45,216	44,010	-1,206
2014/2015	45,519	44,620	-899

- 2.4 The details of the latest estimate figures are given elsewhere in this report however it can be seen from the above that the budget position of the Authority has improved significantly as a result of these changes and therefore what might have been a period of severe restraint and serious cuts can be substantially avoided.

FINANCING THE BUDGET

- 2.5 As ever the budget is financed from three main sources being National Non-Domestic Rates (NNDR), Revenue Support Grant (RSG) and Council Tax. There are some specific grants under S.31 of the Local Government Act and a small amount of income which is generated but this is not significant for budget planning purposes.
- 2.6 In addition to the main grant the Authority is also in receipt of a special "Council Tax Freeze" grant of £579,814 in recognition of the fact that a zero increase in Council Tax was declared in 2011/2012. This grant is due to continue until 2014/2015.
- 2.7 The Authority also receives an amount of £719,777 transitional floor damping to ensure that despite formula changes the authority still receives a minimum amount of grant. This will gradually be recovered over the CSR period.
- 2.8 The total amount of grant received therefore during 2012/2013 will be £22,444,030 including both of these temporary amounts (£21,144,439 without). This was exactly the same as the estimate used for the 2011/2012 budget.
- 2.9 Excluding the Council Tax Freeze Grant the authority received £22,633,764 in 2011/2012 thus making a reduction of 3.4% for 2012/2013. This situation would be considerably worse had it not been for the floor damping payment of £719,777.
- 2.10 On the basis of having accepted the Council Tax Freeze Grant for 2011/2012 the estimated figures for grant receipts over the remaining three years of the CSR period are:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
RSG/NNDR	21,864	19,704	18,455
Total	22,444	20,284	19,035

- 2.11 Figures for 2013/2014 and 2014/2015 are the best estimates that can be made, bearing in mind several government announcements and the removal of floor damping. There are still many variables that may affect these figures ranging from the review of the Fire formula, changes to business rates and issues around Council Tax Benefit rules.
- 2.12 Government have also recently announced that Authorities not raising Council Tax during 2012/2013 will also get a grant of the equivalent of 3% (£699,000). Importantly however this grant will only last for one year and therefore does nothing to support the base budget going forward. Ministers have also announced that the ceiling for Council Tax rises above which the Authority would need to undertake a referendum has been set at 4%. This seems to be sending something of a mixed message.
- 2.13 It is clear that a number of Authorities are considering not taking the grant in 2012/2013 because of the short term benefit of doing so and the consequent pressure to raise Council Tax in 2013/2014 to replacement it.
- 2.14 This is perhaps best illustrated by considering the total levels of funding including Council Tax projected forward to 2014/2015. There is no assumption for an increase in Council Taxbase due to the unknown impact of changes to Council Tax Benefit legislation which may affect taxbases generally.

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	699	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,192	23,192	23,192
Total	46,335	43,476	42,227

- 2.15 The total revenue budget for 2014/2015 is now projected to be £44.620m so it is easy to see that a budget shortfall of £2.393m would be created by 2014/2015 which when carried forward into 2015/2016 would approach £3m due to the withdrawal of the first phase of freeze grant. There is no doubt that the excess in 2014/2015 could be met from balances but it is inevitable that the service would be under severe financial pressure in 2015/2016 if this was the model followed. It is doubtful that budget reductions on this scale could be met from anywhere in the "back office" as this is an area which has already been substantially reduced to deliver the savings already anticipated within the budget.
- 2.16 It is inevitable therefore that unless the Authority is prepared to undertake cuts in service delivery there must be some additions to Council Tax however the question remains how much and when.
- 2.17 It would not be unreasonable to assume that if central government are content to make a grant to the fire service the equivalent of 3% of council tax and have announced that increases below 4% will not be considered

excessive then Council Tax increases within this range could be considered by the Authority.

- 2.18 If the Authority was to take the view that a one year freeze grant was not worth the risk going forward and decided instead to raise Council Tax by 3.5% in each of the three years then the overall picture would change as follows:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	0	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	24,004	24,844	25,714
Total	46,448	45,128	44,749

- 2.19 This option would leave a budget surplus in 2014/15 of £129k which when carried forward to 2015/16 would leave a shortfall of approximately £452,000.
- 2.20 However if the freeze grant is taken the situation looks somewhat different going forward such that to achieve a balanced position without further cuts would require Council Tax Increases of 5% for 2013/14 and 2014/15.

