



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

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

BUDGET PROPOSALS FOR 2022/23 TO 2025/26 AND OPTIONS FOR COUNCIL TAX 2022/23

Report of the Chief Fire Officer

Date: 21 January 2022

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: Simon Cotton
(0115) 967 0880 simon.cotton@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 2022/23 was released on 16 December 2021. The final settlement for 2022/23 will be laid before Parliament in February.
- 1.3 The Fire Authority approved the Medium-Term Financial Strategy (MTFS) 2022/23 to 2025/26 on 17 December 2021. 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 Draft Community Risk Management Plan (CRMP) which is replacing the current Strategic Plan in 2022/23.

2. REPORT

CAPITAL BUDGET PROPOSALS 2022/23 TO 2025/26

- 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 2022/23 to 2025/26 is attached at Appendix A. The 2022/23 programme totals £4.363m. This will increase to reflect any slippage from the 2021/22 programme at the end of the year. Future year programmes will be kept under review.
- 2.3 The capital programme has been developed from the CRMP and other supporting strategies such as the Capital Strategy, Property Strategy, fleet replacement programme and Digital Strategy.
- 2.4 The transport capital programme includes significant investment in the Service's appliances and light vehicle replacement.

- 2.5 The estates programme flows directly out of the Property Strategy. The programme includes the completion of the new station at Worksop and a new station at Eastwood.
- 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 availability of risk information on appliances and the development of a new mobilisation system.
- 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 17 December 2021. It is not proposed to fund any transformational projects using capital receipts during 2022/23.
- 2.9 **GRANT FUNDING** – there is no anticipated grant funding available at present to support the 2022/23 capital programme.
- 2.10 **REVENUE AND RESERVES** – the 2022/25 programme includes £175k of funding from earmarked reserves to fund ICT capital projects.
- 2.11 **BORROWING** – the proposed 2022/23 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 25 February 2022. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2022/23 TO 2025/26

- 2.12 The MTFs and budget guidelines approved by Fire Authority on 17 December 2021 projected that it would be difficult to set a balanced budget in 2022/23, largely due to the impact of increased inflation and the effect this will have on pay awards in 2022/23. It was anticipated that there would be a £800k shortfall in the 2022/23 budget, even after £1m temporary savings were built into the budget. The main assumptions underpinning the MTFs were that there would be a 2% inflationary increase in government grant, a 3% pay award and 1.95% rise in Council Tax.
- 2.13 Since the MTFs was written, the Government has released the draft Local Government Finance Settlement. Whilst a £748k one off Services Grant was detailed in the settlement to cover additional costs, £500k of this had already been anticipated in the MTFs. The additional grant will be insufficient to cover the pressures that the service is facing in 2022/23.

- 2.14 The settlement was not the three-year settlement that was anticipated, and details have only been released for 2022/23 funding. This leaves considerable uncertainty regarding levels of funding for 2023/24 and beyond and means that the service must be prepared to identify areas of potential savings for implementation in future years if funding is not forthcoming.
- 2.15 The main pressures on budgets and/or changes in assumptions are detailed below.

ECONOMIC CLIMATE

- 2.16 The current economic climate is increasingly uncertain as the country responds to the Omicron variant of Covid-19. The hospitality sector experienced significantly reduced activity in December, when it would normally be building up reserves to see it through the early part of the new year. There is now only limited government support for businesses, and this may impact on Business Rate income. Although unemployment remains very low at present, it is unclear what the full impact of the end of the furlough scheme will be, especially with the issues identified in the hospitality sector.
- 2.17 In November 21, inflation increased to 5.1% (Consumer Price Index – CPI) and is expected to reach 6% by April 2022. This is largely caused by shortages in some goods and increases in energy costs. November’s increase was higher than anticipated by the Bank of England who responded by increasing interest rates to 0.25%. Whilst this is a small increase, it does indicate that the Bank of England believes there is a risk of sustained inflation above its target rate of 2% and sets the scene for further increases in coming months.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

- 2.18 The draft CRMP is now being finalised after being out to consultation until 24 December 21. It sets the template for service improvement in the coming years. The 2022/23 proposed budget contains an element of growth to deliver the early stages of the CRMP. This includes:

