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Bedfordshire
Fire & Rescue Service

Dear Councillors,

FIRE AND RESCUE AUTHORITY - THURSDAY, 2ND FEBRUARY, 2023

I am now able to enclose, for consideration at next Thursday, 2nd February, 2023 meeting of the Fire and Rescue Authority, the following reports that were unavailable when the agenda was printed.

Agenda No: Item:

11. **The 2023/24 Revenue Budget and Capital Programme and Council Tax setting**
 (Pages 3 - 72)

Yours sincerely

Lauren Fair
Business Support Manager

Please ask for:

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REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2023/24 REVENUE BUDGET AND CAPITAL PROGRAMME

For further information on this Report contact: G Chambers
Assistant Chief Officer/Treasurer
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Background Papers:

2022/23 Revenue Budget Report to the FRA meeting on 10th February 2022 (link below)
<https://bedsfireresauth.moderngov.co.uk/ieListDocuments.aspx?CId=134&MId=443&Ver=4>

Implications:

This table provides a short statement of the impact of the recommendations in this report and/or a reference to the relevant paragraph/s in the report.

Will this report affect any of the following?

Implications	Yes/No	Impact/Reference
Financial	Yes	Throughout this report and attachments
Risk Management	Yes	Yes, medium term financial position and funding is a key item in our Corporate Risk Register
Legal	Yes	See para 8.2 below

Privacy and Security	Yes	Cyber security and associated investments are included within the budget proposals
Duty to collaborate	Yes	The Service already shares estate and this budget includes additional work and support with blue light partners, such as servicing vehicles and equipment
Health and Safety	Yes	Included in the budget is additional Personal Protective Equipment (PPE) and well as funds set aside for improved H&S with contaminants
Equality, Diversity and Inclusion	Yes	See para 8.3 below
Environmental Sustainability	Yes	The Capital Programme includes investment in efficient lighting, electric vehicles and the infrastructure to support these, as well as additional initiatives in future years.
Consultation and Communication	Yes	As per the report, there has been a consultation on the budget and Community Risk Management Plan (CRMP)

PURPOSE:

To present information to allow the Authority to:

- a. set a budget and precept level for 2023/24 in line with statutory requirements;
- b. approve a Medium-Term Revenue Plan for the period 2023/24 to 2026/27;
- c. approve a Medium-Term Capital Programme for the period 2023/24 to 2026/27;
- d. approve a Medium-Term Financial Strategy which provides the strategic context for each of the above, linking them to the Authority's corporate aims, objectives and strategic priorities.

RECOMMENDATIONS:

1. That the Fire and Rescue Authority consider this report and determine for 2023/24 that:
 - a. A Revenue Budget requirement is set at £34.748m, met as indicated in paragraph 3.7 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £25.043m and that consequently, a council tax increase of £5 up to £109.45 per Band D equivalent property, calculated as shown in Paragraph 3.7 of this report.
 - c. In order to meet the Precept requirement, the Treasurer be authorised to issue Precepts in the necessary form to each of the Unitary Councils and for the amounts indicated in Paragraph 3.10 of this report.
2. That the FRA consider and approve one of the Medium-Term Revenue Plans attached at Appendix 1 and 1a to this report, in doing so, approving the allocation of the £1m Pay Reserve to be used within 2023/24 and to also approve the 2023/24 savings and efficiencies detailed at Appendix 2.
4. That the FRA consider and approve the Medium-Term Capital Programme attached at Appendix 3 to this report, in doing so supporting the use of the £555k capital reserve over the years 2023/24 and 2024/25.
5. That the FRA consider and approve the Medium-Term Financial Strategy attached at Appendix 4 to this report and the Reserves Strategy at Appendix 5.
6. That in considering the above recommendations, the FRA note the Treasurer's statement on the robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides, attached at Appendix 6 to this report.
7. That the FRA delegate any budget amendments, following receipt of the final settlement figures, to the Treasurer and Chief Fire Officer.

1. Introduction and Background

- 1.1 The Authority is proposing a budget for 2023/24 that takes into account the aims and objectives of the Service and prioritises the resources available for frontline services.
- 1.2 It does this by:
 - a. Proposing a council tax increase of £5.
 - b. Proposing significant efficiency savings and appropriate utilisation of reserves.
- 1.3 There has been a considerable amount of work towards the 2023/24 budget setting over the past year. This has included a robust review and scrutiny of service wide budgets by the Assistant Chief Officer/Treasurer and the Principal Officers, review and challenge meetings by the Corporate Management Team and two Fire and Rescue Authority Members budget workshops. This work has covered both the revenue budget and the Capital Programme.
- 1.4 The budget consultation questions were approved by the Authority for consultation. The responses to the budget and Community Risk Management Plan (CRMP) consultation are covered under another agenda item at this meeting. There is a high level of support for a £5 increase as summarised below.