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	699	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,192	24,352	25,569
Total	46,335	44,636	44,604

- 2.21 This model leaves a very small deficit in 2014/15 which would still leave a problem of £581k to solve in 2015/2016. Nevertheless this would seem to be the best model if the Authority wishes to accept the freeze grant.
- 2.22 The irony of the £699,000 freeze grant in 2012/2013 is that because it is temporary money rather than a permanent addition to the base budget, the effect is essentially the same as government adding £699,000 to the balances.

EFFECT ON BALANCES OF ADOPTING THE FREEZE GRANT and 5% MODEL

- 2.23 As mentioned earlier the freeze grant for 2012/2013 will generally have the effect of adding to balances rather than offsetting real revenue expenditure it is useful to consider what the overall effect on balances will be. Again working on previously published data the estimates show:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Total Funding	46,335	44,636	44,604
Budget Requirement	44,678	44,010	44,620
Surplus	1,657	626	0
Deficit	0	0	16

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Opening Balance	8,000*	9,657	10,283
Additions To Balances	1,657	626	0
Contributions From Balances	0	0	16
Closing Balance	9,657	10,283	10,267

*figure of £8m is illustrative only. There are a number of reserves to be created from this before a final figure can be given.

- 2.24 The latest assessment of the Authority's requirement to hold balances shows no significant difference to the 2011/2012 figure of £3.5m which means that the Authority needs to consider how best to reduce surplus balances over time. It is not considered good practice to use balances to fund revenue shortfalls so using them to offset any revenue budget cuts would be imprudent unless they are escalating at a rate which would indicate that there is a permanent budget over provision. The table at 2.23 above shows that this is not the case with a balanced budget by 2014/15 being achieved. In 2015/2016 this position will be reversed somewhat as the phase one freeze grant is removed from budgets.
- 2.25 With balances already being higher than required it would perhaps be appropriate to ensure that they rise no further and indeed begin to fall, over time. The best way to achieve this is probably to use balances as a means of financing capital expenditure rather than borrowing. This has a double benefit of reducing the authority's indebtedness and reducing the demands on the revenue budget thus bringing the costs of borrowing closer to the 8% target. It must be remembered that when the target for the revenue costs of borrowing not to exceed 8% of the revenue budget the revenue budget was not falling at the rate it currently is.
- 2.26 The proposed Capital Programme for the combined years of 2012/13 to 2014/15 exceeds £12m and although up to £4m of this could be met by grant funding it would not seem unreasonable to spending anything up to £6m from the balances to finance this capital expenditure over this period.
- 2.27 It must be considered however that balances will buy time for the implementation of any savings that the Authority wishes to make and will allow a slower implementation of the Fire Cover Review. It may be more prudent therefore to create a capital reserve from some element of the

balances rather than formally allocate them to RCCO. The effect will be the same but there will be more flexibility.

- 2.28 Every £1m of Capital met from balances or revenue will yield savings in the revenue budget going forward. The Authority would be able, safely, to contribute £3-4m towards capital financing and/or voluntary MRP payments (early repayment provision) thus reducing budget demands. It is suggested that a prudent approach of using £3m might be most appropriate, allowing any additional surplus balances to be used in future years if required. This is not due to a limitation on balances but a limitation on the size of the capital programme. It might be possible to make a further contribution of say another £2m in 2013/14 and this has been assumed in the table at 2.30 below.
- 2.29 The actual changes to the Revenue budgets in each of the three years from 2012/2013 assuming contributions of £3m and £2m to finance capital are as follows:

2012/2013	£0
2013/2014	£236,000
2014/2015	£592,000

Note: savings accrue in the year following the contribution

EFFECT OF USING BALANCES TO FUND CAPITAL SPENDING

- 2.30 If the assumptions set out in 2.28 above are implemented then the effect on Council Tax and budgets would be as follows:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	699	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,192	24,004	24,844
Total Funding	46,335	44,288	43,879
Budget Requirement	44,678	43,774	44,028
Surplus	1,657	514	
Deficit	0	0	149

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Opening Balance	8,000*	6,657	5,342
Additions To Balances	1,657	514	0
Contributions From Balances	3,000	2,000	149
Closing Balance	6,657	5,171	5,193

2.31 Council Tax rises in this model become 0%, 3.5% and 3.5%

HIGH LEVEL BUDGET OPTIONS

2.32 The Fire Authority has issued guidance to the Finance and Resources Committee in terms of the levels of council tax to be considered for 2012/2013 and beyond. This committee has been asked specifically to consider options for 0%, 1%, 2%, and 3% rises in Council Tax.

