



NOTTINGHAMSHIRE

Fire & Rescue Service

Creating Safer Communities

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

BUDGET PROPOSALS FOR 2019/20 TO 2021/22 AND OPTIONS FOR COUNCIL TAX 2019/20

Report of the Chief Fire Officer

Date: 18 January 2019

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 2019/20 which was largely in line with the indicative finance settlement published as part of the four year funding offer from 2016/17 to 2019/20. The final settlement for 2019/20 will be laid before Parliament in February.
- 1.3 Fire Authority approved the Medium Term Financial Strategy (MTFS) 2018/19 to 2021/22 on 14 December 2018. 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 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 reviewing budget changes and reserve levels.

2. REPORT

CAPITAL BUDGET PROPOSALS 2019/20 TO 2021/22

- 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 2019/20 to 2021/22 is as follows:

Capital Programme Item	2019/20 Proposed	2020/21 Proposed	2021/22 Proposed
	£	£	£
Appliance Replacement	0	0	0
Special Appliances	0	0	115,000
Appliance Equipment	90,000	0	0
Light Vehicle Replacement	235,000	80,000	310,000
Transport Total:	325,000	80,000	425,000
Fire Helmets	0	170,000	0
Personal Protective Equipment (PPE)	850,000	0	0
CCTV - Vehicles	40,000	0	0
Equipment Total:	890,000	170,000	0
Hucknall Fire Station	200,000	170,000	0
Newark Fire Station	75,000	0	0
Worksop Fire Station	2,486,000	1,038,000	0
Headquarters	250,000	2,500,000	1,250,000
Property Total:	3,011,000	3,708,000	1,250,000
ICT Capital Programme	100,000	200,000	200,000
Mobile Computing	50,000	20,000	20,000
Business Process Automation	50,000	50,000	30,000
HQ Enabling works	50,000	0	0
Cyber Security	20,000	20,000	20,000
ICT Total:	270,000	290,000	270,000
Finance Upgrade	50,000	5,000	30,000
Payroll Upgrade	0	15,000	
IT Systems Total:	50,000	20,000	30,000
Total Capital Programme:	4,546,000	4,268,000	1,975,000
Funding			
Grant	0	0	0
Capital Receipts	0	650,000	0
Revenue / Reserves	0	0	0
Borrowing	4,546,000	3,618,000	1,975,000
Total	4,546,000	4,268,000	1,975,000

- 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 2022/23. 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 special appliance budget of £115k in 2021/22 allows for the purchase of a chassis to be ordered and the build will take place in 2022/23.
- 2.6 The equipment programme includes the purchase of CCTV to be fitted in all appliances.
- 2.7 The fire helmets replacement project will allow for all of the helmets to be upgraded and replaced during 2019/20.
- 2.8 The structural PPE project will allow for all operational staff to be issued with two sets of tunics and trousers during 2019/20.
- 2.9 The property programme allows for one fire station to be re-built during the three-year period in addition the programme allows for the work to be carried out on the Headquarters project, 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.
- 2.10 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.
- 2.11 The Capital Programme is funded from Capital Receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.12 **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. The Flexible use of Capital Receipts Strategy was approved at Fire Authority on 14 December 2018. It is not proposed to fund any transitional projects using capital receipts during 2019/20.
- 2.13 **GRANT FUNDING** – there is no anticipated grant funding available at present to support the capital programme.
- 2.14 **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 2019/20 and 2021/22.
- 2.15 **BORROWING** – the majority of the proposed capital programme set out in section 2.2 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 1 February 2019. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2019/20 TO 2021/22

