



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUDGET PROPOSALS FOR 2021/22 TO 2024/25 AND OPTIONS FOR COUNCIL TAX 2021/22

Report of the Chief Fire Officer

Date: 15 January 2021

Purpose of Report:

To allow Members to consider the options for Council Tax to recommend to Fire Authority for acceptance.

Recommendations:

That Members consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of 1.95%.

CONTACT OFFICER

Name : Becky Smeathers
Head of Finance and Treasurer to the Fire Authority

Tel : (0115) 967 0880

Email : becky.smeathers@notts-fire.gov.uk

Media Enquiries Contact : Corporate Communications Team
(0115) 967 0880 corporatecomms@notts-fire.gov.uk

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 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 provisional finance settlement for 2021/22 was released on 17 December 2020. The final settlement for 2021/22 will be laid before Parliament in February.
- 1.3 The Fire Authority approved the Medium Term Financial Strategy (MTFS) 2021/22 to 2024/25 on 27 November 2020. The strategy considers the current financial position of the Authority and looks at the estimated budgetary position over the next three years against a backdrop of both the national and local financial position, including the levels of reserves that the Authority holds.
- 1.4 The process for the preparation of revenue and capital budgets is largely an incremental process. All new investment proposals have been evaluated against the Strategic Plan objectives and the action plans by the Strategic Leadership Team. There is positive involvement of business plan owners in the development of the budgets which has increased ownership around budget decisions.

2. REPORT

CAPITAL BUDGET PROPOSALS 2021/22 TO 2024/25

- 2.1 The Authority maintains a sustainable capital programme which reflects and supports the property, fleet and digital strategies. 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 which will 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 proposed capital programme for 2021/22 to 2024/25 is attached at Appendix A. The 2021/22 programme totals £6.527m. This will increase to reflect any slippage from the 2020/21 programme at the end of the year.
- 2.3 The capital programme has been developed from the Strategic Plan and other supporting strategies such as the Capital Strategy, Property Strategy, fleet replacement programme and Digital Strategy. The Service will undertake a Fire Cover Review early in 2021 and this will inform the new Strategic Plan to cover the years 2022/23 to 2024/25. This may impact on the capital programme for these years and the capital programme will be amended accordingly during the budget setting process for 2022/23.

- 2.4 The transport capital programme includes significant investment in the Service's appliances and light vehicle replacement. Some of the plan has purposefully been delayed to enable it to consider the outcome of the forthcoming Fire Cover Review.
- 2.5 The estates programme flows directly out of the Property Strategy. The programme includes the completion of the new joint Headquarters with the Police. It also includes a programme for replacement of the most aging fire stations at Worksop.
- 2.6 The ICT programme has been developed from the Digital Strategy. Previous years investments in ICT put the Service in a good position to react to the new working environment brought about by Covid-19. The ICT programme continues this investment with specific projects to support the move to the new Headquarters, business process automation and cyber security.
- 2.7 The capital programme can be funded from capital receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.8 **CAPITAL RECEIPTS** – these are received from the sale of assets and can be used to fund either the revenue cost of transformational projects, to fund capital expenditure or to reduce borrowing. The flexible use of capital receipts strategy was approved at Fire Authority on 27 November 2020. It is not proposed to fund any transformational projects using capital receipts during 2021/22.
- 2.9 **GRANT FUNDING** – there is no anticipated grant funding available at present to support the capital programme.
- 2.10 **REVENUE AND RESERVES** – it is not proposed to use any revenue or reserves to fund the capital programme between 2021/22 and 2023/24.
- 2.11 **BORROWING** – the proposed 2021/22 capital programme set out in Appendix A will be largely funded from borrowing. The related costs will be tested for affordability as part of the prudential code for capital finance to be considered by Fire Authority on 26 February 2021. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2021/22 TO 2024/25

- 2.12 The MTFS and budget guidelines approved by Fire Authority on 27 November 2020 projected that it would be difficult to set a balanced budget in 2021/22, largely due to the anticipated impact that the Covid-19 outbreak has had on Council Tax and business rates collection rates. It was anticipated that there would be a £1.2m shortfall in the 2021/22 budget. This was expected to reduce year on year as the local economy improved and collection rates increased so that the budgets would be back in balance by 2024/25. The main assumptions underpinning the MTFS were that there would be a 2%

inflationary increase in government grant, a 2% pay increase and 1.95% rise in Council Tax.