The budget includes the funding required to address the actions within the current Community Risk Management Plan (CRMP). These includes investments in Cyber preparedness and security, Digital Transformation, Fleet, Equipment, training for both operational and non-operational staff, improvement in On Call availability and investment in our estate including environmental initiatives.

- 1.5 The Authority's council tax precept leaflets have been electronic since 2013/14. There will therefore be a web link address on the council tax bills to the websites detailing the precept information for the unitary authorities, police and fire.

2. Government Settlement for 2023/24

- 2.1 The provisional settlement for 2023/24 was announced on 19th December 2022. The final settlement figures for 2023/24 are yet to be confirmed. It is anticipated that there will not be any material impact on the figures used in this report. Any minor changes will be met to/from the Transformational earmarked reserve.

Table 1 below shows a split of the 2022/23 and 2023/24 revenue grant funding and the Government's forecast total business rates funding. This is the Settlement Funding Assessment (SFA). A further detailed breakdown of this is included within the Medium-Term Financial Strategy (MTFS).

Table 1: Settlement Funding Assessment split

	2022/23 £m	2023/24 £m	£m Variance
Revenue Support Grant (RSG)	2.405	2.649	0.244
Business Rates baseline funding	5.942	6.164	0.222
Settlement Funding Assessment	8.347	8.813	0.466

- 2.2 Since the introduction of the Business Rates Retention Scheme in 2013/14, the Authority has been subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a share of this, if it decreases again the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted. In a future year, it is anticipated that the Business Rates funding will increase and the Revenue Support Grant (RSG) will cease. The RSG has still been identified in Appendix 1 in years 2024/25 onwards for transparency, albeit this funding may be included within other lines such as business rates in a future year.
- 2.3 The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £6.164m by the Department of Levelling Up, Housing and Communities (DLUHC) for 2023/24, which includes a forecast share of local business rates estimated at £2.475m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rates locally collected/allocated (the 1% share) are lower than the baseline funding level of £6.164m, we are therefore a 'top up' authority and will receive the payment of £3.689m from central government (to get back to the £6.164m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.813m shown in Appendix 1 for 2023/24 is split between £2.649m RSG funding and £6.164m Business Rates. The local share of business rates, as advised by the Unitary Authorities, is higher than the assumed £2.475m at £2.529m and therefore the top up has been reduced by this £54k in Appendix 1.

There is much volatility with business rates income and associated discounts and grants to compensate, particularly since Covid and the various support provided by Government to businesses. Any variances will be monitored and reported as part of the in-year budget monitoring reports. There will also be the impacts from the valuation appeals; the Chancellor has confirmed that there will be a business rates revaluation taking place in 2023.

The Service will also increase links with the Unitary Authorities to better understand their business rates positions and how this will impact the in-year funding position of the Authority. With material re-distribution in 2022/23, this further understanding would be beneficial.

- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive cica £150k in 2023/24 for Firelink (now reducing annually) and New Dimensions. The final figures are yet to be confirmed. Confirmation on the continuation of the Prevention and Protection grant is also required.
- 2.5 The council tax referendum cap was confirmed in December 2022 as part of the provisional settlement. The proposed council tax figure of £109.45 is a £5 increase, therefore at the capping limit. This is based on the financial need as detailed below.

3. Proposed Budget and Precept for 2023/24 and Medium-Term Revenue Plan

- 3.1 In setting a budget for 2023/24, the Authority must take into account the implications for the following years' financial strategy, namely 2024/25 to 2026/27. There are material efficiency savings over the coming years, which will require action in the short-term if they are to be secured within the planned timescales.
- 3.2 The settlement figures for 2023/24 were the fourth single year settlement. A three-year Comprehensive Spending Review (CSR) was carried out over 2022, however a single year's funding information has again provided by to Local Government (for both 2022/23 and now 2023/24).
- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2023/24 to 2026/27 and the key features of the projections, including assumptions of the level of Government funding and council tax funding.
- 3.4 The Medium-Term Revenue Plan (MTRP) assumes that the Authority will achieve year-on-year cashable efficiencies. The MTRP is attached at Appendix 1 and 1a, with the detail of the planned savings, efficiencies and income at Appendix 2.