- 2.16 The Medium Term Financial Strategy and Budget Guidelines report at Fire Authority on 14 December 2018 provided an estimate of the budgetary shortfall for 2019/20 of between £0.7m and £1.5m, depending on the level of Council Tax increase. There would also continue to be a budget deficit going forward up to 2021/22. This took account of the £800k savings arising from Mixed Crewing at Ashfield and Retford Fire Stations and an estimated £200k additional pension costs arising from increased employer pension contributions.
- 2.17 Since the December report, more detailed budgets have been developed. The main pressures on budgets and / or changes in assumptions are detailed below.
- 2.18 **PENSIONS** – the Government Actuary Department’s valuation of fire pension schemes has resulted in a reduction to the discount rate applied to future payments into the pension scheme. Whilst consultation is still ongoing between the government and the LGA it is anticipated that this will lead to significant increases in the employers’ contribution rates. The Home Office have agreed to cover the majority of the costs by way of £2m additional grant for 2019/20. However, there remains an anticipated cost to the authority in the region of £200k. This remains very much an estimate as the HO have released an estimated average rate for the 3 firefighter pension schemes and the scheme specific rates could be released as late as March 2019. Costs for 2020/21 onwards will form part of the negotiations for the CSR and more information will be known in autumn 2019. The £2m grant has been included in business rate top up grant from 2020/21 onwards to reflect that it will be included in the CSR.
- 2.19 On 14 December, the Court of Appeal handed down the judgement that the transition arrangements in the 2015 firefighters’ pension scheme were age discriminatory. The government have the ability to seek an appeal to the Supreme Court. If the judgement holds, the transition arrangements for the 2015 scheme will need to be reviewed. This may lead to significant additional costs. Whilst it is anticipated that these will be picked up by the Home Office as part of the funding of the pension scheme, there remains some risk that some of these costs may filter through to individual Fire Authorities. The situation will be closely monitored and the Fire Authority will be informed of any developments. Any additional costs incurred by the Authority in 2019/20 will need to be funded from reserves.
- 2.20 Another risk area is that of Ill Health retirements. All the costs from such retirements now fall directly on to Authority budgets and costs per early retiree could be as high as £120,000. With firefighters now expected to work longer before retirement there may be an increase in ill health retirements if staff are unable to meet fitness standards. The Authority continues to maintain a budget for ill health retirements based on historical data and also has set aside an earmarked pension reserve to ensure that the volatility of these payments is “smoothed” through to the revenue account in a manageable fashion.

- 2.21 **FIREFIGHTER PAY INCREASE** – a pay award of 2% has been assumed for all years to 2021/22. 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.
- 2.22 **WHOLETIME PAY** – the pay budget has been budgeted on full establishment. The impact of recent firefighter recruitment will be that there will be periods where the ridership will be over-established as courses finish and newly trained firefighters gain competency. These additional costs have been built into the budget for 2019/20.
- 2.23 **OVERTIME** – this budget has been under significant pressure during 2018/19 and has consistently overspent due to the under-establishment of wholetime crews. Whilst this has largely been addressed with the recruitment of additional firefighters, it is felt to be prudent to increase the original overtime budget from £200k to £300k.
- 2.24 **ON CALL PAY** – the On Call pay budget has been calculated on staff numbers as at September 2018 adjusted for anticipated recruitment and turnover. Five recruitment courses have been budgeted for which is more than in previous years in an attempt to keep the on call section at full establishment. The additional cost of the courses has been offset by a reduction in the drill training budget to bring it in line with actual expenditure incurred. There has also been a reduction in other work, including community fire safety work to bring the budget back in line with actual activity. In total, the on call budgets have reduced by £39k.
- 2.25 **RESILIENCE** – this remains an area of uncertainty and a number of measures are being implemented to ensure adequate resilience going forward. A reserve of £200k was approved by Fire Authority in December 2018. This will be created from using additional 2018/19 Revenue Support Grant (RSG) of £163k announced in December as part of the Draft Local Government Finance Settlement and £37k from the 2019/20 budget. £100k has been included in budgets for 2020/21 and beyond. This will need reviewing as part of the 2020/21 budget process when costs are more predictable.
- 2.26 **ADMINISTRATIVE AND SUPPORT PAY** – these budgets include a vacancy factor of 1.5% and a pay increase of 2%. The Local Government Association (LGA) have revised pay points in the pay structure for non-uniformed staff with effect from 1 April 2019 to reflect the revised National Living Wage of £9 per hour. This has required the Authority to similarly review its grading structure. Whilst the structure is still not finalised, the cost is expected to be in the region of £180k.
- 2.27 **ICT RESTRUCTURE** – at its meeting on 13 December 2018, the Fire Authority approved the restructure of the ICT department at a cost of £253k, which mostly related to creating permanent posts for work that has previously been undertaken via fixed term contracts. This has been built into the budget for 2019/20 onwards.