- 2.13 Since the MTF5 was written, the Government has released the Comprehensive Spending Review (CSR) and the Local Government Finance Settlement. The main pressures on budgets and/or changes in assumptions are detailed below.

PAY AWARD

- 2.14 As part of the CSR, the Chancellor indicated that there would be a pay freeze for public sector workers. However, the pay of both firefighters and support staff is set by independent bodies and it is possible that these bodies will not support the Chancellor's position. For this reason, budgets will assume a 1% pay increase for both uniformed and support staff for 2021/22. This is slightly above inflation which was 0.6% in November 2020 (0.9% in October 2020). There remain sufficient reserves available should the pay increase be set at 2%.
- 2.15 Pay awards of 2% for 2022/23 to 2024/25 have been assumed in the budget. Should pay awards be agreed that differ from this, the change in cost will be in the region of £330k for every 1% increase in pay.
- 2.16 Support staff received a 2.75% pay award in 2020/21 against a budget of 2%. The additional £50k ongoing costs per year have been built in to future years' salary costs. The budgets assume a 3% vacancy factor to allow for the time lag that it takes to fill posts.

COVID-19

- 2.17 Covid-19 has had a major effect on how the Service delivers its services, which in turn has impacted on 2020/21 expenditure. There is currently no clear end in sight to the pandemic with the second wave looking to exceed the impact of the first wave in the Spring.
- 2.18 Budget monitoring for 2020/21 has identified significant underspends due to delays in wholtime recruitment, reduced travel costs and reduced activity during the pandemic. Whilst a small element of the underspends has been re-invested in the Service to address current year issues, the majority is being used to protect existing earmarked reserves and increase the general reserve. This will help provide resilience against the financial uncertainties in future years.

COUNCIL TAX

- 2.19 Many Council Tax payers are facing financial hardship. Whilst the measures introduced by the Government have helped ensure that households were able to continue to pay their Council Tax, there is still an expected deficit in the region of £0.5m for 2020/21. This could still vary significantly depending on the outcome of the second wave.

- 2.20 Legislation requires that any under / over collection of business rates or Council Tax is adjusted for in the following years' collection fund. This means that the £500k shortfall identified above would normally need to be charged against 2021/22 Council Tax collection fund even though it relates to 2020/21. However, due to the unusual circumstances, emergency legislation has been approved to allow it to be written off in equal amounts over the next three years, 2021/22 to 2023/24. £190k has been built into budgets for the next three years (replacing a £95k surplus) to cover both this and business rate deficits (see Section 2.23). This is partially offset by an additional grant to cover 75% of the deficit which was announced by the Government in the spending review.
- 2.21 The Council Tax base is calculated on the estimated full year equivalent number of chargeable dwellings expressed as the equivalent number of Band D dwellings in the Council's area after allowing for dwelling demolitions and completions during the year, Council Tax exemptions, discounts, disabled reliefs and premiums, and the estimated collection rate. It is usual for the Council Tax base to increase year on year by just over 1% to reflect new build properties, thus providing additional income to the Service. The 2021/22 Council Tax base is expected to increase by a modest 0.2% which is better than the 0.7% decrease assumed in the MTFS. Final Council Tax base figures will be made available from precepting authorities by 15 January and this will be reflected in the final budget report considered by Fire Authority in February.
- 2.22 The Government announced a Local Council Tax Support Grant as part of the finance settlement to help mitigate the effect of Covid-19 on Council Tax base rates. The Service will receive a one-year grant of £550k in 2021/22 which was not anticipated in the MTFS.

BUSINESS RATES

- 2.23 To date many businesses have been taking advantage of business rate holidays and the Government has compensated local government for the loss of income. The 2020/21 impact for the Service at this point in time is expected to be relatively small at around £60k.
- 2.24 The business rates holiday is currently due to end at on 31 March 2021. The collection rate for 2021/22 will depend on:
- Whether the business rates holiday scheme is extended;
 - What support is given to local business in the second wave to ensure that they remain viable businesses which can re-open after Covid-19;
 - Whether businesses choose to change their methods of working to reduce office space and move towards home working.