2.33 Members will appreciate however that this guidance was given before Ministers announced the availability of a second tranche of freeze grant and also announced the capping limit of 4% for 2012/2013.

2.34 The budget options prepared above therefore deal with the following options for Council Tax increases:

- 0% flat over all three years
- 0% for 2012/2013 and then 3.5% in each of the following 2 years
- 3.5% flat over three years
- 0% for 2012/2013 and then 5% for each of the following 2 years

2.35 Detailed options have not been given for 1% and 2% within the main text simply because for 2012/2013 at least any option below 3% will actually yield less than a zero percent rise due to the effect of the freeze grant. Nevertheless for completeness and compliance with the Fire Authority's instructions the actual figures would be as follows:

2.36 1% flat increase:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	0	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,424	23,658	23,895
Total	45,868	43,942	42,930

This option only yields £42.930m by 2014/2015 leaving a shortfall of £1.10m. To compensate for this, either cuts of approaching £1.6m would be required in 2015/16 or Council Tax would need to rise by 3% in each of the following 2 years.

2.37 2% flat increase:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	0	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,656	24,129	24,612
Total	46,100	44,413	43,647

This option yields £43.647m by 2014/2015 when £44.028m is required thus requiring Council Tax increases of 2.5% in each of the years following 2012/2013.

- 2.38 The irony of both of these options is that they both require less support from Council Tax payers in 2013/2014 and 2014/2015 than the option that takes the freeze grant.
- 2.39 3% Flat Increase. This option shows the effect of taking the 3% increase into the base budget rather than having a one year grant.

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Freeze Grant	580	580	580
Freeze Grant 2	0	0	0
RSG/NNDR	21,864	19,704	18,455
Council Tax	23,888	24,604	25,343
Total	46,332	44,888	44,378

This option generates more money than is actually required and would contribute £350,000 to the balances in 2014/2015. It does have the advantage however of not requiring such large reductions in 2015/2016 when the phase one freeze grant is withdrawn.

- 2.40 In Summary then each of the options provides the following funding streams and increases in Council Tax:

	2012/2013 £000's		2013/2014 £000's		2014/2015 £000's		Surplus or Deficit £000's
	Funding	CT %	Funding	CT%	Funding	CT%	
0% Flat	46,335	0	43,476	0	42,227	0	1,801
3.5% Flat	46,448	3.5	45,128	3.5	44,749	3.5	-721
1% Flat	45,868	1.0	43,942	1.0	42,930	1.0	1,098
2% Flat	46,100	2.0	44,413	2.0	43,647	2.0	381
3% Flat	46,332	3.0	44,888	3.0	44,378	3.0	-350
Freeze Grant	46,335	0	44,288	3.5	43,879	3.5	149

All the above options assume the use of balances to fund some capital spend

- 2.41 The above table shows that options exist which produce requirements for cuts of up to £1.8m or budget surpluses up to £721k and there are an almost infinite number of "mix and match" options to create a balanced budget going forward however eventual recommendations must depend upon two key decisions:
- i) Does the Authority wish to reduce balances by contributing towards capital financing thus reducing ongoing revenue budgets?

- ii) Does the Authority wish to take the Council Tax Freeze Grant in 2012/2013?

- 2.42 If the answers to both of these questions are yes then the most feasible option is that which raises council tax by 3.5% in the years 2013/2014 and 2014/2015.
- 2.43 None of the above options consider the possibility of budget cuts beyond those already planned for 2012-2015 as set out in the budget papers for 2011/2012. These are already significant and some of the longer terms planning required for implementation will mitigate against anything substantial being taken forward in the short term. This position is strengthened by the fact that further cuts will almost certainly be required in 2015/2016 to compensate for the loss of the initial freeze grant of £580,000 per annum.