- 2.28 **HMI INSPECTION** – the Authority is due to be inspected by HMICFRS (Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services) in January 2019 as one of the second tranche of authorities under the new inspection regime. It is anticipated that there may be additional costs incurred going forward to deal with any issues raised by the inspection. These will be built into future years budgets once more certainty is known.
- 2.29 **COLLABORATION** – the organisational development, whilst originally working on ensuring that the savings identified in the Sustainability Strategy were met are now heavily involved with collaboration projects such as joint control and Joint headquarters. There remains two members of staff that are funded from reserves. The structure of the team is currently under review and the budgets for any permanent changes will be amended accordingly.
- 2.30 **MINIMUM REVENUE PROVISION (MRP) (Increase of £100k)** – 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. The MRP has increased by £100k to reflect the capital cost related to the 2018/19 capital programme which will see Newark Fire Station completed as well as various equipment and ICT schemes for which the debt charges have to be written off over a shorter life. The MRP figure has been adjusted to allow for an expectation of slippage in the capital programme.
- 2.31 **SAVINGS** – The savings that have been identified and built into the budget are as detailed in the following paragraphs.
- 2.32 **MIXED CREWING (£800k)** – the mixed crewing model was approved by Fire Authority for Ashfield and Retford fire stations in February 2018. This has resulted in £800k savings which will be achieved during 2019/20.
- 2.33 **JOINT CONTROL ROOM (£350k)** – the joint control room project between Derbyshire Fire and Nottinghamshire Fire was approved by Fire Authority in December 2018. This will result in savings in the region of £350k per year once implementation is complete. It is planned for the new control room to open in summer 2019. Savings for 2019/20 are expected to be in the region of £175k.
- 2.34 **BUDGET MANAGER REDUCTIONS** – miscellaneous reductions in excess of £200k have been identified by careful scrutiny of existing budgets by finance staff and budget managers as part of the budget process.

RESERVES AND BALANCES

- 2.35 The Reserves Strategy for 2018/19 to 2020/21 was approved by Fire Authority on 14 December 2018. The strategy shows that reserve levels held at 1 April 2018 of £12.1m are expected to drop to just 7.7m by 2020/21 through the use of earmarked reserves to fund specific projects and £1.4m that has been allocated to balance the 2018/19 budget.

- 2.36 The General Reserve is expected to be in the region of £5.5m by 31 March 2019. This is just £1.6m above the minimum level agreed by Fire Authority in December 2018. This represents the maximum level of available reserves to support future years budget deficits.
- 2.37 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 being 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.
- 2.38 The General Reserve may be required to fill any short term funding gaps caused by potential government funding reductions resulting from the CSR. There is also a real risk that the increase in pension employer rates will not receive the same level of funding going forward that has been provided for 2019/20 (£2m).
- 2.39 To summarise, there is a substantial risk that reserve levels going forward will be insufficient to meet future budget deficits. The Authority needs to ensure that current reserves are used in the most prudent manor to ensure that there is sufficient to enable any future transitional work to be undertaken should savings need to be made.

FUTURE YEARS

- 2.40 Detailed budgets have been prepared for the three years 2019/20 to 2021/22, which can be found in Appendix A. The budget for 2019/20 will not be finalised until the end of January 2019, when the surplus or deficit on collection fund and the taxbase are confirmed by the billing authorities.
- 2.41 The detail of the budget requirements for 2019/20 to 2021/22 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 2018 are:

Year	£000's
2018/19	42,227
2019/20	42,562
2020/21	44,774
2021/22	44,633

FINANCING THE BUDGET

- 2.42 The Authority primarily receives income from Revenue Support Grant, Business Rates and Council Tax. The government announced the provisional finance settlement on 13 December 2018 for 2019/20. The settlement was in line with figures published in February 2018. These figures are being used for planning purposes with the final settlement for 2019/20 expected in February 2019. Experience shows that there is likely to be little change from the provisional figures.

