



**NOTTINGHAMSHIRE**  
**Fire & Rescue Service**  
*Creating Safer Communities*

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

# **BUDGET PROPOSALS FOR 2018/19 TO 2020/21 AND OPTIONS FOR COUNCIL TAX 2018/19**

Report of the Chief Fire Officer

**Date:** 19 January 2018

**Purpose of Report:**

To allow Members to consider the options for the recommendation of a balanced revenue budget to the Fire Authority for acceptance. Implications for Council Tax are also considered.

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## **1. BACKGROUND**

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will also decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 In mid-December, the government announced the provisional grant settlement for 2018/19 which was largely in line with the 2018/19 indicative finance settlement published as part of the four year funding offer from 2016/17 to 2019/20, but reflected an increase in business rates funding arising from an increase in the Retail Price Index. The final settlement for 2018/19 will be laid before Parliament in February.
- 1.3 Fire Authority approved the Medium Term Financial Strategy (MTFS) 2017/18 to 2020/21 on 15 December 2017. 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 now mature but continues to develop each year to accommodate the changing financial environment. There is now positive involvement of business plan owners in the development of the budgets which has increased ownership around budget decisions. The Finance and Resources Committee has full involvement in the process and the Chair of the Finance and Resources Committee plays an active part in interviewing budget managers to fully understand the underlying detail within the budgets.
- 1.5 The current financial position of the Authority remains stable, even after several years of financial restraint. Wherever possible, budget reductions identified for future years have been implemented as soon as possible and this has contributed towards some underspends in prior years which have enabled balances to be maintained at a healthy level. This in turn has allowed a measured approach to be taken to budget reductions over the past few years.

## **2. REPORT**

### **CAPITAL BUDGET PROPOSALS 2018/19 TO 2020/21**

- 2.1 The Authority maintains a sustainable Capital Programme that reflects and supports the ICT, Property and Fleet 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 that 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 2018/19 to 2020/21 is as follows:

<b>Capital Programme Item</b>	<b>2018/19 Proposed</b>	<b>2019/20 Proposed</b>	<b>2020/21 Proposed</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Appliance Replacement	0	0	2,417,000
Special Appliances	0	0	0
Appliance Equipment	0	0	0
Light Vehicle Replacement	196,500	205,500	126,000
<b>Transport Total:</b>	<b>196,500</b>	<b>205,500</b>	<b>2,543,000</b>
BA Sets	0	0	0
Conversion of Hose Reel Equipment	200,000	0	0
Lightweight Fire Coats	0	0	0
Personal Protective Equipment	0	650,000	0
CCTV - Vehicles	200,000	0	0
<b>Equipment Total:</b>	<b>400,000</b>	<b>650,000</b>	<b>0</b>
Refurbishment and Rebuilding Fire Stations			
Hucknall Fire Station	0	15,000	0
Newark Fire Station	707,000	65,000	0
Worksop Fire Station	240,000	2,265,000	520,000
<b>Property Total:</b>	<b>947,000</b>	<b>2,345,000</b>	<b>520,000</b>
ICT Capital Programme	140,000	140,000	140,000
Mobile Computing	20,000	20,000	20,000
Business Process Automation	0	40,000	0
Sharepoint Development	150,000	0	0
<b>ICT Total:</b>	<b>310,000</b>	<b>200,000</b>	<b>160,000</b>
HQ Core Switch Upgrade	30,000	0	0
Emergency Services Mobile Communications	40,700	0	
Agresso Upgrade	30,000		
<b>IT Systems Total:</b>	<b>100,700</b>	<b>0</b>	<b>0</b>
<b>Total Capital Programme:</b>	<b>1,954,200</b>	<b>3,400,500</b>	<b>3,223,000</b>
<b>Funding</b>			
Grant	40,700	0	0
Capital Receipts	275,000	300,000	0
Revenue / Reserves	0	0	0
Borrowing	1,638,500	3,100,500	3,223,000
<b>Total</b>	<b>1,954,200</b>	<b>3,400,500</b>	<b>3,223,000</b>

2.3 The rescue pump renewals programme has been suspended whilst a review of appliance equipment is undertaken as part of the Sustainability Strategy 2020. The decision to extend pumping appliance life has changed the replacement programme for rescue pump appliances and there will be no further appliance acquisitions before 2019/20. The outcome of this work will determine the type and number of vehicles required for part of the overall long-term vehicle capital replacement plan.