Amount £'000	Detail
225	Relocation of the Incident and Command Training Suite to Mansfield Station – this is a capital project
100	ICT capital project to install new modules on to the Community Fire Risk Management Information System (CFRMIS)
100	Contribution to a project team to scope a new tri service mobilising system
84	Implementation of a new rostering system
92	Enabling work related to Emergency Services Network Mobile Communications Project (ESN)
40	Funding for a new post to enable the service to respond to changes in the firefighter’s pension legislation

- 2.19 Once approved, the CRMP will set out plans for delivering the future strategic aims and goals of the Authority. If these are to be achieved, it will be necessary to review existing services in order to identify funding in future years to deliver the CRMP given that external funding is unlikely to be sufficient to fund new projects.

PAY AWARD

- 2.20 Unions representing non-uniformed staff are still balloting on whether to accept a 1.75% pay award in 2021/22. This exceeds the 1.0% included in the budget. Any award above this rate will create a cost pressure which will also need to be built into future years' salary costs (a 1% increase relates to approximately £50k ongoing costs).
- 2.21 Operational staff received a 1.5% pay award in 2021/22 against a budget of 1%. The ongoing costs of the additional award are in the region of £150k.
- 2.22 Both inflation and employment levels will influence pay negotiations for 2022/23. For the purposes of this report, the budgets will assume a 3% pay award for both uniformed and non-uniformed staff for 2022/23, dropping back to 2% to 2025/26. Should pay awards be agreed higher than this level the additional cost will be in the region of £350k for every 1% increase in pay.
- 2.23 With inflation currently at 5.1%, it is anticipated that the 2022/23 pay award will be in excess of the 2% increase in income that the service is expecting for 2022/23.

NATIONAL INSURANCE INCREASES

- 2.24 Employers National Insurance Contributions will increase by 1.5% from April 2022. The cost of this increase to the service will be in the region of £200k. The Treasury have attempted to compensate public sector organisations for this increase, but this has been done in a crude way by adding the increase to Revenue Support Grant (RSG). This means that for those Authorities, such as Nottinghamshire, who receive a below average proportion of their funding from RSG, the uplift in grant will be insufficient to cover the additional costs. The service's RSG has only increased by £167k in total and this needs to also fund inflationary and pay pressures.

OVERTIME

- 2.25 The overtime budget can be very volatile depending on the number of vacancies in the ridership, sickness levels and extractions required to cover other activities such as training or supporting recruitment. It is anticipated that there will be a full-time recruit intake during 2022/23 and up to 3 on-call intakes. The 2022/23 budget has been left at £375k but this will be kept under review.

ON CALL PAY

- 2.26 On-call activity has significantly increased during 2021/22 and staff retention has improved, with on average an additional 6 firefighters being available throughout the year. This is largely due to the increased work available during the Covid-19 lockdown periods (such as help at vaccination centres, testing centres and EMAS assistance) and a level of 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.
- 2.27 Increased availability of on-call firefighters has been a contributory factor to an increase in turnouts. Whilst this is a positive position to be in, there are instances where more firefighters are available than is required, and payments are being made for over crewing an appliance. Under current practices, the budget for turnout fees would require increasing by £170k for 2022/23. It is proposed to manage this more carefully in order to minimise the required additional funding.
- 2.28 The increased work and availability of on-call firefighters has increased average earnings by 24%. This in turn increases both holiday pay and sickness pay which are calculated using average earnings. In total, costs based on average pay have increased the budget by £134k.
- 2.29 Both employer pension contributions and National Insurance have also increased by £133k to reflect the increase in earnings.

ENERGY COSTS

- 2.30 Gas and electric inflation in November 21 were 29% and 19% respectively. Energy inflation is expected to rise to 50% by Spring 22. The service procures both gas and electric from a not-for-profit public sector framework which purchases energy in bulk, and usually outperform market averages on our behalf. Prices for 2021/22 were fixed in April 2021. The service's next price review date is 1 April 2022 and indications from the framework are that costs will increase by a total of £320k (75%). The high increase is partly due to the low price achieved in April 21 and the continuing price increases expected before prices are set in April 22. We are working with the framework to minimise the increase.
- 2.31 Fuel inflation is currently 29%. The service's current fuel budget is £470k per year. It is anticipated that there will be an increase in costs in the region of £140k.