- 2.25 This makes it very difficult to estimate business rate collection figures for 2021/22 and beyond. It was assumed in the MTFS that business rate income would fall between 10% (most likely) and 20% (worst case scenario).
- 2.26 It is now considered more likely that the Government will maintain a level of support for businesses. Funding projections have been revised to assume a flat level of business rate income, so income will be the same for 2021/22 as in 2020/21. There is a risk that this will not materialise and if so, reserves will be needed to fund any deficit amounts. A 10% decrease in business rate collection will result in an approximate loss of £370k income.
- 2.27 Reforms to the business rates retention scheme had been consulted on prior to the pandemic, but these have now been delayed and this is not expected to take place for some time and may now encompass a higher-level review of business rates. This increases the uncertainty around future funding levels.

PENSIONS

- 2.28 The remedy is close to being agreed for the McCloud case, where the transition arrangements into the 2015 firefighters' pension scheme were found to be discriminatory. There are likely to be significant increases in the cost of the firefighters' pension scheme because of the case. These are expected to be largely funded by Central Government, but additional costs falling to the Fire Authority cannot be ruled out. This is included to the General Fund reserves risk register.
- 2.29 There is a further potential impact on fire services resulting from a case identifying discriminatory conditions against part-time workers. This could lead to further backdating to the modified pension scheme which allowed On-call firefighters to join the pension scheme and buy back service to 2006. When the modified scheme was created, backdated costs were met by the Government, but as yet there is no certainty that this will happen if the scheme is backdated further.
- 2.30 Both of these remedies will have a large impact on the workload of the pension administration team who will be implementing the changes required. This will require a very significant amount of additional work and costly amendments to the software used to support the pension administration function. These costs will be re-charged to the Service.
- 2.31 The pension administration function moved to a new provider, West Yorkshire Pension Fund, from 1 December 2020. This follows a full OJEU tendering exercise which produced savings in the region of £20k. This will be re-invested in securing appropriate advice around pensions given the increasing complexity and uncertainty in this area.
- 2.32 The 2016 GAD revaluation of the firefighter's pension fund resulted in a headline rate increase of 12.4% of employer pension costs, which in 2019/20 equated to £2.5m for the service. The Home Office has agreed to fund £2.3m of this pressure in 2019/20 and 2020/21. Requests have been made to the

Treasury for this to be added to base budgets rather than offered as a grant to ensure financial sustainability and fire services' ability to plan their resources, but this has not been the case for the 2021/22 settlement. The grant level has been assumed to remain level in cash terms at £2.3m. The pension scheme is currently undergoing a further revaluation, and this creates the risk of a further increase in charges.

INVESTMENT IN TECHNOLOGICAL CAPABILITY

- 2.33 The Service has had to significantly change the way that it works as a consequence of the Covid-19 pandemic. Many support staff are now working from home. Most meetings are taking place virtually rather than face to face. Systems have had to be reviewed and new ways of working developed to meet the needs of the changing environment.
- 2.34 Much of this work has required significant technological changes and the acquisition of new software packages. Cyber security needs to be constantly reviewed with more staff now accessing systems remotely.
- 2.35 All of these areas are placing increased pressure on the Information and Communication Technology (ICT) Department. There have already been additional commitments into future years to secure appropriate software for revised ways of working which have to be built into base budgets going forward. It is anticipated that further investment in the team will be required in forthcoming years and the computer software budget has been increased by £120k.

GRENFELL TOWER INQUIRY RESPONSE

- 2.36 The Grenfell Tower Inquiry and subsequent Hackitt review has identified that much work within the sector is needed to address the issues within the built environment. This will result in increased workload for the Service and the requirement to develop competency and capacity.
- 2.37 Fire protection solutions in the built environment are increasingly complex due to new and innovative construction techniques being deployed; and also major infrastructure projects like HS2.
- 2.38 Grenfell Infrastructure Improvement Grant of £101k was received in September 2020 to assist with the additional costs of implementing the required changes. Revenue budgets also include £50k to fund a Fire Engineer, but this post has been difficult to recruit to and the Service is now offering training to existing staff. Some of the grant will need to be rolled forward into 2021/22.
- 2.39 An additional investment of £40k in fire investigation has been built into the budget, to enable cover to be provided beyond the working day. This will enable an increased level of service to the night time economy. A further £33k has been built in to ensure that the Service is in a position to meet the new ISO17020 standard in crime scene investigation.