SUMMARY OF CAPITAL BUDGET PROPOSALS

- 2.44 The Authority maintains a sustainable Capital Programme that has been planned 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 fulfil.
- 2.45 The proposed Capital Programme for 2012/2013 to 2014/15 is as follows:

	2012/2013 £000's	2013/2014 £000's	2014/2015 £000's
Transport			
Rescue Pump Replacement	0	908	1,252
Special Appliance Replacement (ALP)	0	650	0
Targeted Response Vehicle	0	320	0
Light Vehicles	206	479	317
Total Transport	526	2,037	1,569
Property			
Land Purchase	468		
Rebuild, Refurb	2,200	2,200	2,200
Total Property	2,668	2,200	2,200
Information Technology			
Replacement HR System	171	80	0
Business Continuity	30	30	30
Mobile Computing	22		
Microsoft Infrastructure Upgrade	120	0	0

Business Expansion	30	25	25
Replacement Equipment	90	85	85
Business Process Automation	25	25	25
CFRMIS	27	0	0
Total Information Technology	515	245	165
Total Programme	3,709	4,481	3,934

- 2.46 Fleet renewals would usually be on the basis of four appliances per annum however the Fire Cover Review has presented an opportunity to delay this until 2013/2014. Three machines require replacement in 2013/2014 and a further four in 2014/2015.
- 2.47 The special appliance is the replacement of the remaining Magirus Aerial Ladder Platform at Highfields in accordance with the previously reported replacement strategy for this appliance.
- 2.48 Until the feasibility report into Targeted Response Vehicles has been completed it is unclear as to whether a TRV will be required, however the budget has been left in for a purchase in 2012/2013. Should this vehicle not be required then this budget will be used to fund a replacement pumping appliance which the TRV was due to replace.
- 2.49 Light vehicle replacement budgets have been examined carefully and reduced where possible on the basis of increased vehicle life assumptions.
- 2.50 The property programme is centred around three station refurbishment and replacements; Central, Newark and Edwinstowe with the possibility of Arnold being included depending on the feasibility reports. The land purchase relates to the budget for the replacement Central Fire Station.
- 2.51 The largest single item in the ICT Programme is the replacement of the HR system which no longer meets the requirements of the service. The majority of other items not related to equipment replacement are relatively small.

SUMMARY OF THE REVENUE BUDGET PROPOSALS FOR 2012/2013

- 2.52 The Revenue Budget 2011/2012 was set at £46.407m by the Fire Authority meeting in February 2011. The current revenue budget requirement for 2012/2013 has been assessed as £44.678m some £1.729m less than the 2011/2012 base. A full analysis of the £44.678m is given as Appendix A to this report.

2.53 The following table deals with the variances between the two years with accompanying comments on the major items:

Heading	Value £000's	Narrative
Base Budget	46,407	Opening Base for 2011/2012
Budget Savings	-1,896	Various Fire Cover and Non Fire Cover Review savings (see further analysis below)
Pay Inflation	267	Takes account of 1% Pay Cap
Non-Pay Inflation	18	No general inflation beyond contract increases
Development to Competent Pay	134	Shift in make up of workforce
Admin Increments etc.	82	Also includes £20k for JE contingency
Contingency not req'd	-118	Generic savings made elsewhere
Additional Bank Holiday	55	HM Queen Diamond Jubilee and additional B/H
Operational Equipment	49	Range of operational equipment see notes
Software Maintenance	15	Maintenance of additional Software CFRMIS, LearnPro etc.
Comms Costs	50	Replacement of Comms Section by outside Contractor
Fees and Charges	14	Unrealistic budget for room hires etc.
Other	22	See examples in the notes
Fire Cover Review	-188	Additional savings made over those anticipated in year 1
Rev Implications of Capital	-153	Reductions for revenue contributions etc.
Pensions	41	Primarily Ill Health charges and injury allowances
Changed Requirement	-29	This sum relates to variances across 17 separate budget lines.
Contribution to Reserves	-574	See notes
Revenue Contributions	486	See Notes
Other	-4	Misc
Total	44,678	Proposed Base for 2012/2013