- 2.4 The light vehicle programme has been reviewed in order to match vehicles with reduced requirements. The lives of vehicles have also been extended where possible.
- 2.5 The equipment programme includes the conversion of hose reel equipment as the current branches become uneconomical to repair.
- 2.6 The lightweight fire coats have been designed to protect personal protective equipment from an element of wear and tear, thereby extending its life. In 2020/21 personal protective equipment (PPE) is due to be replaced. Previous practice has been to purchase new PPE from the revenue budget but, as experience has shown that such equipment can be successfully refurbished to extend its life, it will now be treated as capital expenditure for the new issue of equipment with the cost to the revenue budget spread over the life of the equipment.
- 2.7 The property programme allows for one fire station to be re-built during the three year period, together with a feasibility study to prepare for the next project. The programme covers the construction of a new fire station at Worksop and this budget sets aside the resources to continue with the Authority's sustainable capital programme which will ensure that all property assets remain fit for purpose over time.
- 2.8 The ICT programme has been pared back and now contains budget to replace items by way of a rolling programme and provision for the general expansion of ICT usage across the organisation.
- 2.9 There is provision in the capital programme for sharepoint system to be implemented during 2018/19.
- 2.10 The Capital Programme is funded from Capital Receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.11 **Capital Receipts** – these are received from the sale of assets and can be used to fund either the revenue cost of reform projects, to fund capital expenditure or to reduce borrowing. As part of the provisional finance settlement on 19 December, the government proposed expanding the flexible use of capital receipts to enable the revenue funding of transitional projects by a further 2 years. The proposed capital receipts strategy is attached at Appendix A.
- 2.12 **Grant Funding** – There is limited grant funding available at present to support the capital programme.
- 2.13 **Revenue and Reserves** – Given the anticipated deficit position of the revenue budget and requirement to use reserves to transition into a break-even position, it is not proposed to use any revenue or reserves to fund the capital programme between 2018/19 and 2020/21.

- 2.14 **Borrowing** – The majority of the proposed capital programme set out in 2.7 will be 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 16 February 2018. Estimated costs have been built into the revenue programme considered in this report.

## REVENUE BUDGETS 2018/19 TO 2020/21

- 2.15 The Medium Term Financial Strategy and Budget Guidelines report at Fire Authority on 15 December 2017 provided an estimate of the budgetary shortfall for 2018/19 of between £1.3m and £1.8m, depending on the level of Council Tax increase and that there would continue to be a budget deficit going forward up to 2020/21. This took account of additional costs for an anticipated 2% pay increases for both Firefighters and Local Government graded staff (£320k), adjustments to the pension and National Insurance budgets (£350k), increases to Business Rates following the 2017 revaluation (£230k) and a decrease in debt costs of £350k.
- 2.16 Since the December report, more detailed budgets have been developed. The main changes in budgets and / or assumptions are detailed below.
- 2.17 **Firefighter Pay Increase** A pay award of 2% has been assumed for all years to 2020/21. This is in line with the current offer that has been made. If an agreement is settled at a higher rate than 2%, there will be a further pressure on firefighter pay related budgets in total of £270k per 1% increase.
- 2.18 **Wholetime Pay** - The pay budget has been budgeted on full establishment (455). This is a different to the approach to last year which reflected best estimates of likely actual expenditure to take account of surplus posts held in the establishment, which have now been removed. The ridership is currently running at under-establishment, but 10 posts are expected to be migrated from the retained duty system in March and recruitment is due to take place during 2018/19, resulting a period of time of over-establishment until firefighters are put into vacant posts. Expenditure is therefore expected to come in on budget. Budgeting at full establishment has resulted in an increase in budget of £200k.
- 2.19 **Overtime** – This budget has been reduced by £200k to reflect the period of overestablishment which should reduce the need for overtime.
- 2.20 **Retained Pay** - The retained pay budget has been calculated on staff numbers as at September 2017 adjusted for anticipated recruitment and turnover, including 10 posts migrating to whole time.
- 2.21 Each retained watch has available 3 hours of drill time each week. Historically, some watches do not undertake a full 3 hours. In order to maintain competency it is proposed to make the 3 hours drill time compulsory from April 2018. In addition, it is proposed to provide an additional half hour per week for retained staff to undertake a programme of e-learning to enhance knowledge prior to the regular job related training. The cost of this is £245k.