- 3.5 Based on the assumptions and proposals within this report and appendices, Table 2 below details the key budget information. The budget requirement for 2023/24 is recommended to be set as detailed in Appendices 1 and 1a, depending on which pay award assumption the FRA agrees to adopt for 2022/23 and 2023/24. Key assumptions include the continuation of the Government grant funding the Firefighters employer pension contributions increase, the continuation of the reduced Services Grant, the council tax referendum cap in 2025/26 and 2026/27 and Firefighters and non-operational staff pay awards. Assumptions and Uncertainties are detailed in the MTFS.
- 3.6 The three Unitary Authorities have confirmed their taxbases for 2023/24. This revised taxbase figures, when compared to the 2023/24 taxabse forecast at the time of setting the 2022/23 budget, will increase the council tax income to the Authority by £0.188m.
The forecast Collection Fund figures are included on line 53 in the income section of the MTRP.
- 3.7 Appendix 1 details the Government funding of RSG. It should be noted that in a future year, it is anticipated that RSG will cease and the equivalent funding, or potentially at a revised level, will be included within business rates. For transparency, it is currently still shown separately in Appendix 1 line 48. The RSG for 2023/24 increases by £244k when compared to the 2022/23 figure. It should be noted that the reduction of Services Grant (at £179k for the Authority) has paid for this increase in RSG across the fire sector. The reduction also takes into account the cancellation of the planned increase in employer National Insurance Contributions.

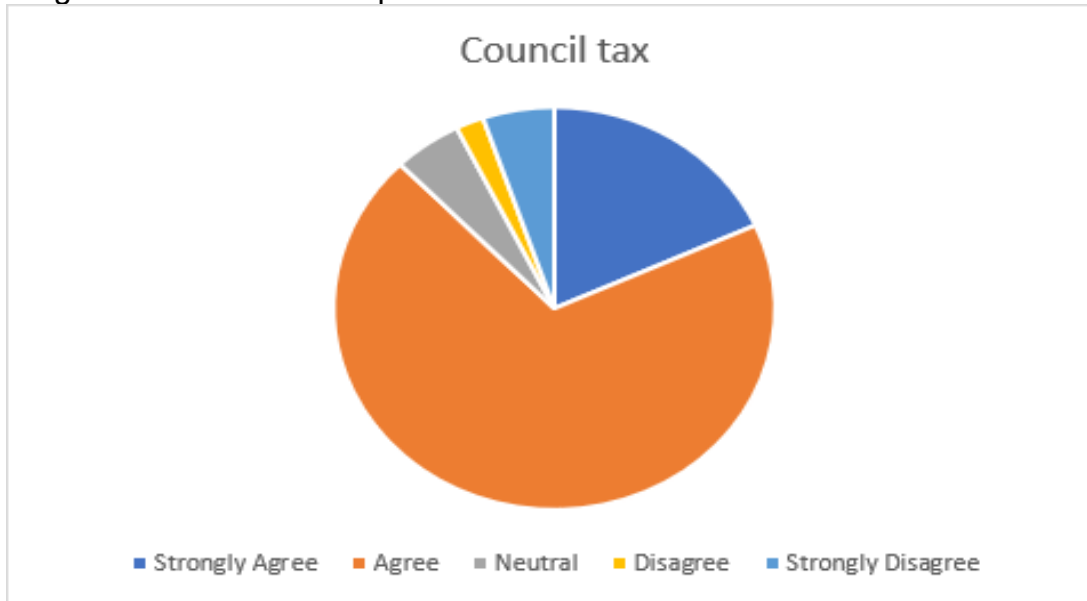
Table 2: Key Budget Information

	2022/23 £m	2023/24 £m	Change £m
Budget Requirement (£m)	33.819	34.748	0.929
<u>Funded by:</u>			
Precept Requirement (£m)	23.401	25.043	1.642
Central and Local Government Funding (£m)	8.747	8.813	0.066
Section 31 Business Rates grant (est)	0.382	0.392	0.010