- 2.43 For 2019/20 the Authority has also been awarded £2m grant to cover the expected increased costs of fire fighter pension employer contribution. There is a real risk that this level of funding will not be reflected in the Comprehensive Spending Review (CSR) settlement from 2020/21 onwards. Any additional funding will form part of the relative need calculations and will be picked up as part of the top up grant for business rates. It has been assumed for planning purposes that it will remain at £2m.
- 2.44 Funding for 2020/21 and beyond will be determined as part of the CSR which will not be announced until the autumn of 2019. The uncertainty of Brexit and the possibility of a general election will affect the CSR.
- 2.45 A reformed business rates retention scheme is due to be introduced in April 2020. The final details of the scheme are still to be determined but it is anticipated that the level of business rates being retained by local government will increase from the current 50% to the equivalent of 75% in April 2020. As part of the review, the government has announced that Revenue Support Grant will be withdrawn. It is still to be determined whether Fire will continue to receive funding from business rates or whether this will be replaced with a Fire Grant in a similar way to the police.
- 2.46 The Nottinghamshire precepting authorities, Nottinghamshire County Council and the Fire Authority submitted a joint bid for the 2019/20 pilot business rate retention scheme but the bid was unsuccessful. This means that business rates funding will remain as indicated in the provisional finance settlement.
- 2.47 Finally, the fire funding formula which determines the breakdown of government funding between Fire Authorities is currently under review with a view to implement a revised formula from the start of 2020/21. Temporary arrangements will be put in place to protect Fire Authorities from significant changes in their funding levels.
- 2.48 In making predictions about budget financing some other assumptions have been made. These are:
- i) **That business rates collected by the billing authorities will increase by 1% per year in 2019/20 and beyond.**
Growth rates have exceeded those assumed in the financial settlement in recent years. A modest growth of 1% has been assumed but this may need to be revisited if Brexit has a significant negative result on the local business economy. Business rates funding estimates will be confirmed by billing authorities at the end of January 2019.
 - ii) **That the taxbase will increase in line with forecasts provided by the billing authorities**
This again is unknown until the end of January 2019 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 2017/18.**
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. £193k – if there is a material difference from this assumption then this will most likely have to be managed through General Reserves.

2.49 Clearly there are many uncertainties around levels of government funding for 2020/21 and beyond. For the purposes of estimating future funding levels to assess the financial position of the Authority, grant levels for 2021/22 have been assumed to remain unchanged from 2019/20 apart from the £2m pension fund additional grant. This is a clear risk to the Authority and Appendix B shows the impact that a 5% increase or decrease on government funding levels would have on the Authority's finances. A 5% reduction in government funding would represent approximately a £600k reduction in grant.

2.50 The government has confirmed within the provisional finance settlement, that the council tax increase threshold, above which a referendum would be triggered, would remain at 3% for 2019/20 and at 2% for 2020/21 and beyond.

2.51 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:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
External Funding				
Revenue Support Grant	5,962	5,335	0	0
Business Rates Assumption	3,585	3,621	5,486	5,541
Top Up Grant	7,000	7,161	12,631	12,576
Total External Funding	16,547	16,117	18,117	18,117
Council Tax Yield*	24,236	24,563	24,894	25,230
Planned use of reserves	1,444	0	0	0
Estimated Total Funding	42,227	40,680	43,012	43,348
Budget Requirement	42,227	42,562	44,774	45,633
Budget Shortfall	0	(1,882)	(1,762)	(2,285)

*Assumes a rise in tax base but no rise in Council Tax (2018/19 figures are actual).

2.52 The above figures show that a budget deficit of £1.9m will need to be eliminated in order for the Fire Authority to approve a balanced budget for 2019/20 and 2020/21 should there be no increase in Council Tax for these years.

2.53 If Council Tax is not increased there will be insufficient surplus reserves (estimated to be £1.6m - paragraph 2.36), to cover the £1.9m shortfall in the budget.

2.54 A council tax increase of 1.95% would generate additional funding of £478k, and a 2.95% increase would realise a total of £726k in 2019/20. For a Band D household a 1.95% or 2.95% increase would see rises in council tax to £79.02 and £79.80 respectively per annum (an increase of £1.51 or £2.29 per annum respectively, 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:

Band	Annual Council Tax £ Current	Annual Council Tax £ 1.95% Increase	Annual Council Tax £ 2.95% Increase
A	51.67	52.68	53.20
B	60.29	61.46	62.07
C	68.90	70.24	70.93
D	77.51	79.02	79.80
E	94.74	96.58	97.53
F	111.96	114.14	115.27
G	129.19	131.70	133.00
H	155.02	158.04	159.60