FIREFIGHTER RECRUITMENT AND TRAINING

- 2.40 There is a full-time recruit intake during 2021/22 and two On-call intakes. There will be additional costs involved in training firefighters as ridership numbers will be increased while newly qualified firefighters gain their competent status. These will be reflected in the budgets presented to Fire Authority in February 2021. There will also be an increase in PPE (personal protective equipment) costs of £80k to provide PPE to the newly recruited firefighters.
- 2.41 An additional £40k has been built into training budgets to help the Service meet enhanced training obligations in the areas of extrication, flood response and heavy rescue training.

OVERTIME

- 2.42 The overtime budget can be very volatile depending on the number of vacancies in the ridership and extractions required to cover other activities such as training or supporting recruitment. The 2021/22 budget is being reduced from £500k to £360k to reflect that the wholetime recruitment will take the ridership back up to full capacity during 2021/22.

ON CALL PAY

- 2.43 On-call activity has significantly increased during 2021/22. This is largely due to the increased work available during the Covid-19 lockdown periods and increased availability of On-call staff during this period. There has been a drive to increase the number of hours of drills and training which has been successful. Some of this is thought to be down to splitting the sessions into more frequent but smaller groups. It is planned to continue this practice where it is thought to be of most benefit, thus requiring the budget to be increased to levels prior to 2020/21.
- 2.44 The availability of On-call sections has also significantly increased due to the Covid-19 lockdowns and On-call staff being furloughed from other employments. This has seen a corresponding increase in turnouts. Whilst it has been attempted to strip out the impact of Covid-19, it is felt that an element of the increase will continue, and budgets have been increased accordingly. Budgets have also been increased to allow an increase in community fire safety work in line with the Safer Communities Strategy and HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services) inspection action plan.

FLEET AND PROPERTY MAINTENANCE

- 2.45 A proper assessment of the planned fleet maintenance requirement has been undertaken during 2020/21. The life of the fleet of appliances has been extended pending the Fire Cover Review to be undertaken in the New Year which has increased the maintenance requirements. In previous years the

budget was incrementally increased rather than based on an actual maintenance programme. This has resulted in significant overspends in recent years. The budget for 2021/22 needs increasing by £240k to £670k to bring it in line with expected expenditure.

- 2.46 A programme of building assessment has been undertaken during 2020 which has created a comprehensive list of maintenance work which needs to be undertaken. An additional £75k has been built into the budget to commence the additional work with a further £50k scheduled in for 2021/22.

CLEANING

- 2.47 During the Covid-19 outbreak, cleaning at stations has been extended to cover weekends as well as weekdays. This will continue into 2021/22 with an additional cost of £113k.

SAVINGS

- 2.48 The Service has worked hard to find savings to offset some of the additional areas on investment during 2021/22:
- Operational overtime has been reduced by £140k (see Section 2.42);
 - Superannuation budgets have been re-aligned with requirements resulting in a budget reduction of £285k;
 - The budgets for casual and essential mileage have been reduced by £64k to reflect reduced travel which is expected to continue once service returns to normal after Covid-19;
 - Minimum Revenue Provision (MRP) has been reduced by £50k to reflect the revised capital programme;
 - Other miscellaneous - £61k.

RESERVES AND BALANCES

- 2.49 Taking account of the underspend position reported in the budget monitoring report elsewhere on this agenda, total reserve levels held at 1 April 2021 are expected to be £10.7m. This consists of £5.7m general fund reserves and £4.9m earmarked reserves.
- 2.50 The general fund reserve is expected to be in the region of £5.7m by 31 March 2021. The general reserve estimate includes the transfer of £748k anticipated underspend for 2020/21. This will be used to cushion the anticipated deficit for 2021/22. The general fund reserve will remain above the minimum level agreed by Fire Authority in November 2021 of £4.5m.
- 2.51 The earmarked reserves are expected to be in the region of £4.9m by 31 March 2021. These reserves are earmarked for known projects or items of

one-off expenditure. They include the transformation and collaboration reserve which was increased to £1.8m as part of the reserves strategy approved by Fire Authority on 27 November 2020. Several one-off projects have been identified which will assist the Service to deliver its year three action plan which forms part of the Strategic Plan. These are still under review by the Strategic Leadership Team and once finalised they will be included in the budget report to be considered by Fire Authority on 26 February 2021. These projects will be funded from the transformation and collaboration earmarked reserve.