2.54 Budget Savings (-£1.896m). This figure requires further analysis as follows:

Heading	Value £000's	Narrative
Removal of cooks	-39	Part Year effect of changes
Overnight stays	-27	General Reduction
Printing & Stationery	-39	General Reduction
Admin Pay	-48	Shift in make up of workforce
Control Staffing	-47	Residual savings from RCC
Co-Responding	-52	Contingency sum never applied
Secondment Income	-30	Union Secondment Income
Boarding Up	-4	General Reduction
Cross Border income	-19	Past Performance indicates income
Special Services	-25	Income Targets
CS Equipment etc.	-6	General Reduction
Reduced Partnership contributions	-11	General Reduction
Fire Prevention	-32	Reorganisation of FP
Employee Benefits	-3	Ending Benefits Scheme
Consultation Costs	-53	FCR Consultation now over
Long Service Awards	-21	Peak of 2011 now over
Training	-122	Primarily Moreton Training
Occupational Health	-21	Income for services following review
Insurances	-147	Re-Tender of premiums
Generic Savings	-311	See note below
Subsistence	-36	General Reduction
RMB	-44	Savings from wind up of RMB
Fleet Maintenance	-151	New Contract
Fleet Modifications	-46	Changed Lifeing policy
Breathing Apparatus	-30	Removal of temporary addition
Building Repairs	-128	MAC Contract and other savings
Business Rates	-3	Minor savings from Highfields appeal
Comms Equipment	-28	Firelink saving
Comms Licences	-43	Firelink saving
Firelink Charges	-54	Firelink saving
Service Desk Post	-23	ICT Savings Target
ICT Contracts	-56	ICT Savings Target
Office Equipment	-14	General Reduction
Hydrant Maintenance	-15	New income target
Premises Income	-13	General Reduction
Govt Grant (Firelink)	-60	Firelink saving
Movement Between pension schemes	-42	Natural movement between FF schemes
Small Items	-53	Misc Items below £2k in value
Total	-1,896	

- 2.55 Generic savings are made up of three main items the first being £86,000 of previously achieved efficiency savings that have now been incorporated into the budget reductions and the second being an addition of £50,000 which represents a generic saving to be achieved by procurement in 2011/2012. As this has now been achieved the savings have been reallocated over all the budget heads to which they related, hence this figure showing as a cost rather than a saving.
- 2.56 The third element is a reduction of £275,000 in what is referred to as a “risk based budget”. In 2011/2012, in an effort to reduce costs intelligently, budget holders were encouraged to identify elements within their budgets which were being held against the possibility of an event occurring i.e. a risk. All these sums were held in a central “pot” with the undertaking that should these events occur the money would be made available. Experience has shown that this central pot can be significantly reduced whilst still covering the same risks.
- 2.57 Returning to the Table in paragraph 2.53 the second item is the £267,000 pay inflation at 1%. This is the cap imposed by government across the public sector.
- 2.58 Development to Competent pay reflects the reduction in the workforce caused by the changes in the Fire Cover Review. This will mean that more of the workforce will be competent in role than would have been the case under normal recruitment conditions.
- 2.59 Admin Increments of £62,000 have been calculated on the basis of all staff who will actually be entitled to increments during 2012/2013. A Job Evaluation contingency of £20,000 is also held to take account of any grading appeals which may be made during the year in accordance with conditions of service.
- 2.60 The negative figure for contingency in this table reflects contingency that was held in 2011/2012 for pay related matters (not pay awards) which is no longer required and therefore has been removed from the budget.
- 2.61 £55,000 held for an additional bank holiday simply reflects the cost of overtime working for the whole service over the date of Her Majesty the Queen’s Diamond Jubilee. There is also an effect caused by the Easter holidays falling into different financial years.
- 2.62 Operational Equipment includes £23k for the planned replacement of ladders £20k for the continuation of a replacement programme for tools and equipment and £6k for equipment to be carried on smaller vehicles.
- 2.63 An additional £15k is required to maintain additional software purchased during 2011/2012. Examples of this are TRanman (Fleet Management) CFRMIS (Fire Safety Database) and Learnpro (web based learning package). These additional costs are more than offset by reductions in ICT budgets elsewhere.

