



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

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

Report of the Chief Fire Officer and
Treasurer to the Fire Authority

Date: 26 February 2021

Purpose of Report:

- To present Fire Authority with proposals for Revenue and Capital budgets for 2021/22 to 2024/25 to allow Members to determine the level of Council Tax for 2021/22.
- To set out fees and charges for 2021/22 for Members' approval.
- To seek Members' approval to the continued payment of Members Allowances for 2021/22 in accordance with the approved scheme.

Recommendations:

It is recommended that Members:

- Agree the recommendation of the Finance and Resources Committee to the Fire Authority that there be a 1.95% Council Tax increase.
- Approve the 2021/22 precept level to be notified to the Billing Authorities based on the information set out in Section 2 and Appendix C as required by statute.
- Approve the fees and charges for 2021/22, as set out in Appendix D.
- Approve the payment of Members Allowances for 2021/22 in accordance with the approved scheme.

CONTACT OFFICER

Name: Becky Smeathers
Head of Finance/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 At its meeting on 15 January 2021 the Finance and Resources Committee considered a report setting out the latest budget position based on the provisional grant settlement and the indicative position with regard to the Council Tax base.
- 1.2 The Finance and Resources Committee was asked to consider options for Council Tax between a Council Tax freeze and an increase in Council Tax, up to the maximum of 1.95% and make recommendations to the full Fire Authority. This report sets out the implications of the option selected by the Finance and Resources Committee at its January meeting.
- 1.3 The budgetary position presented to the Finance and Resources Committee has been updated to reflect the final announcements regarding Government grant, Business Rates, Council Tax base and surplus on Collection Fund, as well as other minor adjustments. It includes a statement by the Authority's Treasurer in relation to the robustness of estimates and the adequacy of reserves and balances as required by S25 of the Local Government Act.
- 1.4 The Fire Authority is required to set a precept before 1 March 2021 and notify this to the billing authorities.

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 detailed in Appendix A and summarised in Table 1 below. The 2021/22 programme totals £5.835m prior to any slippage from 2020/21 yet to be approved by Fire Authority. It is summarised in Table 1 below.

Table 1 – Capital Programme 2021/22 to 2024/25

	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Transport	1,347	2,463	2,108	2,500
Equipment	100	250	50	1,100
Estates	3,623	2,108	1,288	1,800
ICT & Communications	765	430	1,220	231
Total	5,835	5,251	4,666	5,631
Funded by:				
Capital Receipts	10	1,010	10	360
Borrowing	5,825	4,241	4,656	5,270
Total	5,835	5,251	4,666	5,631

- 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, enabling 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 such as 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 Sources of funding for the capital programme include grant, revenue contributions, reserves, capital receipts 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.
- 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 Medium Term Financial Strategy and Budget Guidelines report considered by Fire Authority on 27 November 2020 provided the economic backdrop for the budget process.
- 2.13 Since the November report, budgets were updated and reported to the Finance and Resources Committee on 15 January 2021. The Council Tax estimates and Business Rate estimates for 2021/22 have been received and the final settlement figures released by the Government. The main areas of movement are within Council Tax and Business Rate income levels which have moved considerably. Fortunately, a reduction in Business Rate income estimates have been largely offset by an increase in Council Tax estimates, so that overall the budget is largely in line with that presented to Finance and Resources Committee in January.
- 2.14 Detailed expenditure budgets can be found in Appendix B. These are summarised in Table 2 below.

Table 2 – Budget Requirement 2020/21 to 2023/24

	Revised Budget 2020/21 £'000	Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000
Employees	36,016	36,143	36,900	37,575	38,308
Premises	2,562	2,799	2,928	2,966	3,024
Transport	1,637	1,794	1,726	1,776	1,811
Supplies & Services	3,533	3,731	3,685	3,680	3,752
Payments to other Local Authorities	783	783	783	783	798
Support Services	192	178	178	178	181
Capital Financing Costs	2,512	2,456	2,698	2,970	3,028
Income	(2,070)	(2,582)	(1,892)	(1,897)	(1,922)
Total	45,165	45,302	47,006	48,031	48,980

2.15 The main pressures on budgets are detailed in the paragraphs below.

PAY AWARD

- 2.16 As part of the Comprehensive Spending Review (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 have been built assuming a 1% pay increase for both uniformed and support staff for 2021/22. This is slightly above inflation which was 0.8% in December 2020 (0.6% in November 2020). There remain adequate reserves available should the pay increase be set at 2%.
- 2.17 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.
- 2.18 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