BUDGET OPTIONS

2.55 The Fire Authority at the December 2018 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:

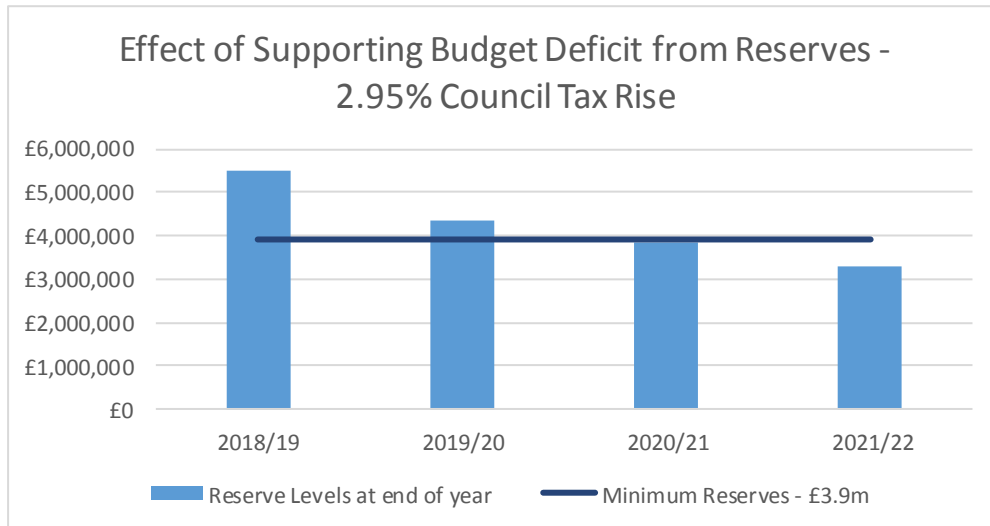
- The options for council tax to be recommended to the Fire Authority will be limited to either a council tax freeze or an increase in council tax within the referendum limit;
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law will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

- 2.56 The effect of a zero increase in council tax is set out in paragraph 2.51 above and shows a significant deficit for the three years.
- 2.57 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:

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total External Funding	16,547	16,117	18,117	18,117
Planned Use of Reserves	1,444	0	0	0
Budget Requirement	42,227	42,562	44,774	45,633
Balance to be met locally	24,236	26,445	26,656	27,516
Council Tax Yield (0%)		24,563	24,895	25,231
Council Tax Yield (1.95%)		25,041	25,874	26,735
Council Tax Yield (2.95%)*	24,236	25,289	26,131	27,001
Budget Shortfall (0%)		(1,882)	(1,761)	(2,285)
Budget Shortfall (1.95%)		(1,404)	(782)	(781)
Budget Shortfall (2.95%)*	0	(1,156)	(525)	(515)
(1.95% 2020/21 & 2021/22)				

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.

- 2.58 There are two advantages associated with implementing a council tax increase in 2019/20: firstly it adds funding permanently into the base budget and secondly it reduces the budget deficit by up to £726k in 2019/20. However, this would still leave the Authority with budget savings of £1.156m to find in order to approve a balanced budget as required by law.
- 2.59 The decisions required to solve the budget deficits for 2019/20 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.
- 2.60 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 2020/21 financial year), Members will need to consider using general reserves to support the budget deficit in 2019/20. The impact on the General Reserve of a rise in council tax of 2.95% in 2019/20 and 1.95% in 2020/21 and 2021/22 is shown in the graph below.



2.61 The graph shows that even with raising council tax levels at the maximum levels permitted without undertaking a referendum, General Fund reserves are likely to fall to their minimum approved level by the end of 2020/21. Once there is more certainty surrounding funding from 2020/21 onwards, the options for budget savings may need to be considered.

2.62 Appendix C shows similar graphs for all the three options considered in 2.57 It illustrates 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 2021/22. The graphs show that reserves would be insufficient to support a freeze in council tax for 2019/20. A rise of 2.95% in 2019/20 and 1.95% thereafter would ensure that reserves are sufficient to balance the budget up to the end of 2020/21, providing all the income assumptions are realistic. This could be significantly worse if funding is lower than these assumptions – see also section 2.49 and Appendix B for a 5% change in government funding sensitivity analysis.