S31 Multiplier Cap grant (est)	0.488	0.658	0.170
Collection Fund surplus/(deficit) incl spreading of prior year	0.345	(0.389)	(0.688)
Use of Collection Fund Deficit Reserve	0.046	0	(0.046)
Services Grant (new from 2022/23)	0.410	0.231	(179)
Funding Total (£m)	£33.819	£34.748	
Tax Base (Band D equiv. properties)	224,040	228,807	4,495
Band 'D' Council Tax	£104.45	£109.45	£5

- 3.8 The Authority's Officers and Treasurer recommend that the Council Tax increase of £5 should be implemented. This is based on need, particularly with the inflationary pressures, pay awards, planned essential spend on revenue and capital and the utilisation of reserves. As the current MTRP shows that there will be a future funding need with material savings and efficiencies to deliver too. The results of the 2023/24 budget consultation support this increase, please see the CRMP/Consultation Report also being presented to this meeting of the FRA. The consultation responses are summarised below in Diagram 1, in respect of supporting a £5 council tax increase. From 439 responses at the time of writing this report, 80 respondents strongly agreed, 305 agreed (a combined 88% in support) and 22 were neutral. 9 disagreed with 23 strongly disagreeing.

Diagram 1: Consultation question on a £5 Band D council tax increase



Inflationary pressures have continued to intensify during the 2022/23 financial year. Consumer Price Index (CPI) inflation has sat above the Bank of England's 2% target since May 2021 and averaged 10% in Quarter 3 of 2022/23. This rise in inflation mainly reflects the significant increases in global and tradeable goods prices. The rise in energy prices, exacerbated by the economic impact of Russia's invasion of Ukraine, continues to have a direct effect on CPI inflation.

For the Authority, this directly impacts on the price of services, vehicles, equipment, utilities and staffing costs. As can be seen from Appendix 1, even with the £5 council tax increase for a Band D property, the Authority will be using just under £2m of reserves in each of the years 2023/24 and 2024/25 to balance the budget and investments

contained within. The resulting financial commitments show a balanced four year medium term position (Appendix 1), with the Transformational Reserve fully utilised. There is the proposed use of the capital reserve, to reduce further the pressures on the revenue budget. If these reserves were not allocated to 2023/4 and 2025/25, the impact on the use of the Transformational reserve would be over £500k greater. As strategically planned, the Authority has a Pay reserve at £1m, should there be an event where the pay award is greater than budgeted. This event has happened, so this is proposed to be allocated too within 2023/24 as strategically planned. It was proposed elsewhere on this agenda in the budget monitoring report, that a new allocation to the pay reserve will be made at the end of 2022/23 from the Business Rates redistribution now the Government has finalised the 2021/22 business rates. This would be utilised against pay awards above that budgeted.

Within the proposed, as per the table at the foot of Appendix 1, there is a continued allocation for strategic initiatives (£250k) and Green/Environmental improvements (£200k).

There is planning time between now and 2026/27 to implement those identified and additional savings and efficiencies. However, these do need to be researched, planned and implemented, so there is a significant lead time for large scale savings and efficiency options.

- 3.9 Table 3 below details the council tax per band. As there is a proposed £5 increase from the 2022/23 level, there is a change across all the valuation bands. The council tax of £109.45 equates to, for a Band D equivalent property, 30 pence per day for the Fire and Rescue Service.

Table 3: Council Tax Per Band:

Valuation Band	Tax Payable Compared to Band D (Expressed in Fractions)	Council Tax for Band £	Charge per week £
A	6/9	72.97	1.40
B	7/9	85.13	1.64
C	8/9	97.29	1.87
D	1	109.45	2.10
E	11/9	133.77	2.57
F	13/9	158.09	3.04
G	15/9	182.42	3.51
H	2	218.90	4.21

In summary, the taxbase of 228,807 Band D equivalents, multiplied by the Band D council tax of £109.45 equals the precept of £25.043m.

- 3.10 Pursuant to the provisions of the Local Government Finance Acts 1992 and 1999 and all other relevant statutory powers, it is recommended that the Assistant Chief Officer/Treasurer issues Precepts in the necessary form to each of the Unitary Councils indicated in Table 4 below, Column 1, requiring those Authorities to make payments of the sum indicated in Column 2 in eleven equal instalments. Column 3 details the amounts that the local authorities will pay the Authority from their collection of Business Rates. This is 1% of their estimated net rates yield for 2023/24. These figures are before adjustments of the prior years deficit spreading.