- 2.19 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 far exceed the impact of the first wave in the Spring 2020.
- 2.20 Budget monitoring for 2020/21 has identified significant underspends due to delays in wholetime recruitment, reduction in overtime to prevent the spread of Covid-19, reduced travel costs and reduced activity during the pandemic. Whilst an 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.
- 2.21 The impact of Covid-19 on 2021/22 budgets remains unclear. On the whole budgets have been set to allow normal activity levels to be resumed early in the new financial year.

COUNCIL TAX

- 2.22 Many Council Tax payers are facing financial hardship due to reduced income levels and increasing unemployment. The impact on Council Tax collection rates was originally estimated to be in the region of £0.5m. However, collection rates have held up better than expected and the deficit relating to 2020/21 is now expected to be approximately £292k. This has been further improved by better collection rates in other areas such as debts relating to prior years.
- 2.23 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 £292k shortfall identified above would normally need to be charged against 2021/22 accounts 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. The 2020/21 deficit being charged to 2021/22 to 2023/24 is £97k. For 2021/22 this has been offset by additional income resulting from prior year adjustments. Additional central government grant estimated to be £45k per year will also be received over the next three years.
- 2.24 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. Council Tax base

figures have been estimated to rise by 1.5% in 2022/23 - the impact of each 0.5% change in tax base figures would be a change in funding of £271k.

- 2.25 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

- 2.26 Covid-19 has had a significant impact on Business Rate income in 2020/21. Business Rate relief was introduced for several business sectors as part of the suite of measures put in place to reduce the impact of the Covid-19 pandemic. The impact on collection has been significant, with only £2m of the £3.78m being collected. The Government is expected to pay £1.6m compensation to the Authority for the loss of income, leaving £79k to be funded within the Service, most of which is required to be charged to the 2021/22 accounts.
- 2.27 Furthermore, as the economy contracts, 2021/22 business rate income is expected to fall to £3.70m which is £77k less than the amount budgeted for in 2020/21, a drop of 0.2% despite the measures implemented by the Government to protect businesses. It has been assumed that these measures will continue until March 2022. There is increased uncertainty over income levels for 2022/23 and beyond when these measures end, and businesses adapt to new ways of working. A 5% (£180k) reduction in income has been assumed for 2022/23, but this may prove to be an under-estimate and will need re-visiting during the budget process next year.
- 2.28 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.

PENSIONS

- 2.29 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.
- 2.30 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 of yet there is no certainty that this will happen if the scheme is backdated further.

- 2.31 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.
- 2.32 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.
- 2.33 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, although these are unlikely to hit Fire Service budgets until 2024/25.

INVESTMENT IN TECHNOLOGICAL CAPABILITY

- 2.34 The Service has had to 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.
- 2.35 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.
- 2.36 Significant investment has been made into the technological capability of the organisation to reflect the changes to adapt to Covid-19 and to develop the services capability in other areas. These include an £120k increase in the computer software budget, £38k investment in website development and £37k investment on the management information system to support prevention and protection activity.

GRENFELL TOWER INQUIRY RESPONSE

- 2.37 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.

- 2.38 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.
- 2.39 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.
- 2.40 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

- 2.41 There is a full-time recruit intake during 2021/22 and two or possibly three 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.
- 2.42 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

- 2.43 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

- 2.44 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, when reduced demand resulted in budget cuts in this area.

2.45 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 some catching up following the current reduction in service caused by Covid-19. This will be funded from the Covid-19 grant received by the Authority. This is in addition to an increase in community fire safety work already planned within the Safer Communities Strategy and HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services) inspection action plan.

FLEET AND PROPERTY MAINTENANCE

2.46 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 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.

2.47 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

2.48 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.

STAFF WELLBEING

2.49 Staff wellbeing has always been a priority for the service. This has become even more important during Covid-19 where staff are facing new and differing challenges every day. Permanent funding for an occupational health and fitness assistant has been built into the budget following the success of a temporary apprentice post which has proved to have had a significant positive impact during Covid-19. Funding for a permanent post to support the Equality and Diversity team has also been built into the budget to further drive forward the ambition of the service in this area.