PENSIONS

- 2.32 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 increase in the cost of the firefighters' pension scheme because of the case. These are expected to

be largely funded by Central Government but there are likely to be some additional costs falling to the Fire Authority. This is included in the General Fund reserves risk register.

- 2.33 The 2016 Government Actuaries Department (GAD) revaluation of the firefighter's pension fund resulted in an increase of 12.4% in employer pension costs which in 2019/20 equated to £2.5m for the service. This had the impact of increasing superannuation costs for the service in excess of £2.5m. In response, the Treasury issued an additional Section 31 grant of £2.3m to part cover the costs. This has continued to be paid each year but not increased for inflation. This has been confirmed for 2022/21 as part of the draft finance settlement and it has been assumed that this will continue in future years. Depending on the pay award, this grant is reducing in real spending terms by approximately £50k per year.
- 2.34 The pension scheme undergoes a revaluation every 4 years and the 2020 data is still being analysed by GAD. The revaluation will include changes to reflect the McCloud remedy. Any changes to employer contribution rates resulting from the 2020 valuations will become payable in 2024/25. It is not yet known what these will be, so they have not been included in the cost estimates in this report.

MINIMUM REVENUE PROVISION (MRP)

- 2.35 Minimum Revenue Provision is the amount required to pay debt costs relating to prior year capital programmes. There is a £300k increase in the MRP charge to 2022/23 which largely relates to the increased levels of capital expenditure in 2021/22 on ICT projects, such as replacement equipment on stations and preparatory work for moving to the new Headquarter site. The short life nature of ICT projects means that the debt costs have to be written off over 5 years.

COVID-19

- 2.36 Service activity has largely been back to normal levels in 2021/22 and revenue expenditure is slightly above budgeted levels. There remain shortages in some goods and services which has resulted in delayed delivery times and an increase in inflation.
- 2.37 Following the impact of the Omicron variant, the service is again helping partner organisations in the delivery of vaccines etc. The Home Office have assured services that they will be able to claim back the additional costs of this support. It is still unclear what the impact of Covid-19 will be in 2022/23. It has been assumed that there will be no net impact on the service apart from the increased costs of On-Call pay related to the increase in average earnings (section 2.28).

HMICFRS INSPECTION

- 2.38 The Service was inspected by Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in October 2021. The outcome of the inspection will not be released until spring 2022. The report may have an impact on future years budgets if funding needs to be found for areas for improvement not already identified in the CRMP.

COUNCIL TAX

- 2.39 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 an average of 1.3% to reflect new build properties, thus providing additional income to the service. The 2022/23 Council Tax base has been assumed to increase by 1.5% to reflect the current buoyant housing market and following the below average increase in 2021/22 of 0.25%. The increase in Council Tax base will be confirmed by Billing Authorities at the end of January 2022.
- 2.40 There remains a £97k deficit charged to the Council Tax Collection Fund in 2022/23 due to the £291k 2020/21 deficit caused by the impact of Covid-19 which is being charged over a three-year period. There should be corresponding additional grant of £45k to help cover these losses, although this has still not been confirmed by the Government.
- 2.41 The government provided a Local Council Tax Support Grant in 2021/22 to help cushion the impact of reduced Council Tax collection due to Covid-19. Despite lobbying from the LGA, this grant has been removed in 2022/23.

BUSINESS RATES

- 2.42 The service receives around £10.9m from Business Rate income. This comprises of £3.5m collected directly from Nottinghamshire businesses and £7.3m from the top up grant received from central government. The top up grant has not increased with inflation for both 2021/22 and 2022/23. With inflation currently at 5.1%, this represents a reduction in funding of £370k for 2022/23.
- 2.43 As part of the Covid-19 support packages, the government implemented a business rates holiday for the retail, hospitality, and leisure sectors for the whole of 2020/21. In the March 21 budget, this was extended until the end of June 21 and dropped to 66% relief until March 22. In the November 21 Budget this was further extended, with 50% relief for the 2022/23 financial year. This has helped stabilise business rate income and for the purposes of this MTFS it is assumed that 2022/23 income will remain at 2021/22 anticipated levels. The service will be compensated for the drop in business

rate income resulting from the above-mentioned relief by way of additional government grant.