- 2.22 **Contingency Crews** – The level of contingency crews has fallen significantly and it is proposed to target recruitment in this area to ensure sufficient resilience. The additional cost of recruitment and training are £37k. A review of the authority's contingency arrangements is being undertaken which may result in additional measures being identified.
- 2.23 **Administrative and Support Pay** - These budgets include a vacancy factor of 1.5%. A pay increase of 2% currently under offer has been assumed. Lower graded Local Government employees have been offered slightly higher than 2% to bring salaries in line with the National Living Wage. If the final settlement is above 2% there will be additional budgetary pressure of £50k per 1% increase.
- 2.24 **Pensions and National Insurance (£392k)** - The budgetary provision for both superannuation and National Insurance was insufficient in 2017/18, which has resulted in a forecast overspend in these budgets. The 2018/19 budgets similarly need adjusting. The impact is anticipated to be £245k for superannuation and £147k for National Insurance. This includes an increase relating to the pay award.
- 2.25 **Business Rates (£230k)** - Following the 2017 revaluation exercise, many business rates were significantly increased. The authority has appealed against several large increases but has been unsuccessful. Budgets will need to be increased by £230k to cover the additional costs.
- 2.26 **Ill Health** - an additional budget of £48k has been included in the budget to fund ill health retirements that have incorrectly been funded from within the pension fund in the past.
- 2.27 **HMI Inspection** – the authority is due to be inspected by HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services) in autumn 2019 as one of the second tranche of authorities under the new inspection regime. The inspection will require a considerable amount of preparation and in order to facilitate this a contribution of £50k to an earmarked reserve has been included in the budget.
- 2.28 **Collaboration** - The Shaping Our Future Team have continued to work on ensuring that the savings identified in the Sustainability Strategy can be met. This work is now merging with the collaboration agenda and may also pick up any issues coming out of the HMI inspection process and the proposed Fire and Rescue National Framework. Work is therefore expected to continue into the future. Temporary funding of £85k has been included to fund the team until March 2020.
- 2.29 **PPE** – The cost of additional PPE kit for the wholetime and Retained recruitment is £62k. This is partially offset by a reduction in the general PPE budget of £32k due to expenditure being delayed until 2019/20 when there is a capital project to replace all kit.
- 2.30 **Savings** – The savings that have been identified and built into the budget are as detailed in the following paragraphs.

- 2.31 **Minimum Revenue Provision (MRP) (Saving of £376k)** - MRP is the amount charged to revenue for the repayment of debt required to fund prior years' capital expenditure. The revenue impact of the capital programme included in section 2.2 has been built into the MRP.
- 2.32 The authority has worked hard to maximise the life of its assets and has significantly extended the life of specialist vehicles and fire appliances life. This has been made possible through the procurement of better quality vehicles. The MRP is therefore spread over an increased number of years, thus reducing the cost. After taking account of this and some delayed expenditure on the capital programme, savings in the region of £350k are anticipated in the MRP budget.
- 2.33 **Procurement** – The Authority's Sustainability Strategy included target savings from procurement of £350k by 2020. To date, annual procurement savings in the region of £219k have been identified. For 2018/19, further savings totalling £91k have been included in the budget – these relate to purchasing and renewing contracts for photocopying and ICT contracts (£60k) Blue light fittings (£23k), Hire of fleet vehicles, medical and equipment contracts.
- 2.34 **Transport** Reduced fuel costs (£26k) and vehicle tax (£28k) have been identified due to the reduced number of vehicles and mileage.
- 2.35 **Budget Manager Reductions** – Miscellaneous reductions in the region of £100k have been identified by budget managers as part of the budget process.
- 2.36 Detailed budgets have been prepared for the three years 2018/19 to 2020/21, which can be found in Appendix B. The budget for 2018/19 will not be finalised until the end of January 2017, when the surplus or deficit on collection fund and the taxbase are confirmed by the billing authorities.
- 2.37 The base budget for the current year 2017/18 is £40,805k. This can be sub-divided into its major elements:

<b>Budget Heading</b>	<b>Base Budget 2017/18 £000's</b>	<b>Percentage of Total Budget</b>
Total Pay	32,499	76.0%
Capital Financing	2,505	6.1%
Non Pay	5,801	17.9%
<b>Total Budget</b>	<b>40,805</b>	<b>100.0%</b>

## **FUTURE YEARS**

- 2.38 The detail of the budget requirements for 2019/20 and 2020/21 will be set out in the budget paper to be presented to the Fire Authority in February. The estimated budget requirements for these years as at 31 December 2017 are:

Year	£000's
2017/18	40,805
2018/19	41,990
2019/20	42,611
2020/21	43,520

## FINANCING THE BUDGET

2.39 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional finance settlement on 19 December 2017 covering 2018/19 and 2019/20. This included small reductions of ££21k for 2018/19 and £162k for 2019/20 compared to provisional figures released in February 2017. These figures are being used for planning purposes with the final settlement for 2018/19 expected in February 2018. Experience shows that there is likely to be little change from the provisional figures. Grant figures for 2020/21 have been estimated to stay fairly flat at this point in time.

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

- i) **That business rates collected by the billing authorities will be broadly in line with the assumptions made in the provisional settlement.**

This is unknown but the assumptions in the provisional settlement seem to be broadly in line with the figures declared by the billing authorities last year. Business rates funding will be confirmed by billing authorities at the end of January 2018.

- ii) **That the taxbase will increase in line with forecasts provided by the billing authorities**

This again is unknown until the end of January 2018 but it is unlikely that the actual taxbase will be significantly different from forecasts.

- iii) **That the actual settlement is the same as the provisional.**

This is a reasonably safe assumption, given that changes in these figures is unusual.

- iv) **That surpluses and deficits on the collection fund accounts will be broadly the same as they were in 2016/2017.**

This is probably the most risky assumption in that most billing authorities will not declare their position until the very end of January and the actual amounts declared as uncollectable will vary from one authority to another. The budget assumes that there will be an overall surplus on collection which is the same as the current year i.e. £421k – if there is a material difference from this assumption then this will most likely have to be managed through General Reserves.

2.41 The finance settlement provided the provisional figures for 2018/19, 2019/20 and 2020/21:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Revenue Support Grant	6,978,641	5,961,472	5,335,308	
Business Rates Assumption	3,469,609	3,599,029	3,751,787	5,627,680
Top Up Grant	6,659,508	6,834,396	6,913,046	10,369,570
<b>Total External Funding</b>	<b>17,107,758</b>	<b>16,394,897</b>	<b>16,000,141</b>	<b>15,997,250</b>

The reduction in external funding between 2016/2017 and 2020/21 amounts to just over 14%.

- 2.42 The government announced, within the finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would increase from 2% to 3% for 2018/19 and 2019/20. No council tax freeze grant is being offered to authorities who maintain council tax next year at current levels.
- 2.43 The following table brings together the budget requirement and the finance settlement figures and presents the position for the Authority if there was no change to the level of council tax in each of the three years:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Total External Funding	17,107,758	16,394,897	16,000,141	15,997,250
Budget Requirement	40,804,872	41,990,051	42,611,116	43,520,039
Balance to be met locally	23,697,114	25,595,154	26,610,975	27,522,789
Council Tax Yield*	23,171,596	23,484,413	23,801,452	24,122,772
<b>Budget Shortfall</b>	<b>525,518</b>	<b>2,110,741</b>	<b>2,809,523</b>	<b>3,400,017</b>

\*Assumes a rise in tax base but no rise in Council Tax (2017/18 figures are actual)

The above figures show that a budget deficit of £2.1m will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2018/19. Even when this has been achieved, there will be a requirement to find further savings of approximately £1.3m by 2020/21 as shown in the above table (savings of £3.4m in total).

