



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

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

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

Date: 25 February 2022

Purpose of Report:

- To present Fire Authority with proposals for Revenue and Capital budgets for 2022/23 to 2025/26 to allow Members to determine the level of Council Tax for 2022/23.
- To set out fees and charges for 2022/23 for Members' approval.
- To seek Members' approval to the continued payment of Members Allowances for 2022/23 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 2022/23 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 2022/23, as set out in Appendix D.
- Approve the payment of Members Allowances for 2022/23 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: Simon Cotton
(0115) 967 0880 simon.cotton@notts-fire.gov.uk

1. BACKGROUND

- 1.1 At its meeting on 21 January 2022 the Finance and Resources Committee considered a report setting out the latest budget position based on the provisional grant settlement and the indicative position regarding 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 2022 and notify this to the billing authorities.

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 detailed in Appendix A and summarised in Table 1 below. The 2022/23 programme totals £3.909m prior to any slippage from 2021/22 yet to be approved by Fire Authority.

Table 1 – Capital Programme 2022/23 to 2025/26

	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
Transport	1,623	3,212	2,615	2,003
Equipment	370	320	1,250	0
Estates	941	1,180	1,058	2,513
ICT & Communications	975	1,300	346	330
Total	3,909	6,012	5,269	4,846
Funded by:				
Capital Receipts	0	1,310	260	10
Reserves	175	0	0	0
Borrowing	3,734	4,702	5,009	4,836
Total	3,909	6,012	5,269	4,846

- 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.
- 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 to fund the capital programme between 2022/23 and 2024/25. Some projects are funded from earmarked reserves set aside in previous years.

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 elsewhere on this agenda. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2022/23 TO 2025/26

2.12 The Medium-Term Financial Strategy and Budget Guidelines report considered by Fire Authority on 17 December 2021 provided the economic backdrop for the budget process.

2.13 Since the December report, budgets were updated and reported to the Finance and Resources Committee on 21 January 2022. The Council Tax estimates and Business Rate estimates for 2022/23 have been received and are better than originally anticipated. The final settlement figures were released by the Government on 8 January and were the same as the provisional settlement. The Strategic Leadership Team have also been working to identify further savings since the January meeting. The budget position has consequently improved compared to 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 2021/22 to 2024/25

	Revised Budget 2021/22 £'000	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000
Employees	36,147	37,153	39,134	40,856	41,673
Premises	2,797	3,346	3,737	3,860	3,937
Transport	1,794	1,766	1,796	1,788	1,824
Supplies & Services	3,739	3,941	3,941	3,966	4,050
Payments to other Local Authorities	783	908	1,034	1,160	1,183
Support Services	167	167	167	167	167
Capital Financing Costs	2,456	2,761	3,186	3,608	3,680
Income	(2,582)	(4,036)	(3,876)	(3,876)	(3,954)
Total	45,301	46,006	49,119	51,529	52,560

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

ECONOMIC CLIMATE

2.16 In December 21, inflation increased to 5.4% (Consumer Price Index – CPI) and is now expected to peak at 7% by Spring 2022. This is largely caused by shortages in some goods and large increases in energy costs. The increasing inflation has caused the Bank of England to increase interest rates to 0.5%. This is the second increase since December and indicates that the Bank of England believes there is a risk of sustained inflation above its target rate of 2%.

2.17 The economy is going through a growth stage as it recovers from the impact of Covid-19. Unemployment remains very low although it is still unclear the full impact of recent Covid-19 restrictions on businesses and what will happen when business rate reliefs end.

2.18 Both low unemployment and high inflation will be drivers for higher pay awards, and this may impact on the Service over the coming year.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

2.19 The CRMP has been finalised after being out to consultation until 24 December 21 and is also being presented to Members for approval at this this meeting. 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)
46	Revenue costs of improvements to the CFRMIS system, including performance monitoring
100	Improvements to the ICT network (Capital)
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

2.20 The CRMP sets out plans for delivering the future strategic aims and goals of the Authority beyond 2022/23. If these are to be achieved, it will be

necessary to review existing services to identify funding in future years given that external funding is unlikely to be sufficient to fund new projects.