2.44 Business Rate income for 2023/24 has also been assumed to remain at current levels. However, there is a significant amount of uncertainty for 2023/24 and beyond as there are several factors that could significantly affect income levels:

- The business rates holiday ends in April 2023 which could impact on income as firms review their working arrangements to reduce costs;
- Covid-19 has resulted in a delay to the revaluation of business properties which should have come into effect in 2021/22. This will now take effect from 2023/24. This could have a significant impact on income levels as at present the service keeps all growth that has taken place since the last valuation but following the valuation this will form part of the pot for national distribution;
- The government has consulted on undertaking a fundamental review of business rates which is due to conclude shortly. The impact this will have on individual authorities is not known at present.
- The government has abandoned plans to allow councils to retain 75% (an increase from 50%) of their business rates to help facilitate the levelling up agenda.

2.45 Whilst the budget assumes that Business Rate income will remain level, it should be noted that a 10% decrease will result in an approximate loss of £370k income.

SUMMARY OF SIGNIFICANT COST PRESSURES

2.46 A summary of the additional pressures identified above is shown in the table below.

Table 1 – Summary of additional pressures

Expenditure	£'000	Paragraph
2021/22 above budget pay award	190	2.20 - 2.21
2022/23 above original budget pay award	350	2.22 – 2.23
National Insurance Increases	200	2.24
On Call increased activity	437	2.26 – 2.29
Gas / Electric and Fuel inflation	460	2.30 – 2.31
Minimum Revenue Provision	300	2.35
CRMP essential expenditure	216	2.18
Business Rate top up grant no inflation increase	370	2.42
Total	2,523	

2.47 It can be seen from the table above that there are significant cost pressures facing the Authority in the coming year, with costs increasing in excess of £2.5m after inflationary increases on smaller budgets area added. The service

has received additional net additional grant funding of £200k and an increase in RSG of £167k. This leaves a funding gap of over £2.1m still to be bridged.

SAVINGS

- 2.48 The Service has worked hard in previous years to find ongoing savings that can be re-invested into service growth. This has proved to be more difficult in the current climate. Areas such as contract renewals which have achieved savings in the past are now showing signs of pressure which will result in increases in expenditure levels rather than reductions.
- 2.49 The expected deficit position is far in excess of what can be covered from reserves. For this reason, the service has reviewed all expenditure with a view of finding temporary savings in the region of £1m in order to provide some time to identify more permanent areas of savings. Whilst funding is unknown beyond 2022/23, it is assumed that it will not increase significantly, and the service will need to make savings of a more permanent nature.
- 2.50 Savings built into the 2022/23 budget at the point of this report are:
- 2.50.1 On-Call pay – the expected 2021/22 overspend position for 2021/22 for on call pay is £293k. The 2022/23 budget is estimated to need increasing by £550k. It is proposed to limit this increase to £450k, thus making a saving of £100k. This will be achieved largely through active management of the drivers of on call costs (see section 2.26 – 2.29).
 - 2.50.2 Vacancy factor for Non-Uniformed Pay is currently 3%. There has been a very high level of turnover of staff during 2021/22 and the vacancy factor is currently sitting at 11%. As a temporary measure, the vacancy factor has been increased to 5% in 2022/23 although this is not considered to be sustainable. The current high level of vacancies is thought to be caused by staff delaying career decisions through the pandemic, a buoyant job market due to high unemployment levels and higher wages in the private sector, especially in skilled areas such as ICT. In the longer term it will be necessary to review pay levels for these posts which is expected to result in higher costs. This would reduce the budget requirement by £140k.
 - 2.50.3 Training has been an area of underspend in 2021/22 and 2020/21. Some of this is caused by training now being delivered to online rather than face to face. A review of training needs is being undertaken so that future year's budgets can be better planned and aligned to need, but for 2022/21 £50k has been removed from the budget as a temporary measure.
 - 2.50.4 Savings worth £170k have been identified within the transport budgets - £75k relating to national resilience vehicles, £42k for officer car leasing which has now ceased and £50k for mileage and public

transport costs which have reduced due to the increased use of online meetings and training.