FINANCING THE BUDGET

- 2.52 The Authority primarily receives income from Central Government, Business Rates and Council Tax. The Government announced the provisional finance settlement for 2021/22 on 17 December 2020. The final settlement for 2021/22 expected in February 2021. Experience shows that there is likely to be little change from the provisional figures.
- 2.53 The position has improved compared to that presented in the MTFs, largely due to the additional Local Council Tax Support Grant (Section 2.22), an increase in the estimated council tax base (Section 2.21) and a change in assumptions around business rate income (Section 2.26).
- 2.54 The Authority was awarded £2.3m grant in 2020/21 to cover the increased costs of firefighter pension employer contribution. It has been assumed that this grant will be paid at the same level with no inflationary increase for 2021/22.
- 2.55 Funding for 2022/23 and beyond will be determined as part of the Spending Review which is expected in the autumn of 2021. A 2% inflationary increase has been assumed for the three years 2022/23 to 2024/25. This tracks the same 2% increase in pay assumed in the budgets for these years. There is a risk that funding will be increased at a lower rate than the pay increase which would then create an additional budget pressure in these years.

OUTLOOK FOR 2021/22 TO 2024/25

- 2.56 Detailed budgets have been prepared for the four years 2021/22 to 2024/25, which can be found in Appendix A. The budget for 2021/22 will not be finalised until February 2021, when the surplus or deficit on collection fund and the tax base are confirmed by the billing authorities and the final finance settlement is approved.
- 2.57 In making predictions about budget financing some other assumptions have been made. These are:
- That business rates in 2021/22 will remain at 2020/21 levels (Section 2.26) followed by a 1% increase thereafter. Business rates funding estimates will be confirmed by billing authorities at the end of January 2021;

- The 2021/22 tax base will be in line with forecasts provided by the billing authorities (0.2% increase), followed by future year increases of 1.5%, 1.3%, 1.3%;
- The actual settlement is the same as the provisional and there is a 2% annual increase in government funding thereafter;
- There will be a collection fund deficit of £190k in each of the three years 2021/22 to 2023/24, of which 75% (£142k) will be covered by additional central government grant;
- There is a 1% pay increase in line with inflation across both firefighters and support staff for 2021/22. Any increase above this will be met from reserves. A pay increase of 2% has been assumed for 2022/23 onwards.

2.58 Clearly there remain many uncertainties around both the pay award and funding. Assuming the above assumptions the impact of a nil increase in Council Tax in each of the four years 2021/22 to 2024/25 is set out in Table 1.

Table 1 – Budget Deficit with Nil Council Tax Rise

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Requirement	45,165	45,561	47,000	48,031	48,921
Revenue Support Grant (RSG)	(5,422)	(5,452)	(5,561)	(5,672)	(5,786)
Business Rate (BR) Income	(3,777)	(3,777)	(3,815)	(3,853)	(3,892)
Pension Grant	(2,340)	(2,340)	(2,387)	(2,434)	(2,483)
BR Top up Grant	(7,277)	(7,277)	(7,423)	(7,571)	(7,722)
Council Tax (0%)	(26,074)	(26,139)	(26,531)	(26,890)	(27,253)
Earmarked Reserves	(274)	0	0	0	0
Budget Deficit	0	576	1,283	1,611	1,785

2.59 Table 1 shows that with no increases in Council Tax levels there will be a deficit of £0.6m in 2021/22. This will rise to £1.3m in 2022/23, largely due to the Local Council Tax Support Grant being only available for one year (section 2.22). It increases further to £1.8m by 2024/25.

2.60 The Government has confirmed within the provisional finance settlement, that the Council Tax increase threshold, above which a referendum would be triggered, would be 2% for 2021/22.