- 2.44 A council tax increase of 1.95% would generate additional funding of £459k, and a 2.95% increase would realise a total of £692k in 2018/19. For a Band D household a 1.95% or 2.95% increase would see rises in council tax to £76.76 and £77.51 respectively per annum (an increase of £1.47 or £2.22 per annum, which is approximately 3 pence or 4 pence per week additional cost). The impact of increases on other bands is given in the table below:

<b>Band</b>	<b>Annual Council Tax £ Current</b>	<b>Annual Council Tax £ 1.95% Increase</b>	<b>Annual Council Tax £ 2.95% Increase</b>
A	50.19	51.17	51.67
B	58.56	59.70	60.29
C	66.92	68.23	68.90
D	75.29	76.76	77.51
E	92.02	93.82	94.74
F	108.75	110.87	111.96
G	125.48	127.93	129.19
H	150.58	153.52	155.02

## **RESERVES AND BALANCES**

- 2.45 The Authority held reserves of £12.7m as at 1 April 2017, £4.9m of which was for earmarked projects or set aside grant funding. General Reserves account for the remaining £7.8m. The revenue monitoring report on this agenda reports that a total of £1.4m is estimated to be required during 2017/18 to fund the shortfall in the revenue budget, specific revenue projects and the Capital Programme. Furthermore, £1.7m of the earmarked reserves have been committed for use in future years, leaving available balances of £9.4m.
- 2.46 Earmarked Reserves have been created in the past from underspends to fund areas of expenditure such as supporting the capital programme, ICT systems development and transitional work to enable change. With the Authority now in a deficit position, these reserves cannot be replenished, and once used, such projects will need to be funded from within the Revenue Budget, thus creating an additional pressure.
- 2.47 The medium term budget deficit also requires addressing and savings will need to be approved in due course by the Fire Authority in order to achieve this. However the planning, approval and implementation of some solutions will take time, particularly where employee and public consultation is required, so using general reserves to support the budget deficit in 2018/19 as a temporary measure will be required, as set out in the Medium Term Financial Strategy.
- 2.48 A risk assessment to determine the minimum level of general reserves to hold is undertaken each year, with a level of £4.4m being approved by Fire Authority in February 2017. Reserves is an area that has received additional scrutiny by the Chair of Finance and Resources Committee alongside the Head of Finance as part of the budget process. Revised general reserve minimum levels will be reported to the Fire Authority in February, but it is expected that the minimum level will increase to reflect increased risks of higher than anticipated pay awards and the increased demand for resilience in times of industrial disputes.
- 2.49 To summarise, the continued use of reserves to fund one off project expenditure, to cover increased financial risks and the need to use reserves to meet the medium term budget deficit cannot be sustained over the long term. This needs

to be taken into account when making recommendations to Fire Authority regarding Council Tax levels.

## BUDGET OPTIONS

2.50 The Fire Authority at the December 2017 meeting considered four options for council tax. Two of these were eliminated from further consideration, with the Authority recommending that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:

- The options for council tax to be recommended to the Fire Authority will be limited to either a council tax freeze or an increase in council tax within the referendum limit;
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law will be presented to the Fire Authority.

2.51 The effect of a zero increase in council tax is set out in paragraph 2.43 above and shows a significant deficit for the three years. With the removal of council tax freeze grant as an incentive for Authorities to maintain council tax at current levels, this is a less attractive option than it may have been previously. The current level of council tax for a Band D household is £75.29 per annum.

2.52 A comparison of the deficit if Council Tax is increased by 0%, 1.95% and 2.95% in each of the three years of the budget strategy is shown in the table below:

	2017/18 £	2018/19 £	2019/20 £	2020/21 £
Total External Funding	17,107,758	16,394,897	16,000,141	15,997,250
Budget Requirement	40,804,872	41,990,051	42,611,116	43,520,039
Balance to be met locally	23,697,114	25,595,154	26,610,975	27,522,789
Council Tax Yield (0%)		23,484,413	23,801,452	24,122,772
Council Tax Yield (1.95%)	23,171,596	23,942,934	24,740,359	25,564,563
Council Tax Yield (2.95%)*		24,176,874	25,227,200	26,067,588
<b>Budget Shortfall (0%)</b>		<b>2,110,741</b>	<b>2,809,523</b>	<b>3,400,017</b>
<b>Budget Shortfall (1.95%)</b>	<b>525,518</b>	<b>1,652,220</b>	<b>1,870,616</b>	<b>1,958,226</b>
<b>Budget Shortfall (2.95%)</b>		<b>1,418,280</b>	<b>1,383,775</b>	<b>1,455,201</b>

\*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2018/19 and 2019/20 and 1.95% in 2020/21 in line with the Provisional Funding Announcement.

2.53 There are two advantages associated with implementing a council tax increase in 2018/19: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by up to £692k in 2018/19. However, this would still leave the Authority with budget savings of £1,418k to find in order to approve a balanced budget as required by law.

- 2.54 The decisions required to solve the budget deficits for 2018/19 and the following two years will be beyond the scope of this Committee but will be a key issue for the Authority to consider over the forthcoming months and years. The shortfall will be affected by the outcome of the Mixed Crewing decision by Fire Authority in February and other savings made in accordance with the sustainability strategy.
- 2.55 Regardless of which council tax option the Fire Authority chooses to take in February the problem of a budget deficit will need to be solved. Given the time that it will take to plan and implement a solution (implementation may not be possible until the 2019/20 financial year), Members will need to consider using general reserves to support the budget deficit in 2018/19.
- 2.56 Appendix C shows three graphs which illustrate what the impact on general reserves would be if the remaining budget deficit was not resolved by way of budgetary reductions during the three year period and general reserves were used to support the budget up to and including 2020/21. A minimum level of reserves of £4.4m has been assumed but this may change depending on the outcome of the risk assessment work currently being undertaken. The graphs show that reserves would only be slightly above the £4.4m minimum level (£4.9m) at the end of 2018/19 should there be no Council Tax increase and no savings incurred. A 1.95% or 2.95% increase in Council Tax would see reserves fall to £5.4m and £5.7m respectively by the end of 2019/20 under these circumstances.

### **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 2018/19 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**

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 with a maximum of 2.95%;
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

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

None.

John Buckley  
**CHIEF FIRE OFFICER**

## FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

### Introduction

In the Spending Review 2015, the Chancellor of the Exchequer announced that to support local authorities to deliver more efficient and sustainable services, the government would allow local authorities to spend up to 100% of their capital receipts from the sale of fixed assets on the revenue cost of reform projects. This gives local authorities the power to treat as capital expenditure, expenditure which is incurred in generating on-going revenue savings in the delivery of public services either by way of reducing the cost of or reducing demand for services in future years. This impact of cost or demand reduction can be realised by any public sector delivery partners but must be properly incurred by authorities for the financial years that begin on 1 April 2016, 1 April 2017 and 1 April 2018. Capital receipts used in this way must have been received in these same three years. As part of the provisional funding settlement made on 19 December, this was extended to cover a further 3 years up until 2021/22.

This new power and its guidance is issued under Section 15(1) of the Local Government Act 2003, which requires local authorities to have regard to guidance that the Secretary of State may specify.

### Application

The guidance specifies that authorities may not borrow to finance the revenue costs of service reform, nor may they use capital receipts accumulated from prior years. The key criteria to be used when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate on-going savings to an authority's or several authorities' and / or to another public sector body's net service expenditure.

### Accountability and Transparency

The guidance specifies that authorities must disclose the individual projects that will be funded or part funded through capital receipts flexibility to the full Fire Authority. This requirement can be satisfied as part of the annual budget setting process or through the Medium Term Financial Strategy. It is recommended that the disclosure of projects to be funded in this way should be made prior to the start of each financial year, however if the strategy is updated part way through the year it must be approved by the Fire Authority and notified to central government. A revised strategy must also include the impact on Prudential Indicators. Both the initial strategy and any revised strategy must be made available online to the public.

The strategy must list each project to be funded through capital receipts flexibility, with details of the expected savings and service transformation. With effect from the 2017/18 strategy details must be included of projects approved in previous years and progress against achievement of the benefits outlines in the original strategy.