2.50.5 The Repairs and maintenance budget was due to increase by £115k in 2022/23 as the service moved to a more pro-active rather than reactive maintenance programme. This increase has now been delayed until 2023/24 in order to make the short-term savings required.

2.50.6 The apprenticeship levy was not originally included in the 2021/22 budget as it was very unclear at the time how much this would be. This has now become clearer and £100k of income has been built into the 2022/23 budget.

2.50.7 Other miscellaneous savings currently under discussion - £325k.

RESERVES AND BALANCES

2.51 Taking account of the spending position reported in the budget monitoring report elsewhere on this agenda, total reserve levels held at 1 April 2022 are expected to be £9.3m. This consists of £5.0m general fund reserves and £4.3m earmarked reserves.

2.52 The general fund reserve remains above the minimum level set by Fire Authority in December 2021 of £4.5m.

2.53 The earmarked reserves are expected to be in the region of £4.3m by 31 March 2022. These reserves are earmarked for known projects or items of one-off expenditure. They include reserves of £936k to provide budget pressure support and £900k to deliver an efficiency strategy to create future years savings. This strategy will be brought to Policy and Strategy Committee on 6 May 22.

FINANCING THE BUDGET

2.54 The Authority primarily receives income from Central Government, Business Rates and Council Tax. The Government announced the provisional finance settlement for 2022/23 on 17 December 2021. The final settlement for 2022/23 expected in February 2022. Experience shows that there is likely to be little change from the provisional figures.

2.55 Funding for 2023/24 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 2023/24 to 2025/26. 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.

2.56 The Authority will continue to receive the £2.3m grant in 2022/23 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 2023/24 to 2025/26.

2.57 The Council Tax base and business rate figures will not be known until the end of January 2021 and figures are based on assumptions for this report.

2.58 Business Rate section 31 compensation grants will not be known until the end of January and have been estimated for the purpose of this report.

OUTLOOK FOR 2022/23 TO 2025/26

2.59 Detailed budgets have been prepared for the four years 2022/23 to 2025/26, which can be found in Appendix A. The budget for 2022/23 will not be finalised until February 2022, 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.

2.60 In making predictions about budget financing some other assumptions have been made. These are:

- That business rates in 2022/23 and 2023/24 will remain at 2021/22 levels followed by a 1% increase thereafter. 2022/23 Business Rates funding estimates will be confirmed by billing authorities at the end of January 2022;
- The 2022/23 tax base will be increased by 1.5% in 2022/23 and 1.3% in 2023/24 to 2025/26 (section 2.39);
- The actual settlement is the same as the provisional and there is a 2% annual increase in government funding thereafter;
- There is a 3% pay increase across both firefighters and support staff for 2022/23. Any increase above this will be met from reserves. A pay increase of 2% has been assumed for 2023/24 onwards.

2.61 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 2022/23 to 2025/26 is set out in Table 2.

Table 2 – Budget Deficit with Nil Council Tax Rise

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget Requirement	45,301	47,423	49,803	51,713	52,748
Revenue Support Grant (RSG)	(5,452)	(5,619)	(5,731)	(5,846)	(5,963)
Business Rate (BR) Income	(3,582)	(3,582)	(3,582)	(3,618)	(3,654)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,277)	(7,423)	(7,571)	(7,722)
Council Tax (0%)	(26,650)	(27,050)	(27,415)	(27,785)	(28,160)
Budget Deficit	0	1,555	3,312	4,553	4,909

2.62 Table 1 shows that with no increases in Council Tax levels there will be a deficit of £1.6m in 2022/23. This will rise to £3.3m in 2023/24, largely due to the £748k Services Grant being only available for one year (section 2.13). It increases further to £4.9m by 2025/26. The 2022/23 deficit would increase to £2.3m should a 5% pay increase be awarded.

2.63 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 2022/23.