PAY AWARD

- 2.21 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).
- 2.22 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.
- 2.23 Both inflation and employment levels will influence pay negotiations for 2022/23. A 3% pay award for both uniformed and non-uniformed staff has been assumed for the 2022/23 budget, dropping back to 2% from 2023/24 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.

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.

ON CALL PAY

- 2.25 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.
- 2.26 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.

- 2.27 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.
- 2.28 Both employer pension contributions and National Insurance have also increased by £133k to reflect the increase in earnings.

ENERGY COSTS

- 2.29 Gas and electric inflation are 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 within the framework to minimise the increase.
- 2.30 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

- 2.31 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.
- 2.32 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.
- 2.33 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)

- 2.34 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

- 2.35 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.
- 2.36 Following the impact of the Omicron variant, the service has again been 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 2.25 – 2.28).

HMICFRS INSPECTION

- 2.37 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

- 2.38 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 increased by 1.9%, which reflects the current buoyant housing market and following the below average increase in 2021/22 of 0.25%. The increase in Council Tax base provides additional income in the region of £500k.

- 2.39 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.
- 2.40 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

- 2.41 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 government has waived the inflationary increase to business rates for both 2020/21 and 2022/23 but has provided a Section 31 grant to compensate authorities for the loss of income.
- 2.42 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. This has been partially extended until March 2023. This has helped stabilise business rate income and for the purposes of the budget 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.
- 2.43 In total, the service will receive around £1.9m in compensation for loss of Business Rate income identified in sections 2.41 and 2.42.
- 2.44 Business Rate income direct from businesses for 2023/24 and beyond has been assumed to increase by 1% per year. However, 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.

SUMMARY OF SIGNIFICANT COST PRESSURES

2.45 A summary of the most significant pressures identified above is shown in the table below.

Table 3 – Summary of additional pressures

Expenditure	£'000	Paragraph
2021/22 above budget pay award	190	2.21 - 2.22
2022/23 above original budget pay award	350	2.23
National Insurance Increases	200	2.24
On Call increased activity	437	2.25 – 2.28
Gas / Electric and Fuel inflation	460	2.29 – 2.30
Minimum Revenue Provision	300	2.34
CRMP essential expenditure	362	2.19
Total	2,299	

2.46 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 £2.3m 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 left a funding gap approaching £2m to be bridged.

SAVINGS

2.47 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.

2.48 The expected deficit position was far in excess of what could be covered by reserves when the MTFs was approved in December 21. For this reason, the service has reviewed all expenditure with a view of finding temporary savings in the region of £1.6m 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.

2.49 Savings identified include:

2.49.1 Delay of wholetime recruitment by up to 6 months will create temporary savings in the region of £400k.

2.49.2 On-Call pay – the expected 2021/22 overspend position for on call pay is £293k. The 2022/23 budget is estimated to need increasing by £550k (including the impact of the pay award). 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 2.25 – 2.28).

- 2.49.3 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 7.5% in 2022/23 although this is not considered to be sustainable longer term. 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. The increase in the vacancy factor will reduce the budget requirement by £300k.
- 2.49.4 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 2021/22 £50k has been removed from the budget as a temporary measure.
- 2.49.5 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.
- 2.49.6 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. Temporary savings of £250k have been made in this area to make the short-term savings required.
- 2.49.7 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.
- 2.49.8 Budget managers have worked hard to make other miscellaneous savings which have been built into the budget

FINANCING THE BUDGET

- 2.50 The Authority primarily receives income from Central Government, Business Rates and Council Tax. The Government announced the final settlement for 2022/23 on 8 February 2022.
- 2.51 Funding for 2023/24 and beyond will be determined as part of the Spending Review which is expected in the Autumn of 2022. 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.