- 2.64 The Service in the past has maintained a communications section comprising 4 staff who were responsible for first line repairs to radio and other communications equipment. The advent of Firelink has made this activity less critical over time and 3 staff have retired and not been replaced. This has meant however that the remaining member of staff is unable to cover call outs at weekends and nights for the maintenance of station end equipment and the mobilising system. It has been necessary therefore to buy in some contracted services to cover this area. The savings from staff reductions still exceed to contractor cost by a significant amount.
- 2.65 When the Headquarters building was extended it was anticipated that income could be earned from lettings. This has proven to be unrealistic and therefore the budget has been removed.
- 2.66 The remaining items in the "other" category include smaller items such as the removal of vending machine income (£3k), additional recruitment advertising (£5k), electronic document archiving (£3k), increases in emergency catering budgets (£1k) and numerous smaller items.
- 2.67 The Fire Cover review is showing additional savings of £188,000. This is simply a matter of timing rather than there being any more savings than expected.
- 2.68 Revenue Implications of Capital Spending reduce by £153,000 due largely to the contributions that have been made to capital expenditure from revenue during 2011/2012. This demonstrates the value of this strategy.
- 2.69 The contribution to reserves figure shown as a reduction of £574,000 does not reflect the actual contribution to or from reserves but the difference in the contribution to or from reserves from that made in 2011/2012 after taking into account the transactions referred to in paragraph 2.30 above. This figure may of course change depending upon the actual recommendation made to the Fire Authority.
- 2.70 Similarly the Revenue Contributions line of £486,000 reflects only the difference between what was contributed in 2011/2012 and what will be contributed in 2012/2013 should Members opt to make these contributions.

SUMMARY OF THE REVENUE BUDGET PROPOSALS FOR 2013/2014

- 2.71 Again this section deals with the changes to the 2012/2013 base budget the full details of which are given as Appendix A to this report.
- 2.72 The calculated base budget for 2013/2014 is £43.774m as set out in paragraph 2.30 above. This is a difference of -£904,000 from the £44.678m figure for 2012/2013 and is analysed as follows:

Heading	Value £000's	Narrative
Base Budget	44,678	Opening Base for 2012/2013
Budget Savings	-313	Various Fire Cover and Non Fire Cover Review savings (see further analysis below)
Pay Inflation	327	Takes account of 1% Pay Cap
Non-Pay Inflation	9	No general inflation beyond contract increases
Admin Increments	62	Also includes £20k for JE contingency
Insurances	25	Inflationary increases
Protective Clothing	50	Chemical Protection Suits
Publicity and Consultancy	15	IRMP Consultation
Other Additions	4	Motor Tax, Mobile Phones, Rentals
Fire Cover Review	-211	Next phase of FCR implementation
Rev Implications of Capital	-1,363	Significant reduction from prior year RCCO
Internal Restructuring	-563	Savings required from restructure
Other	1	
Pensions	53	Primarily Ill Health charges and injury allowances
Changed Requirement	6	See Notes
Contribution to Reserves	997	See notes
Revenue Contributions	0	See Notes
Other	-3	Misc
Total	43,774	Proposed Base for 2013/2014

2.73 The budget savings figure of £313,000 consists of a number of items the most significant of which are:

Heading	Value £000's	Narrative
Energy Charges	-2	Beginning of the PV Project
Overnight stays	-8	General Reduction
SDC Training Costs	-89	General Reduction
Wholetime Pay	-114	Reversal of additional bank holiday and pension migration
Fleet Modifications	-37	Budget reversal of one year items
Equipment	-43	Budget reversal of one year items
Accommodation rentals	-9	General Reduction
Business Rates	-3	Clifton
Office Equipment	-4	General Reduction
Other	-4	Small items less than £2k
Total	-313	

- 2.74 £6k shown as changed requirements is in fact made up of a number of fairly significant items not least of which is a movement between unplanned and planned maintenance of £67,000 (£60,000 removed from unplanned). This line also contains a saving in vehicle mounted equipment of £8k and an additional cost of £10k for the cleaning contract and some other minor movements.
- 2.75 The contribution to reserves figure shown as a reduction of £997,000 does not reflect the actual contribution to or from reserves but the difference in the contribution to or from reserves from that made in 2012/2013 after taking into account the transactions referred to in paragraph 2.30 above. This figure may of course change depending upon the actual recommendation made to the Fire Authority.