2.61 The following table brings together the budget requirement if Council Tax is increased by 1.95% each year.

Table 2 – 1.95% Council Tax Increase and level Grant Funding

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Requirement	45,165	45,561	47,000	48,031	48,921
Revenue Support Grant (RSG)	(5,422)	(5,452)	(5,561)	(5,672)	(5,786)
Business Rate (BR) Income	(3,777)	(3,777)	(3,815)	(3,853)	(3,892)
Pension Grant	(2,340)	(2,340)	(2,387)	(2,434)	(2,483)
BR Top up Grant	(7,277)	(7,277)	(7,423)	(7,571)	(7,722)
Council Tax (1.95%)	(26,074)	(26,650)	(27,578)	(28,496)	(29,443)
Earmarked Reserves	(274)	0	0	0	0
Budget Deficit / (Surplus)	0	65	236	5	(405)

2.62 The above table shows that there would still be a deficit position of £65k in 2021/22 with 1.95% Council Tax. This increases to 236k in 2022/23, but does reduce thereafter and a balanced budget position is estimated for 2023/24. However, the funding position for the years beyond 2021/22 remains very uncertain with it being dependent on the Spending Review next year and whether there are any ongoing issues with Council Tax collection. This will be significantly impacted should the country still be in recession. The table also assumes a 1% pay increase – the 2021/22 deficit would increase to £302k should there be a 2% pay increase.

2.63 A Council Tax increase of 1.95% would generate additional funding of £0.5m in 2021/22. For a Band D household, a 1.95% increase would see rises in Council Tax to £82.95 per annum (an increase of £1.59 per annum, which is approximately three pence per week additional cost). The impact of increases on other bands is given in the table below:

Table 3 – Impact of 1.95% increase in Council Tax

Band	Council Tax 2020/21 £	Annual Council Tax 1.95% Increase £
A	54.24	55.30
B	63.28	64.52
C	72.31	73.73
D	81.36	82.95
E	99.43	101.38
F	117.52	119.82
G	135.59	138.25
H	162.71	165.90

BUDGET OPTIONS

2.64 At its meeting on 27 November 2020, the Fire Authority recommended 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;
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

2.65 The effect of a zero increase in Council Tax is set out in Paragraph 2.58 above and shows a significant deficit for the three years.

2.66 A comparison of the deficit if Council Tax is increased by 0% and 1.95% in each of the four years of the budget strategy is shown in the table below:

Table 4 – Comparison Between Council Tax Options

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Requirement	45,561	47,000	48,031	48,921
Total External Funding	(18,847)	(19,185)	(19,531)	(19,883)
Balance to be met locally	26,714	27,815	28,500	29,038
Council Tax Yield (0%)	(26,139)	(26,531)	(26,890)	(27,253)
Council Tax Yield (1.95%)	(26,650)	(27,578)	(28,496)	(29,443)
Budget Shortfall (0%)	575	1,283	1,611	1,785
Budget Shortfall / (Surplus) (1.95%)	65	236	5	(405)

2.67 In both options outlined above, reserves will be required to balance the budget in the years 2021/22 to 2023/24.

2.68 If Council Tax were not to be increased, £5.3m of reserves would be required to balance the budget for the years up to 2024/25. This would reduce the General Fund Reserve (currently £5.7m) to just £0.4m, which is well below the minimum level of £4.5m set by Fire Authority. If there were to be a 2% pay award during 2021/22, this would substantially increase to a £0.8m deficit in 2021/22 and a total of £6.58m over the four years.

2.69 If a 1.95% Council Tax increase is agreed there would be a deficit of £65k to be met from reserves during 2021/22 and a total of £304k of reserves being required to balance budgets until 2023/24. This would be sustainable as the

Service would once again be in a largely balanced budget position by 2023/24, although it should be remembered that funding remains very uncertain in future years and it is dependent on a 1% pay award in 2021/22. A 2% pay award would increase the deficit position to £302k.

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 has not been undertaken because this report is not associated with a policy, function or service.

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 2021/22 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. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of 1.95%.

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

None.