- 2.52 The Authority receives 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.
- 2.53 The Council Tax base and collection fund surpluses have been received from the billing authorities and built into the budget.
- 2.54 Business Rate section 31 grants have been confirmed and are built into the budget.
- 2.55 The Government has confirmed within the finance settlement, that the Council Tax increase threshold, above which a referendum would be triggered, would be 2% for 2022/23.

OUTLOOK FOR 2022/23 TO 2025/26

- 2.56 Detailed budgets have been prepared for the four years 2022/23 to 2025/26, which can be found in Appendix A. In making predictions about budget financing some other assumptions have been made. These are:
- That business rates in 2023/24 and beyond will grow at a rate of 1%;
 - The 2022/23 tax base will be increase by 1.3% in 2023/24 to 2025/26;
 - Future funding settlements will track pay inflation. These have both been assumed at 2%;
 - 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.
- 2.57 Clearly there remain many uncertainties around both the pay award and funding. Taking account of 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 4 below.

Table 4 – 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	46,006	49,119	51,529	52,560
Revenue Support Grant (RSG)	(5,452)	(5,619)	(5,731)	(5,846)	(5,963)
Business Rate (BR) Income	(3,582)	(2,925)	(2,954)	(2,983)	(3,013)
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)	(27,161)	(27,528)	(27,900)	(28,277)
Budget Deficit	0	684	3,143	4,889	5,245

2.58 Table 4 shows that with no increases in Council Tax levels there will be a deficit of £0.7m in 2022/23. This will rise to £3.1m in 2023/24, largely due to the one-off savings in 2022/23 dropping out and the £748k Services Grant being only available for one year (section 2.13). It increases further to £5.2m by 2025/26. The 2022/23 deficit would increase to £1.2m should a 5% pay increase be awarded.

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

Table 5 – 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	46,006	49,119	51,529	52,560
Revenue Support Grant (RSG)	(5,452)	(5,619)	(5,731)	(5,846)	(5,963)
Business Rate (BR) Income	(3,582)	(2,925)	(2,954)	(2,983)	(3,013)
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)	(27,692)	(28,614)	(29,565)	(30,547)
Budget Deficit	0	153	2,057	3,224	2,975

2.60 The above table shows that there would still be a deficit position of £153k in 2022/23 with 1.95% Council Tax. This increases to £2.1m in 2023/24 and £3.0m by 2025/26. The figures also assume a 3% pay increase – the 2022/23

deficit would increase to £0.7m should there be a 5% pay increase in line with current inflation levels.

IMPACT OF DIFFERING ASSUMPTIONS

- 2.61 The budget figures in tables 4 and 5 assume a 3% pay increase – the 2022/23 deficit would increase to £250k for each 1% increase in pay above 3%. (Sections 2.21 – 2.23).
- 2.62 Government grant has been assumed to rise by 2% per year from 2023/24. 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.
- 2.63 Council Tax base figures have been estimated to rise by 1.3% in 2023/24 - the impact of each 0.5% change in tax base figures would be a change in funding of £250k.
- 2.64 Business Rate Income has been estimated to increase at 1% per year. There remains a lot of uncertainty around business rate income (see section 2.41). Each 5% reduction in business rate income will result in additional pressure of approximately £150k.

RESERVES

- 2.65 Taking account of the latest 2021/22 budget monitoring position, 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.
- 2.66 The general fund reserve remains above the minimum level set by Fire Authority in December 2021 of £4.5m.
- 2.67 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.
- 2.68 The total amount of reserves available to support future years' budget deficits will be £986k, this being the £936k earmarked reserve for budget pressure support and the £50k surplus general fund reserves.
- 2.69 Table 4 shows that if Council Tax is not increased in 2022/23 this would use £684k of reserves, leaving just £302k to cover any unforeseen expenditure and to cover future years. Any movement on the assumptions underlying the budget could make further use of reserves necessary. In particular a pay increase of 4% or more will exhaust the reserves available to support the budget and corrective action will be required.