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

Table 3 – 1.95% Council Tax Increase and level Grant Funding

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget Requirement	45,301	47,423	49,803	51,713	52,748
Revenue Support Grant (RSG)	(5,452)	(5,619)	(5,731)	(5,846)	(5,963)
Business Rate (BR) Income	(3,582)	(3,582)	(3,582)	(3,618)	(3,654)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,277)	(7,423)	(7,571)	(7,722)
Council Tax (1.95%)	(26,650)	(27,578)	(28,496)	(29,443)	(30,421)
Budget Deficit	0	1,027	2,231	2,895	2,648

- 2.65 The above table shows that there would still be a deficit position in excess of £1m in 2022/23 with 1.95% Council Tax. This increases to £2.2m in 2022/23 and £2.6m by 2025/26. The figures also assume a 3% pay increase – the 2022/23 deficit would increase to £1.7m should there be a 5% pay increase in line with current inflation levels.
- 2.66 The 2022/23 deficit already includes £1m of temporary savings (section 2.49) yet still exceeds the £936k earmarked reserve created for budget support. The Strategic Leadership Team continue to identify areas where further savings can be made to bring this deficit figure to a more manageable level.
- 2.67 The estimated future year deficits, whilst based on assumed funding levels, demonstrate the clear need for an efficiency strategy to be developed to enable the service to draw its budget back into a balanced position.
- 2.68 A Council Tax increase of 1.95% would generate additional funding of £528k in 2022/23. For a Band D household, a 1.95% increase would see rises in Council Tax to £84.57 per annum (an increase of £1.62 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 4 – Impact of 1.95% increase in Council Tax

Band	Council Tax 2021/22 £	Annual Council Tax 1.95% Increase £
A	55.30	56.38
B	64.52	65.78
C	73.73	75.17
D	82.95	84.57
E	101.38	103.36
F	119.82	122.16
G	138.25	140.95
H	165.90	169.14

BUDGET OPTIONS

- 2.69 At its meeting on 17 December 2021, 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 (2% in the provisional finance settlement);
 - Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

- 2.70 The effect of a zero increase in Council Tax is set out in Paragraph 2.55 above and shows a significant deficit for the three years.
- 2.71 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 5 – Comparison Between Council Tax Options

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Budget Requirement	47,423	49,803	51,713	52,748
Total External Funding	(18,818)	(19,076)	(19,375)	(19,679)
Balance to be met locally	28,605	30,727	32,338	33,069
Council Tax Yield (0%)	(27,049)	(27,415)	(27,785)	(28,160)
Council Tax Yield (1.95%)	(27,578)	(28,496)	(29,443)	(30,421)
Budget Shortfall (0%)	1,555	3,312	4,553	4,909
Budget Shortfall (1.95%)	1,027	2,231	2,895	2,648

- 2.72 In both options outlined above, the 2022/23 deficit figure currently exceeds the £936k earmarked reserve created for budget pressure support and there is insufficient reserves elsewhere to bridge the funding gap. However, if a 1.95% increase in Council Tax were recommended back to Fire Authority this would make the task of finding additional savings kept to a manageable level.
- 2.73 If no increase in Council Tax were approved, further savings in excess of £600k will need to be identified on top of the £1m already found.

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 2022/23 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

Capital Programme 2022/23 to 2025/26

10 YEAR CAPITAL PROGRAMME	Budget 2022-23 £'000	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000
TRANSPORT				
Pumping Appliances	840	2,114	1,694	1,687
Special Appliances	625	1,050	638	120
Light Vehicle Replacement	158	48	193	196
E1 Fleet - telematic			90	
	1,623	3,212	2,615	2,003
EQUIPMENT				
Lightweight Fire Coat				
Structural Personal Protective Equipment				
Fire Helmets				
Fire Gloves				
Replacement Duty Uniform	250			
Water Rescue kit (Dry Suits Thermal)				
Fire Hood - Contaminants		150		
Breathing Apparatus Equipment				
Coveralls - Non-Fire		100		
Gas Tight Suits		70		
Radios			250	
Foam Branches	70			
Road Traffic Collision equipment (Holmatro)			1,000	
Gas Monitoring				
Water Rescue Equipment	50			
	370	320	1,250	
ESTATES				
Relocation of Incident Command Training	450			
Workshop Fire Station	218	235		
Headquarters project	827			
Eastwood Fire Station		1,180	70	
Ashfield Fire Station (Refurb)			488	13
Arnold Fire Station			500	2,000
Stockhill Fire Station				500
Bingham Fire Station				
Mansfield Fire Station				
Edwinstowe Fire Station				
	1,495	1,415	1,058	2,513