SAVINGS

2.50 The Service has worked hard to find £640k of 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 - £100k.

RESERVES AND BALANCES

- 2.51 Taking account of the underspend position reported in the budget monitoring reported to Finance and Resources Committee on 15 January 2021, 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.
- 2.52 The general fund reserve is £1.2m above the minimum level of £4.5m set by Fire Authority in November 2021. The £1.2m would be available to manage possible future year deficits, either to smooth out expenditure to cushion any temporary deficits or to facilitate any future savings that need to be made.
- 2.53 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. This will fund several one-off projects that have been identified to assist the service to deliver its year three action plan which forms part of the Strategic Plan. Projects include:
- A trial of revised on call pay and contracts to try to improve sustainability of the on-call section (£73k);
 - A temporary cadet and volunteer co-ordinator role to facilitate the use of volunteers within the service to deliver activities in communities (£66k);
 - Extension of a role to support equality and diversity work (£40k);
 - Resources to improve the Service's website (£38k);
 - Post to support the regional development of National Operational Guidance (£55k).
- 2.54 These projects will be included in budget monitoring as project details are finalised and work commences.

FINANCING THE BUDGET

- 2.55 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the final Local Government finance settlement on 04 February 2021 covering 2021/22.
- 2.56 The council tax increase threshold, above which a referendum would be triggered has remained at 2% for 2021/22.
- 2.57 The precepting authorities also submitted their estimates for 2021/22 Business Rate income on 31 January 2021. The Fire Authority receives 1% of this income.
- 2.58 The budget includes £1.6m Section 31 grant to compensate for Covid-19 related Business Rate reliefs to businesses and a further £855k Section 31 grant to compensate for various changes made to Business Rates by Central Government such as small business relief. These grants have been estimated by the precepting authorities and will not be confirmed until the summer.
- 2.59 For 2021/22 the Authority received Section 31 grant to cover the increased costs of fire fighter pension employer contributions introduced in 2020/21. The level of grant received has been maintained at £2.34m which is the same in cash terms as 2020/21 and 2019/20. Actual costs are in the region of £300k higher than this and the shortfall has been built into the budgets. In future years, it is expected that this grant will form part of the 2022/23 CSR.
- 2.60 Funding for 2022/23 to 2024/25 will be determined as part of the CSR which will not be announced until mid-2021. For the purposes of budgeting, a 2% inflationary increase in government funding 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

- 2.61 Detailed budgets have been prepared for the four years 2021/22 to 2024/25, which can be found in Appendix A and is summarised in Table 3 below.
- 2.62 The budget has been built assuming the following:
- That Business Rates and Council Tax income in 2021/22 will be in line with predictions from Billing Authorities and that Business Rate support from the Government will continue into 2021/22. The uncertain climate facing the country in the coming year may impact on these predictions and they may need updating as the year progresses;
 - Business Rates income will drop by 5% in 2022/23 and remain flat in 2023/24. It has been assumed that any reduction beyond this level will

attract temporary support from Central Government to enable the service to plan for this reduction in income;

- There is a 2% increase in funding for 2022/23 to 2024/25, although this is expected to be linked to potential pay increases in these years;
- 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;
- Pension grant remains at £2.34m in future years (regardless of whether it is consumed within the Spending Review or kept as a separate Section 31 grant).

2.63 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 3.

Table 3 – 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	45,301	47,006	48,031	48,980
Revenue Support Grant (RSG)	(5,422)	(5,452)	(5,561)	(5,672)	(5,786)
Business Rate (BR) Income	(3,777)	(2,010)	(1,903)	(3,403)	(3,437)
BR Covid Relief grant	0	(1,573)	(1,500)	0	0
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	510	1,701	2,061	2,299

*Assumes a rise in tax base but no rise in Council Tax (2020/21 figures are actual).

2.64 Table 3 shows that with no increases in Council Tax levels there will be a deficit of £0.5m in 2021/22 which would need to be eliminated. This will rise to £1.7m in 2022/23, largely due to the Local Council Tax Support Grant being only available for one year (section 2.25) and increased pressures on Business Rates (section 2.27). It increases further to £2.3m by 2024/25.

2.65 In January, the Finance and Resources Committee recommended a 2021/22 Council Tax increase of 1.95% to Fire Authority, which is marginally below the maximum 2% increase permitted without invoking a referendum. Table 4

demonstrates that this would enable the Authority to deliver a balanced budget for 2021/22 (see section 2.62 for assumptions made).