To date there have been no such projects funded through the use of capital receipts.

## **Capital Receipts Strategy for 2018/19**

For the financial year 2018/19 it is not proposed to fund any reform projects through the capital receipts flexibility. There is currently sufficient funds held in reserves for this purpose and it is felt that capital receipts would be better used to finance capital expenditure. This will enable the Authority to minimise the use of borrowing which needs to be kept within the affordable limits as set out in the Prudential Code for Capital Finance.

If it is felt in the future that the use of capital receipts flexibility would be beneficial to the Authority then a revised strategy will be reported to the Fire Authority for approval.

## APPENDIX B

CASH LIMIT				
	Revised Budget 2017/2018	Budget Requirement 2018/2019 £000's	Budget Requirement 2019/2020 £000's	Budget Requirement 2020/21 £000's
<b><u>Employees</u></b>				
Direct Employee Expenses	31178	32004	32347	33020
Indirect Employee Expenses	482	462	462	462
Pension	839	913	923	972
	<b>32499</b>	<b>33379</b>	<b>33732</b>	<b>34454</b>
<b><u>Premises-Related Expenditure</u></b>				
Repairs Alterations and Maintenance of Bdgs	572	572	572	572
Energy Costs	312	344	344	344
Rents	36	4	4	4
Rates	710	942	937	937
Water	81	81	81	81
Fixture and Fittings	1	1	2	2
Cleaning and Domestic Supplies	316	316	324	324
Grounds Maintenance Costs	30	30	31	31
Premises Insurance	36	36	38	38
Refuse Collection	39	39	41	41
	<b>2133</b>	<b>2365</b>	<b>2374</b>	<b>2374</b>
<b><u>Transport-Related Expenditure</u></b>				
Direct Transport Cost	1025	1032	994	1011
Recharges	123	122	122	122
Public Transport	23	43	43	43
Transport Insurance	176	176	185	185
Car Allowances	350	374	357	357
	<b>1697</b>	<b>1747</b>	<b>1701</b>	<b>1718</b>
<b><u>Supplies &amp; Services</u></b>				
Equipment Furniture and Materials	678	626	626	606
Catering	69	71	71	71
Clothes Uniforms and Laundry	272	304	284	242
Printing Stationery and General Office Exp	41	41	41	41
Services	551	545	560	561
Communications and Computing	1480	1506	1426	1426
Expenses	51	47	47	47
Grants and Subscriptions	40	35	35	35
Miscellaneous Expenses	230	232	233	234
	<b>3412</b>	<b>3407</b>	<b>3323</b>	<b>3263</b>
<b><u>Third Party Payments</u></b>				
Other Local Authorities	58	58	58	58
Private Contractors	0	0	0	0

	58	58	58	58
	Revised Budget 2017/2018	Budget Requirement 2018/2019 £000's	Budget Requirement 2019/2020 £000's	Budget Requirement 2020/21 £000's
<b><u>Support Services</u></b>				
Finance	124	126	124	124
Corporate Services	41	43	43	43
	<b>165</b>	<b>169</b>	<b>167</b>	<b>167</b>
<b><u>Depreciation and Impairment Losses</u></b>				
Depreciation	0	0	0	0
Amortisation of Intangible Fixed Assets	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Sales Fees &amp; Charges</u></b>				
Customer and Client Receipts	-147	-210	-210	-210
	<b>-147</b>	<b>-210</b>	<b>-210</b>	<b>-210</b>
<b><u>Other Income</u></b>				
Government Grants	-707	-685	-685	-685
Other Grants/Reimbursements and Contribns	-745	-605	-605	-605
Interest	-66	-66	-66	-66
	<b>-1518</b>	<b>-1356</b>	<b>-1356</b>	<b>-1356</b>
<b><u>Capital Financing Costs</u></b>				
Interest Payments	924	924	1013	1013
Debt Management Expenses	1581	1506	1808	2037
	<b>2505</b>	<b>2430</b>	<b>2821</b>	<b>3050</b>
<b>Total Budget</b>	<b>40,804</b>	<b>41,989</b>	<b>42,610</b>	<b>43,518</b>