2.70 Table 5 shows that with a 1.95% increase in Council Tax for the same period, £153k would be required from reserves, leaving £833k for future years. Given the uncertainties remaining around the 2022/23 budget, again particularly around pay, and the increasing deficit position in future years 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.

EFFICIENCY STRATEGY

2.71 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. This will need to provide a flexible approach to making changes to allow the service to adapt according to funding levels once information on inflation, pay awards and future income is more certain. It will also reflect the future spending requirements of the CRMP and outcome of the Fire Cover Review. The efficiency strategy will be presented to Policy and Strategy Committee on 6 May 2022.

PROPOSAL FOR COUNCIL TAX INCREASES 2022/23

2.72 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.

2.73 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 6 – Impact of 1.95% increase in Council Tax

Band	Council Tax 2021/22 £	2022/23 Council Tax 1.95% Increase £	Increase £
A	55.30	56.38	1.08
B	64.52	65.78	1.26
C	73.73	75.17	1.44
D	82.95	84.57	1.62
E	101.38	103.36	1.98
F	119.82	122.16	2.34
G	138.25	140.95	2.70
H	165.90	169.14	3.24

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

FEES AND CHARGES

2.75 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 2022/23, which have had an inflationary increase applied. It is recommended that the Authority approve these charges for implementation from 1 April 2022.

APPROVAL OF MEMBERS ALLOWANCES

2.76 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. Following the consideration of an interim report from the Independent Remuneration Panel by the Fire Authority at its meeting on 17 December 2021 it was agreed to continue to pay allowances in accordance with the existing scheme. It was also agreed at that meeting that payments to Opposition Spokespersons/ Minority Groups Spokespersons should be amended so as to apply to Groups of 2 or more as opposed to 4 or more.

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

COMMENTS OF THE TREASURER

2.78 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.

2.79 The Treasurer is satisfied that, on the basis of the financial risk assessments, the reserves are adequate to support the budget in 2022/23.

2.80 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.

2.81 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 2022/23 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 2022/23, as set out in Appendix D.
- 10.4 Approve the payment of Members Allowances for 2022/23 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

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				
Replacement Duty Uniform	250			
Fire Hood - Contaminants		150		
Coveralls - Non-Fire		100		
Gas Tight Suits		70		
Radios			250	
Foam Branches	70			
Road Traffic Collision equipment (Holmatro)			1,000	
Water Rescue Equipment	50			
	370	320	1,250	0
ESTATES				
Relocation of Incident Command Training	450			
Workshop Fire Station	292			
Headquarters project	199			
Eastwood Fire Station		1,180	70	
Ashfield Fire Station (Refurb)			488	13
Arnold Fire Station			500	2,000
Stockhill Fire Station				500
	941	1,180	1,058	2,513
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			
Upgrade of Core Switches over estate	100			
Sharepoint	20			
Occupational Health – System Upgrade			25	
CFMIS quick Screens	100			
CFMIS Accessibility software	150			
HR upgrade			51	
Payroll And Finance Upgrade		30		30
	795	300	346	330

10 YEAR CAPITAL PROGRAMME	Budget 2022-23 £'000	Budget 2023-24 £'000	Budget 2024-25 £'000	Budget 2025-26 £'000
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	3,909	6,012	5,269	4,846

To Be Financed By:

Capital Receipts		1,310	260	10
Borrowing	3,734	4,702	5,009	4,836
Earmarked Reserves	175			
Total	3,909	6,012	5,269	4,846