Table 4 – 1.95% Council Tax Increase

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Budget Requirement	45,165	45,302	47,006	48,031	48,980
Revenue Support Grant (RSG)	(5,422)	(5,452)	(5,561)	(5,672)	(5,786)
Business Rate (BR) Income	(3,777)	(2,010)	(1,903)	(3,403)	(3,437)
BR Covid Relief grant	0	(1,573)	(1,500)	0	0
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	0	0	654	455	109

2.66 The above table shows that a balanced budget would be achieved in 2021/22 with front line services being maintained at current levels if a 1.95% increase in Council Tax were approved. There would still be a deficit position in future years (£654k in 2022/23 reducing to £109k in 2024/25) but funding for these years is still very uncertain and will be impacted by the CSR and the impact of the financial environment on the collection of Business Rates. Any continuing deficit will need to be addressed when the 2022/23 budget is reviewed, and more information is known.

IMPACT OF DIFFERING ASSUMPTIONS

2.67 The figures in Table 4 assume a 1% pay increase – the 2021/22 deficit would increase to £240k should there be a 2% pay increase, with 2022/23 budgets increasing by a further £90k when the full year effect comes through (sections 2.16 – 2.18).

2.68 Government grant has been assumed to rise by 2% per year from 2022/23. Each 1% change in this assumption will result in a change in funding of £300k. It is reasonable to assume that government grant levels will track public sector pay increases, so that generally increased pay costs will be matched by increased income, although there is a need to be mindful that the pay for fire service staff is set by independent bodies and may not follow national trends (section 2.16).

2.69 Council Tax base figures have been estimated to rise by 1.5% in 2022/23 - the impact of each 0.5% change in tax base figures would be a change in funding of £271k (sections 2.23 & 2.60).

2.70 Business Rate Income has been estimated to reduce by 5% in 2022/23. There is a risk that this could be higher. Each 5% reduction in business rate income will result in additional pressure of approximately £180k (section 2.25 - 2.27).

RESERVES

2.71 Taking account of anticipated use of reserves in the current financial year, total reserve levels held at 1 April 2021 are expected to be £10.7m. The general fund reserve level of £5.7m is £1.2m above the minimum level of £4.5m set by Fire Authority in November 2021. This represents the maximum level of available reserves to support future years' budget deficits.

2.72 Table 3 shows that if Council Tax is not increased between 2021/22 and 2024/25, the cumulative deficit figure would be in the region of £6.6m. This would require a significant savings plan to be developed as there are insufficient general fund reserves to cover the deficit.

2.73 Table 4 shows that with a 1.95% increase in Council Tax for the same period, a balanced budget would be achieved for 2021/22 and the total deficit across the remaining years would be in the region of £1.2m. If required, this could be met from the general fund reserve whilst maintaining the minimum level set by Fire Authority. This, however, would be dependent on the accuracy of assumptions made and this will need reviewing in the light of the evolving economic state of the country and the outcome of the CSR. This will be monitored throughout the year alongside any saving opportunities highlighted as part of the Fire Cover Review to enable any required savings to be planned in a proper manor.

PROPOSAL FOR COUNCIL TAX INCREASES 2021/22

2.74 The recommendation of a 1.95% increase in Council Tax proposed by the Finance and Resources Committee is set out in tabular form in Appendix C.

2.75 Council Tax for the Fire Authority is currently £81.36 at Band D. A 1.95% increase in this would raise it by £1.59 per year to £82.95. The effects of such an increase on other bands per year is as follows:

Table 5 – Impact of 1.95% increase in Council Tax

Band	Council Tax 2020/21 £	Annual Council Tax 1.95% Increase £	Increase £
A	54.24	55.30	1.06
B	63.28	64.52	1.24
C	72.31	73.73	1.42
D	81.36	82.95	1.59
E	99.43	101.38	1.95
F	117.52	119.82	2.30
G	135.59	138.25	2.66
H	162.71	165.90	3.19

The majority of the homes in the City and County of Nottinghamshire fall into Bands A and B.