John Buckley
CHIEF FIRE OFFICER

APPENDIX A

Capital Programme - 2021/22 to 2024/25

	Budget 2021-22 £'000	Budget 2022-23 £'000	Budget 2023-24 £'000	Budget 2024-25 £'000
TRANSPORT				
Pumping Appliances	1,018	1,346	1,683	1,683
Special Appliances	150	675	175	568
Light Vehicle Replacement	179	442	250	159
E1 Fleet - telematic				90
	1,347	2,463	2,108	2,500
EQUIPMENT				
BA Sets		250		
Gas Tight Suits			50	
Radios				300
RTC Equipment				800
water rescue kit	100			
	100	250	50	1,100
ESTATES				
Workshop Fire Station	2,000	1,258	63	
HQ	2,000	333	2,078	
Eastwood Fire Station		750	713	38
Ashfield Fire Station (Refurb)			488	13
Arnold Fire Station			25	1,750
	4,000	2,341	3,366	1,800
I.T. & COMMUNICATIONS				
HQ Project (Enabling Works - ICT)	150	100	110	110
ICT Capital Programme - Replacement Equipment	50	30	30	30
Mobile Computing	100			
HQ - Link ICT Replacement	30	30	30	20
Performance Management System	20	20	20	20
HQ Core Switch Upgrade		50		
One off projects	100			
SharePoint Online Migration	450	230	190	180
CONTROL				
Emergency Services Mobile Communications	450	200		
Rostering Project	150			
Tri-Service Control & Mobilising System			1,000	
	600	200	1,000	
FINANCE				
HR Upgrade				51
Payroll System Replacement	30		30	
Finance Agresso Upgrade	30		30	51
Total	6,527	5,483	6,743	5,631
To Be Financed By :				
Capital Receipts	10	1,010	10	360
New Borrowing	6,517	4,473	6,733	5,271
Revenue contributions to capital				
Total	6,527	5,483	6,743	5,631

APPENDIX B

CASH LIMIT				
	Revised Budget 2020/21 £000's	Budget Requirement 2021/22 £000's	Budget Requirement 2022/23 £000's	Budget Requirement 2023/24 £000's
<u>Employees</u>				
Direct Employee Expenses	34662	34704	35292	35991
Indirect Employee Expenses	500	543	543	543
Pension	918	880	939	922
	36080	36127	36774	37456
<u>Premises-Related Expenditure</u>				
Repairs Alterations and Maintenance of Buildings				
	609	721	795	819
Energy Costs	458	469	481	493
Rents	1	1	1	1
Rates	1009	1006	1031	1057
Water	83	85	87	89
Fixture and Fittings	1	1	1	1
Cleaning and Domestic Supplies	316	429	444	416
Grounds Maintenance Costs	30	31	32	33
Premises Insurance	16	16	16	16
Refuse Collection	39	40	40	41
	2562	2799	2928	2966
<u>Transport-Related Expenditure</u>				
Direct Transport Cost	1046	1267	1199	1249
Recharges	45	45	45	45
Public Transport	37	37	37	37
Transport Insurance	188	188	188	188
Car Allowances	321	257	257	257
	1637	1794	1726	1776
<u>Supplies & Services</u>				
Equipment Furniture and Materials	624	715	668	663
Catering	68	68	68	68
Clothes Uniforms and Laundry	289	369	289	289
Printing Stationery and General Office Expenses	45	45	45	45
Services	584	617	617	617
Communications and Computing Expenses	1653	1753	1824	1824
	44	47	47	47
Grants and Subscriptions	54	56	56	56
Miscellaneous Expenses	172	197	197	197
	3533	3867	3811	3806
<u>Third Party Payments</u>				
Other Local Authorities	783	783	783	783
Private Contractors	0	0	0	0
	783	783	783	783
<u>Support Services</u>				
Finance	147	143	143	143
Corporate Services	45	45	45	45
	192	188	188	188

Depreciation and Impairment Losses

	Revised Budget 2020/21 £000's	Budget Requirement 2021/22 £000's	Budget Requirement 2022/23 £000'	Budget Requirement 2023/24 £000's
Depreciation	0	0	0	0
Amortisation of Intangible Fixed Assets	0	0	0	0
	0	0	0	0
<u>Sales Fees & Charges</u>				
Customer and Client Receipts	-405	-375	-380	-385
	-405	-375	-380	-385
<u>Other Income</u>				
Government Grants	-1161	-1850	-1301	-1301
Other Grants/Reimbursements and Contributions	-469	-111	-111	-111
Interest	-100	-20	-20	-20
	-1730	-1981	-1432	-1432
<u>Capital Financing Costs</u>				
Interest Payments	785	785	807	807
Debt Management Expenses	1727	1574	1794	2066
	2512	2359	2601	2873
Total	45,164	45,561	46,999	48,031