Table 4: Precepts (before Collection Fund prior year spreading adjustments)

Unitary Councils (1)	£ (2) Council Tax £'000	£ (3) Business Rates £'000
Bedford Borough	6,835	814
Luton Borough	5,993	603
Central Bedfordshire	12,215	1,112
Total	25,043	2,529

- 3.11 At the time of writing this report, the Business Rates (NNDR1) returns from the Unitary Authorities have not been received. The above figures are based on the most recent information received. Therefore confirmation of the Section 31 grants have also not been received from all three authorities. Updates will be captured in the first 2023/24 budget monitoring report presented to the FRA in 2023/24, as well as the latest position on Business Rate Reliefs Section 31 Reconciliations.
- 3.12 Financial scenario planning.
The attached appendices includes two scenarios, with different pay award assumptions (Appendix 1, Firefighters pay award of 5% in 2022/23 then 5%, 3%, 2% and 2%. Appendix 1a ^% in 2022/23, then 4%, 3%, 2% and 2%) . Other scenarios also explored by the Treasurer include:

- A lower referendum cap in years 2025/26 and 2026/27, with a view that it could reduce back down to 2%. As expected, this would create significant funding pressures and result in a large Transformational Reserve at the end of the medium term. Should this be anticipated nearer the time, mitigation work will commence well in advance of need.
- An alternative pay award scenario with 6% in 2022/23, then 5%, 3%, 2% and 2%, again resulting in a material medium term gap. Should a 6% pay award be agreed and backdated from July 2022, a new reserve has been proposed to manage some of this potential financial pressure either from the 2022 pay award or another year.

3.13 In addition to the Authority's own council tax, there are separate council taxes for the Police, the local authorities of Central Bedfordshire, Bedford, Luton and where applicable their town/parish councils.

4 **Use of Balances:**

4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. This risk assessment undertaken, and referred to in the MTFs, suggests that the minimum level of balances, taking all known risks into account along with the gross expenditure requirement, should be in the order of at least £2.4m for 2023/24. This equates to 7% of the Authority's budget requirement and is circa the average of combined fire authorities. This is after a comprehensive review and setting up of specific ear-marked reserves of £1.605m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2022/23 year end underspend as identified in the Budget Monitoring report that has been presented to the Authority at this meeting, is allocated to a Pay and Pensions Reserve to support any pay award variances above those budgeted for (currently for firefighters at 5% for July 2022 and 2023 as part of this budget report, but these could be higher hence the reallocation to the reserve). This is also taking into account that the £1m previously set aside has been allocated for use in 2023/24 (as identifiable in the funding table at the foot of Appendix 1), so an appropriate new contribution to ensure there is again a reserve here, required due to potential pay awards above those budgeted.

The Transformational reserve is planned to be £2.498m at the 2022/23 year end, prior to any year end underspend allocation. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2023/24 to 2024/25 budgets and beyond (this is the scenario forecast in Appendix 1, with Appendix 1a showing a deficit over the medium term). This is detailed at the foot of the MTRP in Appendix 1.

- 4.2 The reserves strategy is attached at Appendix 5. In summary, the strategy in recent years has been to increase the Transformational ear-marked reserve with underspends and budgeted contributions to enable this to be used for transformation initiatives and future years' budget setting processes.

As detailed in the MTRP, it is forecast that the Transformational earmarked reserve will be used over the medium term to close any budget gaps in the financial years 2023/24 to 2026/27 and to invest in transformational efficiencies and the environmental agenda. This strategy will ensure that additional savings and efficiencies are introduced in a planned and effective manner over the years.

For 2023/24 and 2024/25, it is proposed to allocate the capital reserve of £555k over these two years to ease the pressure on the revenue budget. This reserve is unearmarked and has remained unchanged for many years. In addition, the slipped capital funding has been reduced by £0.100m. This is following a detailed review of the capital items that the reserves were allocated to and the rescheduling of these over the forthcoming years that have new budgets allocated to them. This therefore releases previously allocated capital monies to support the capital programme and therefore less revenue contributions in 2023/24 and 2024/25.

A review of the earmarked reserves has enabled the Treasurer, in accordance with discussions with FRA Members at the second budget workshop in January 2023, to set up a £200k earmarked reserve for spend on Contaminants related work.

5. Proposed Medium-Term Capital Programme

- 5.1 As anticipated, there is no Government funding or bidding round for capital in the 2023/24 budget. This was the position for the 2016/17 to 2022/23 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is a budgeted base budget revenue contribution of circa £2m per annum (with fluctuations) from 2023/24 onwards towards capital expenditure. This is with the assumption that core Government capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions. To note, as previously discussed with Members, a £200k earmarked reserve has been set aside for Contaminants work.