FEES AND CHARGES

2.76 At its meeting on 13 November 2015 the Policy and Strategy Committee approved a scale of fees and charges for Special Service Charges and for the use of Service facilities. That Committee also approved the increase of these fees and charges by annual inflation. Appendix D sets out the current scale of fees and charges as well as proposed fees and charges for 2021/22, which have had an inflationary increase applied. It is recommended that the Authority approve these charges for implementation from 1 April 2021.

APPROVAL OF MEMBERS ALLOWANCES

2.77 The allowances that Members can claim are set out in the Members' Allowance Scheme. At its meeting on 22 September 2017 Fire Authority approved that Member's basic allowance and special responsibility allowances would increase on an annual basis linked to increases set by the National Joint Council for Local Government Service.

2.78 It is recommended that members allowances continue to be paid in line with the approved scheme.

COMMENTS OF THE TREASURER

2.79 Under Section 25 of the Local Government Act 2003, the Treasurer is required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

2.80 The Treasurer is satisfied that, on the basis of the financial risk assessments, the reserves are adequate to support the budget in 2021/22.

2.81 The Treasurer is satisfied that the revenue and capital budgets have been prepared in an accurate and robust manner, such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

2.82 A statement by the Authority Treasurer is included as Appendix E to this report.

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

- 7.1 The Authority has a statutory duty to notify its precept to Billing Authorities by 1 March 2020 and has no power to issue a supplementary precept.
- 7.2 Section 114 of the Local Government Finance Act 1988 requires the Treasurer to report to Members and the External auditor if the Authority or one of its officers has made, or is about to make, a decision that involves unlawful expenditure. Not setting a balanced budget would be classed as being unlawful.
- 7.3 The Authority must also comply with the Accounts and Audit Regulations and ensure that the financial management of the Authority is adequate and effective and has a duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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 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

It is recommended that Members:

- 10.1 Agree the recommendation of the Finance and Resources Committee to the Fire Authority that there be a 1.95% Council Tax increase.
- 10.2 Approve the 2021/22 precept level to be notified to the Billing Authorities based on the information set out in Section 2 and Appendix C as required by statute.
- 10.3 Approve the fees and charges for 2021/22, as set out in Appendix D.
- 10.4 Approve the payment of Members Allowances for 2021/22 in accordance with the approved scheme.

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

None.

John Buckley
CHIEF FIRE OFFICER

Becky Smeathers
TREASURER TO THE FIRE AUTHORITY

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
Appliance telematic equipment				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	
Joint Head Quarters	1,623	100		
Eastwood Fire Station		750	713	38
Ashfield Fire Station (Refurb)			488	13
Arnold Fire Station			25	1,750
	3,623	2,108	1,288	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	35			
Replacement Occupational Health Software	65			
Emergency Services Mobile Communications	100	200		
Rostering Project	185			
Tri-Service Control & Mobilising System			1,000	
HR Upgrade				51
Finance system upgrades	30		30	
	765	430	1,220	231
Total	5,835	5,251	4,666	5,631
To Be Financed By :				
Capital Receipts	10	1,010	10	360
New Borrowing	5,825	4,241	4,656	5,270
Revenue contributions to capital				
Total	5,835	5,251	4,666	5,631

APPENDIX B

CASH LIMIT				
	Revised Budget 2020/21 £'000	Budget Requirement 2021/22 £000's	Budget Requirement 2022/23 £000's	Budget Requirement 2023/24 £000's
<u>Employees</u>				
Direct Employee Expenses	34,598	34,729	35,421	36,113
Indirect Employee Expenses	500	534	540	540
Pension	918	880	939	922
	36,016	36,143	36,900	37,575
<u>Premises-Related Expenditure</u>				
Repairs Alterations and Maintenance	609	721	795	819
Energy Costs	458	469	481	493
Rents	1	1	1	1
Rates	1,009	1,006	1,031	1,057
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
	2,562	2,799	2,928	2,966
<u>Transport-Related Expenditure</u>				
Direct Transport Cost	1,046	1,267	1,199	1,249
Recharges	45	45	45	45
Public Transport	37	37	37	37
Transport Insurance	188	188	188	188
Car Allowances	321	257	257	257
	1,637	1,794	1,726	1,776
<u>Supplies & Services</u>				
Equipment Furniture and Materials	624	715	668	663
Catering	68	53	63	63
Clothes Uniforms and Laundry	289	393	313	313
Printing Stationery & Office Expenses	45	40	40	40
Services	584	580	580	580
Communications and Computing Expenses	1,653	1,758	1,829	1,829
	44	36	36	36
Grants and Subscriptions	54	62	62	62
Miscellaneous Expenses	172	94	94	94
	3,533	3,731	3,685	3,680
<u>Third Party Payments</u>				
Other Local Authorities	783	783	783	783
	783	783	783	783
<u>Support Services</u>				
Finance	147	133	133	133
Corporate Services	45	45	45	45