APPENDIX B

CASH LIMIT					
	Revised Budget 2021/22	Budget 2022/23 £000's	Budget 2023/24 £000's	Budget 2024/25 £000's	Budget 2025/26 £000's
<u>Employees</u>					
Direct Employee Expenses	34738	35837	37796	39513	40303
Indirect Employee Expenses	529	398	448	448	457
Pension	880	918	890	895	913
	36147	37153	39134	40856	41673
<u>Premises-Related Expenditure</u>					
Repairs and Maintenance	718	750	867	895	913
Energy Costs	470	752	772	792	808
Rents	1	365	376	387	395
Rates	1005	897	1144	1190	1214
Water	85	75	79	82	84
Fixture and Fittings	1	23	1	1	1
Cleaning and Domestic Supplies	429	407	420	433	442
Grounds Maintenance Costs	31	24	25	26	27
Premises Insurance	16	16	16	16	16
Refuse Collection	41	37	37	38	39
	2797	3346	3737	3860	3937
<u>Transport-Related Expenditure</u>					
Direct Transport Cost	1267	1341	1371	1363	1390
Recharges	45	3	3	3	3
Public Transport	37	8	8	8	8
Transport Insurance	188	188	188	188	192
Car Allowances	257	226	226	226	231
	1794	1766	1796	1788	1824
<u>Supplies & Services</u>					
Equipment Furniture & Materials	716	661	644	646	659
Catering	53	52	52	52	53
Clothes Uniforms and Laundry	396	456	461	466	475
Printing / Stationery	40	32	32	32	33
Services	573	578	572	572	583
Communications and Computing	1745	1835	1853	1871	1908
Expenses	36	36	36	36	37
Grants and Subscriptions	82	88	88	88	90
Miscellaneous Expenses	98	203	203	203	207
	3739	3941	3941	3966	4045
<u>Third Party Payments</u>					
Other Local Authorities	783	908	1034	1160	1183
Private Contractors	0	0	0	0	0
	783	908	1034	1160	1183
<u>Support Services</u>					
Finance	122	122	122	122	124
Corporate Services	45	45	45	45	46
	167	167	167	167	170

CASH LIMIT					
	Revised Budget 2021/22	Budget 2022/23 £000's	Budget 2023/24 £000's	Budget 2024/25 £000's	Budget 2025/26 £000's
<u>Sales Fees & Charges</u>					
Receipts	-362	-374	-364	-364	-371
	-362	-374	-364	-364	-371
<u>Other Income</u>					
Government Grants	-1922	-3244	-3244	-3244	-3309
Other Grants / Contributions	-278	-398	-248	-248	-253
Interest	-20	-20	-20	-20	-20
	-2220	-3662	-3512	-3512	-3582
<u>Capital Financing Costs</u>					
Interest Payments	882	883	963	987	1007
Debt Expenses	1574	1878	2223	2621	2673
	2456	2761	3186	3608	3680
BUDGET	45,301	46,006	49,119	51,529	52,560

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 £84.57 per annum in 2022/23.

Specifically, in 2022/23 Council Tax would be set at the following levels:

Band A	56.38
Band B	65.78
Band C	75.17
Band D	84.57
Band E	103.36
Band F	122.16
Band G	140.95
Band H	169.14

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	34,052.70	10.6%	2,879,836.86
Bassetlaw	36,396.81	10.9%	3,078,078.24
Broxtowe	34,530.00	10.7%	2,920,202.12
Gedling	37,776.42	11.7%	3,194,751.86
Mansfield	30,557.30	9.2%	2,584,230.88
Newark and Sherwood	41,205.00	12.3%	3,484,706.87
Rushcliffe	45,387.60	13.6%	3,838,429.35
Nottingham City	67,540.00	20.9%	5,711,857.83
Total	327,445.83	100.0%	27,692,094.01

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 2022/23

	2021/22 Charges	2022/23 Proposed Charges
Personnel: per hour, or part of an hour:		
Full Crew	£290.90	£299.60
Station Manager and above	£64.90	£66.80
Watch Manager	£53.20	£54.80
Crew Manager	£50.70	£52.20
Firefighter	£48.00	£49.40
Appliances and Vehicles: per hour, or part of an hour:		
	£44.80	£47.00
Loan of Salvage Sheet:		
Charge for fitting	£290.90	£299.60
Charge for removing	£290.90	£299.60
Charge for salvage sheet	£97.70	£102.40
Copy of a Fire Report		
	£71.60	£75.00
Hire of Meeting Room:		
Full day	£255.00	£267.20
Half day	£131.60	£137.90

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