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 2019/20 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

APPENDIX A

CASH LIMIT				
	Revised Budget 2018/2019	Budget Requirement 2019/2020 £000's	Budget Requirement 2020/21 £000's	Budget Requirement 2021/22 £000's
<u>Employees</u>				
Direct Employee Expenses	32131	31990	31762	32497
Indirect Employee Expenses	446	441	441	441
Pension	973	3157	3170	3185
	33550	35588	35373	36123
<u>Premises-Related Expenditure</u>				
Repairs Alterations and Maintenance of Buildings				
	572	572	572	572
Energy Costs	344	410	468	534
Rents	4	1	26	52
Rates	942	996	996	996
Water	81	81	83	85
Fixture and Fittings	1	1	1	1
Cleaning and Domestic Supplies	316	316	316	316
Grounds Maintenance Costs	30	30	30	30
Premises Insurance	36	36	36	36
Refuse Collection	39	39	39	39
	2365	2482	2567	2661
<u>Transport-Related Expenditure</u>				
Direct Transport Cost	1037	1016	1025	1034
Recharges	122	122	122	122
Public Transport	44	44	44	44
Transport Insurance	176	176	176	176
Car Allowances	374	361	361	361
	1753	1719	1728	1737
<u>Supplies & Services</u>				
Equipment Furniture and Materials	623	619	599	599
Catering	71	71	71	71
Clothes Uniforms and Laundry	304	303	261	261
Printing Stationery and General Office Expenses	41	41	41	41
Services	533	532	533	534
Communications and Computing Expenses	1507	1617	1645	1692
	44	44	44	44
Grants and Subscriptions	38	51	51	51
Miscellaneous Expenses	254	254	256	258
	3415	3532	3501	3551
<u>Third Party Payments</u>				
Other Local Authorities	58	58	58	58
Private Contractors	0	0	0	0
	58	58	58	58
<u>Support Services</u>				
Finance	136	146	148	152
Corporate Services	42	44	45	46
	178	190	193	198
<u>Depreciation and Impairment Losses</u>				

Depreciation	0	0	0	0
Amortisation of Intangible Fixed Assets	0	0	0	0
	0	0	0	0
<u>Sales Fees & Charges</u>				
Customer and Client Receipts	-207	-198	-198	-198
	-207	-198	-198	-198
<u>Other Income</u>				
Government Grants	-738	-2738	-738	-738
Other Grants/Reimbursements and Contributions	-513	-493	-513	-588
Interest	-66	-66	-66	-66
	-1317	-3297	-1317	-1392
<u>Capital Financing Costs</u>				
Interest Payments	924	875	936	1071
Debt Management Expenses	1506	1613	1933	1824
	2430	2488	2869	2895
Total Budget	42,225	42,562	44,774	45,633

VARIATION ANALYSIS – 5% CHANGE IN GOVERNMENT FUNDING

This Appendix shows the impact of a 5% variation in government funding on the budget deficit position.

Table 1 – 5% reduction in funding 2020/21 onwards

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total External Funding	16,547	16,117	17,485	17,488
Planned Use of Reserves	1,444	0	0	0
Budget Requirement	42,227	52,562	44,774	45,633
Balance to be met locally	24,236	26,445	27,288	28,145
Council Tax Yield (0%)		24,563	24,895	25,231
Council Tax Yield (1.95%)		25,041	25,874	26,735
Council Tax Yield (2.95%)*	24,236	25,289	26,131	27,001
Budget Shortfall (0%)		(1,882)	(2,393)	(2,914)
Budget Shortfall (1.95%)		(1,404)	(1,414)	(1,410)
Budget Shortfall (2.95%)	0	(1,156)	(1,157)	(1,143)

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.

Table 1 – 5% increase in funding 2020/21 onwards

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Total External Funding	16,547	16,117	18,749	18,746
Planned Use of Reserves	1,444	0	0	0
Budget Requirement	42,227	52,562	44,774	45,633
Balance to be met locally	24,236	26,445	26,025	26,887
Council Tax Yield (0%)		24,563	24,895	25,231
Council Tax Yield (1.95%)		25,041	25,874	26,735
Council Tax Yield (2.95%)*	24,236	25,289	26,131	27,001
Budget Shortfall (0%)		(1,882)	(1,130)	(1,656)
Budget Shortfall (1.95%)		(1,404)	(151)	(153)
Budget (Shortfall) /surplus (2.95%)	0	(1,156)	106	114

*Assumes a rise in tax base and a 2.95% increase in Council Tax for 2019/20 and 1.95% in 2020/21 and 2021/22 in line with the Provisional Funding Announcement.

APPENDIX C