SUMMARY OF THE REVENUE BUDGET PROPOSALS FOR 2014/2015

- 2.76 The calculated base budget requirement for 2014/2015 is £44,028m as set out in paragraph 2.30 above. This is a difference of £254,000 from the £43.774m figure for 2013/2014 and is analysed as follows:

Heading	Value £000's	Narrative
Base Budget	43,774	Opening Base for 2013/2014
Budget Savings	-177	Various Fire Cover and Non Fire Cover Review savings (see further analysis below)
Pay Inflation	586	Takes account of 1% Pay Cap
Non-Pay Inflation	8	No general inflation beyond contract increases
Admin Increments	38	Also includes £20k for JE contingency
Vehicle Insurance	52	Poor recent claims history
Planned Maintenance	41	Increase following series of cuts
Bank Holiday	31	Additional amount required
Other additions	5	Interview Expenses and replacement of printers
Fire Cover Review	-378	Planned Savings
Rev Implications of Capital	-165	See Note
Internal Restructuring	209	Savings achieved via non-pay budgets See Note
Pensions	5	Primarily Ill Health charges and injury allowances
Contribution to Reserves	-2,000	This item is simply a contra to the item below reflecting the contribution to capital from balances
Revenue Contributions	2,000	See Above
Other	-1	Misc
Total	44,028	Proposed Base for 2014/2015

2.77 The figure shown as -£177,000 budget savings can be further analysed as follows:

Heading	Value £000's	Narrative
Special Services income increase	-25	Review of charging
Consultancy Fees	-25	General Reduction
Pension Migration	-44	General Reduction
Fleet	-13	Budget reversal of one year items
Ops Equipment	-70	Budget reversal of one year items
Total	-177	

2.78 Comments on the remaining items are explained in the table.

BUDGET ASSUMPTIONS

2.79 In putting together this budget paper a number of assumptions have been made. These assumptions are given in the table below:

Assumption	2012/13	2013/14	2014/15	Source
PWLB Interest Rates	4.3%	4.7%	5.1%	Sector 25 year rate
Pay Awards	1.0%	1.0%	2.0%	Autumn Statement
FF Pension Old Scheme	21.3%	21.3%	21.3%	CLG
FF New Pension	11.0%	11.0%	11.0%	CLG
LGPS	16.1%	16.1%	16.1%	Current
Taxbase increase	0.0%	0.0%	0.0%	Internal
Grant	-3.40%	-9.88%	-6.34%	CSR and Formula CLG consultations

2.80 The most sensitive of these assumptions are the grant payments in 2013/2014 and 2014/2015. These have been extrapolated from a number of sources and include assumptions about removal of floor payments. The effect of these assumptions being incorrect can have a significant effect on budgets going forward but nevertheless the best estimates have been used.

2.81 No assumption has been made for the effect of the new proposals in relation to Council Tax benefits which for the first time may affect Fire Authorities from 2013. It is impossible to make any assumptions in this area as the effect will depend upon each local scheme in each District Council Area and the City. No assumptions have been made for taxbase growth as it is also unclear how these changes may affect collection rates.

COUNCIL TAX

2.82 The current level of Council tax is set at £69.69 per annum for a Band D property. Options presented would require Council Tax for the following three years to be set as follows:

	2012/2013		2013/2014		2014/2015	
	CT%	Band D	CT%	Band D	CT%	Band D
0% Flat	0.0	69.69	0.0	69.69	0.0	69.69
3.5% Flat	3.5%	72.13	3.5%	74.65	3.5%	77.26
1% Flat	1.0%	70.39	1.0%	71.09	1.0%	71.80
2% Flat	2.0%	71.08	2.0%	72.50	2.0%	73.95
3% Flat	3.0%	71.78	3.0%	73.93	3.0%	76.15
Freeze Grant	0.0%	69.69	3.5%	72.13	3.5%	74.65

2.83 It is interesting to note that even in the most expensive option, Council Tax increases by only £2.44 a year in 2012/2013 and £7.58 per annum over the three year period.

BUDGET OPTIONS

2.84 The Finance and Resources Committee is charged with making recommendations to the Fire Authority in respect of the Capital and Revenue budgets for the period 2012/2013 to 2014/2015 and recommendations as to the level of Council Tax.

2.85 As part of these recommendations the Finance and Resources Committee will make a recommendation as to the use of balances to fund capital expenditure.