10 YEAR CAPITAL PROGRAMME	Budget 2022-23 £'000	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000
I.T. & COMMUNICATIONS				
HQ Project (Enabling Works - ICT)				
Replacement ICT equipment	200	200	200	200
Mobile Computing	30	30	30	30
HQ - Link ICT Replacement	30			
Business Process Automation	40	40	40	40
Cyber security	75			30
HQ Core Switch Upgrade	50			
Sharepoint	20			
Occupational Health – System Upgrade			25	
CFMIS quick Screens	100			
CFMIS Accessibility software	150			
HR upgrade			51	
Payroll And Finance Upgrade		30		30
	695	300	346	330
CONTROL				
Airwave mobilisation system	60			
Tri Service mobilisation system	40			
Mobile Data Terminal replacement project	80			
Tri-Service Control & Mobilising System		1,000		
	180	1,000		
Total	4,363	6,247	5,269	4,846

To Be Financed By:

Capital Receipts		1,310	260	10
Borrowing	4,188	4,937	5,009	4,836
Earmarked Reserves	175			
Total	4,363	6,247	5,269	4,846

APPENDIX B

CASH LIMIT				
	Revised Budget 2021/22	Budget Requirement 2022/2023 £000's	Budget Requirement 2023/2024 £000's	Budget Requirement 2024/2025 £000's
<u>Employees</u>				
Direct Employee Expenses	34738	35880	37278	38346
Indirect Employee Expenses	534	456	456	456
Pension	880	893	865	837
	36152	37229	38599	39639
<u>Premises-Related Expenditure</u>				
Repairs Alterations and Maintenance of Buildings				
	718	734	902	930
Energy Costs	470	752	772	792
Rents	1	366	377	388
Rates	1005	897	1144	1391
Water	85	86	90	94
Fixture and Fittings	1	1	1	1
Cleaning and Domestic Supplies	429	456	469	482
Grounds Maintenance Costs	31	32	33	34
Premises Insurance	16	16	16	16
Refuse Collection	41	42	42	42
	2797	3382	3846	4170
<u>Transport-Related Expenditure</u>				
Direct Transport Cost	1267	1447	1459	1471
Recharges	45	3	3	3
Public Transport	37	8	8	8
Transport Insurance	188	188	188	188
Car Allowances	257	226	226	226
	1794	1872	1884	1896
<u>Supplies & Services</u>				
Equipment Furniture and Materials	722	708	673	638
Catering	53	41	41	41
Clothes Uniforms and Laundry	396	425	430	435
Printing Stationery and General Office Expenses	40	30	30	30
Services	573	530	530	530
Communications and Computing Expenses	1734	1829	1847	1865
	36	36	36	36
Grants and Subscriptions	82	97	97	97
Miscellaneous Expenses	98	174	174	174
	3734	3870	3858	3846
<u>Third Party Payments</u>				
Other Local Authorities	783	908	1034	1160
Private Contractors	0	0	0	0
	783	908	1034	1160
<u>Support Services</u>				
Finance	122	122	122	122
Corporate Services	45	45	45	45
	167	167	167	167

Depreciation and Impairment Losses

Depreciation	0	0	0	0
Amortisation of Intangible Fixed Assets	0	0	0	0
	0	0	0	0

Sales Fees & Charges

Customer and Client Receipts	-362	-359	-364	-369
	-362	-359	-364	-369

Other Income

Government Grants	-1922	-2189	-2189	-2189
Other Grants/Reimbursements and Contributions	-278	-198	-198	-198
Interest	-20	-20	-20	-20
	-2220	-2407	-2407	-2407

Capital Financing Costs

Interest Payments	882	883	963	1043
Debt Management Expenses	1574	1878	2223	2568
	2456	2761	3186	3611

45,301	47,423	49,803	51,713
---------------	---------------	---------------	---------------