	Revised Budget 2020/21 £'000	Budget Requirement 2021/22 £000's	Budget Requirement 2022/23 £000's	Budget Requirement 2023/24 £000's
<u>Sales Fees & Charges</u>				
Customer and Client Receipts	-405	- 362	-367	-372
	-405	-362	- 367	- 372
<u>Other Income</u>				
Government Grants	-1161	- 1,922	-1,372	-1,372
Other Grants and Contributions	-404	-278	-133	-133
Interest	- 100	-20	-20	-20
-	1665	-2,220	-1,525	-1,525
<u>Capital Financing Costs</u>				
Interest Payments	785	882	904	904
Debt Management Expenses	1,727	1,574	1,794	2,066
	2,512	2,456	2,698	2,970
BUDGET	45,165	45,302	47,006	48,031

PROPOSAL FOR COUNCIL TAX INCREASE OF 1.95%

An increase in Council Tax of 1.95% would require the Authority to set a Band D Council Tax of £82.95 per annum in 2021/22.

Specifically, in 2021/22 Council Tax would be set at the following levels:

Band A	55.30
Band B	64.52
Band C	73.73
Band D	82.95
Band E	101.38
Band F	119.82
Band G	138.25
Band H	165.90

The level of Council Tax at Band D is then multiplied by the taxbase to calculate the precept to be set for each of the District Councils and the City Council as follows:

	Taxbase	Percentage	Precept £
Ashfield	33,731.70	10.6%	2,798,044.50
Bassetlaw	35,771.49	10.9%	2,967,245.08
Broxtowe	34,217.46	10.7%	2,838,338.29
Gedling	37,389.96	11.7%	3,101,497.16
Mansfield	29,512.20	9.2%	2,448,036.98
Newark and Sherwood	40,002.05	12.3%	3,318,170.03
Rushcliffe	44,259.60	13.6%	3,671,333.80
Nottingham City	66,396.00	20.9%	5,507,548.17
Total	320,480.10	100.0%	26,650,214.01

The above figures are calculated after taking account of the declared surplus/deficit on collection for each of the billing authorities.

**FEES AND CHARGES –
SPECIAL SERVICES AND USE OF FACILITIES 2021/22**

	2020/21 Charges	2021/22 Proposed Charges
Personnel: per hour, or part of an hour:		
Full Crew	£288.00	£290.90
Station Manager and above	£64.30	£64.90
Watch Manager	£52.70	£53.20
Crew Manager	£50.20	£50.70
Firefighter	£47.50	£48.00
Appliances and Vehicles: per hour, or part of an hour:		
	£44.30	£44.80
Loan of Salvage Sheet:		
Charge for fitting	£288.00	£290.90
Charge for removing	£288.00	£290.90
Charge for salvage sheet	£96.50	£97.70
Copy of a Fire Report		
	£70.80	£71.60
Hire of Meeting Room:		
Full day	£252.00	£255.00
Half day	£130.00	£131.60

Note: all charges above include VAT at the current rate, where applicable

**NOTTINGHAMSHIRE AND CITY OF NOTTINGHAM
FIRE AND RESCUE AUTHORITY**

STATEMENT BY AUTHORITY TREASURER

Under Section 25 of the Local Government Act 2003, the Treasurer is specifically required to report to the Authority on the following two matters:

- The robustness of the estimates made for the purposes of calculations; and
- The adequacy of reserves.

The required level of reserves is calculated using a risk assessment methodology. I am satisfied that, on the basis of those risk assessments, the proposed level of reserves is adequate.

Earmarked Reserves are held for specific purposes, and include amounts for unspent grant, the Emergency Services Mobile Communications Programme, Transformation and Collaboration.

I am content that the Revenue and Capital budgets have been prepared in an accurate and robust manner such that the Authority will have adequate resources to discharge its responsibilities under various statutes and regulations.

Becky Smeathers CPFA
FIRE AND RESCUE AUTHORITY TREASURER