2.86 It is proposed that the Finance and Resources Committee submit three options to the Fire Authority for consideration. Of the six options considered two require further budget reductions between £1.1m and £1.8m by 2014/2015 (up to £2.4m in 2015/2016) and one option generates a budget surplus of £721,000. It is suggested that these options be discarded in favour of the following options:

- i) A 2% flat rate increase over all three years (£381k further reductions required by end of 2014/2015)
- ii) A 3% flat rate increase over all three years (£350k surplus by the end of 2014/2015)
- iii) Take the freeze grant in 2012/2013 and then raise Council Tax by 3.5% in each of the following years (£149k further reductions required at the end of 2014/2015).

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 many human resources implications within the underlying savings relating to restructuring proposals and those related to the Fire Cover Review although most of these will have been considered elsewhere. The implementation of new

structures the possibility of redundancy, retraining and redeployments will present significant challenges for the HR Department.

5. EQUALITIES IMPLICATIONS

An equality impact assessment 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.

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 2012/2013.

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 In order to manage the implementation of the extensive budget changes a dedicated team has been set up to ensure that implementation is achieved in a timely manner.
- 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

- 9.1 That Members approve the strategy of using balances to both fund the capital programme and to make advance payments of MRP in order to reduce future revenue obligations.
- 9.2 That Members submit the three options set out in paragraph 2.86 above to the Fire Authority to enable a budget to be set for 2012/2013 to 2014/2015 and Precept and Council Tax to be set for 2012/2013.

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

None.

Frank Swann
CHIEF FIRE OFFICER

Analysis of Base Budget Proposals for 2012/2013 to 2014/2015

CIPFA Classification	Sub Heading	Base 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
Employees	Direct Employee Expenses	33,540	33,661	33,935	34,609
	Indirect Employee Expenses	635	560	522	523
	Pension	699	740	793	798
Employees Total		34,874	34,961	35,250	35,930
Premises-Related Expenditure	Cleaning and Domestic Supplies	275	272	282	282
	Energy Costs	434	432	430	430
	Fixture and Fittings	2	1	1	1
	Grounds Maintenance Costs	28	26	25	25
	Premises Insurance	42	27	30	30
	Rates	618	615	612	612
	Refuse Collection	28	27	27	27
	Rents	105	104	107	107
	Repairs Alterations and Maintenance of Buildings	550	394	400	442
	Water	53	53	53	53
Premises-Related Expenditure Total		2,135	1,952	1,968	2,009
Supplies & Services	Catering	46	56	56	56
	Clothes Uniforms and Laundry	222	218	268	218
	Communications and Computing	1,619	1,468	1,468	1,448
	Equipment Furniture and Materials	1,225	972	920	900
	Expenses	105	33	25	25
	Grants and Subscriptions	32	40	40	40
	Miscellaneous Expenses	625	248	-573	-803
	Printing Stationery and General Office Expenses	130	103	103	107
	Services	686	572	589	585
Supplies & Services Total		4,690	3,709	2,895	2,576

Analysis of Base Budget Proposals for 2012/2013 to 2014/2015

Appendix A

CIPFA Classification	Sub Heading	Base 2011/12	Budget 2012/13	Budget 2013/14	Budget 2014/15
Transport-Related Expenditure	Car Allowances	237	188	207	259
	Direct Transport Cost	1,222	1,044	1,000	987
	Public Transport	37	36	36	36
	Recharges	331	213	213	213
	Transport Insurance	507	475	475	475
Transport-Related Expenditure Total		2,334	1,957	1,931	1,970
Support Services	Corporate Services	42	43	44	45
	Finance	169	172	175	179
Support Services Total		211	215	219	224
Third Party Payments	Other Local Authorities	147	147	147	147
	Private Contractors	22	23	24	24
Third Party Payments Total		169	170	170	171
Income	Customer and Client Receipts	-394	-435	-444	-469
	Government Grants	-136	-196	-196	-196
	Interest	1,159	987	893	854
	Other Grants/Reimbursements and Contributions	-2,624	-3,240	-2,244	-244
Income Total		-1,994	-2,884	-1,990	-55
Capital Financing Costs	Debt Management Expenses	3,904	4,543	3,288	1,177
	Interest Payments	85	55	42	28
Capital Financing Costs Total		3,989	4,599	3,330	1,204
TOTAL:		46,407	44,678	43,774	44,028