- 5.2 The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2023/24 Capital Programme.
- 5.3 Key items of note in the proposed 2023/24 Capital Programme of £2.258m are:
- Investment in our vehicle fleet and operational equipment. To maintain efficient, economic and effective appliances with appropriate equipment.
 - Investment in ICT including infrastructure and cyber security.
 - Investment in improvements and modernisation of our buildings, including environmental initiatives and EDI works.
6. Proposed Medium-Term Financial Strategy (MTFS)
- 6.1 The Medium-Term Financial Strategy, attached at Appendix 4, is a document that sets out the Authority's financial strategy for the next four years. It focuses on the 2023/24 revenue budget and capital programme, but also sets the scene for future years.
- 6.2 The MTFS details the reserves policy, planning assumptions behind the budget figures and other considerations that must be taken into account when setting the strategy, such as the taxbase, efficiencies and shared services.
7. Robustness of Estimates and Adequacy of Reserves
- 7.1 The Local Government Act 2003 places a duty on the Section 112/151 Officer (Treasurer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. The Treasurer's statement is attached at Appendix 6.

8. Implications

8.1 **Financial:**

8.1.1 The resource implications are detailed throughout this report and appendices, particularly in the MTFs. For clarity, no new borrowing is proposed.

8.1.2 The Treasurer's statement comments on the robustness of the estimates and adequacy of the Authority's reserves with reference to risks identified.

8.2 **Legal:**

8.2.1 The Authority is required by section 40 of the Local Government Finance Act 1992 to set a balanced budget before 1 March in the financial year preceding that for which the budget is set.

Under section 25(1) of the Local Government Act 2003 the responsible finance officer (namely the Chief Finance Officer of the Authority under section 112 of the Local Government Finance Act 1988) is required to report to Members on:

- The robustness of the estimates made for the purposes of the calculations of the budget
- The adequacy of the proposed financial reserves

Section 25(2) of the Local Government Act 2003 requires that Members have regard to the report in making their decisions.

Section 42A of the Local Government Finance Act 1992 also requires the Authority to have regard to the level of reserves for meeting estimated future expenditure when calculating the net budget requirement.

8.3 Equality, Human Resources, Environmental, Policy, Other:

8.3.1 Equality Act 2010

The Equality Act 2010 is a modern, single and streamlined legal framework to effectively tackle disadvantage and discrimination. The protected characteristics covered under the Act are: Age, Race, Sex, Gender reassignment, Disability, Religion or belief, Sexual orientation, Marriage or civil partnership and Pregnancy and maternity.

The general equality duty is set out under Section 149 of the Equality Act 2010 and aims to help public bodies meet the specific duties. The aim of the general equality duty is to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

Public bodies must take into consideration the advancement of equality into their day-to-day business and must exercise their functions, having due regard to:

- remove or minimise disadvantages suffered by people due to their protected characteristics.
- take steps to meet the needs of people from protected groups where these are different from the needs of other people.
- encourage people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Organisations must have adequate and accurate equality evidence, properly understood and analysed, to provide the root of effective compliance with the general duty. Evidence of compliance must be recorded and stored.

8.3.2 Equality and Human Rights Commission

The Human Rights Commission has the power to enforce the duty, if a public authority does not comply with the general duty. Failure to comply can be challenged by means of a compliance notice to the High Court.

8.3.3 Human Rights Act 1998

Public sector organisations are also subject to the Human Rights Act 1998. The purpose of the Act is to support a culture of respect for everyone's human rights by embedding the principles of dignity, equality, respect, fairness and autonomy through improved public services, and for public service providers to use the tool to improve the quality of services.

8.3.4 BFRS will undertake the 'Due regard' of the budget building process to mitigate any adverse impact on protected groups, and beyond.

ANDREW HOPKINSON
CHIEF FIRE OFFICER

GAVIN CHAMBERS
TREASURER

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Option 1: Grey Book 22/23 award 5% base in 2022/23, 23/24 5%, 24/25 3%, the 2% thereafter

APPENDIX 1

	Proposed 2022/23 £000s	Original 2023/24 £000s	Proposed 2023/24 £000s	Proposed 2024/25 £000s	Proposed 2025/26 £000s	Proposed 2026/27 £000s
MEDIUM TERM REVENUE PLAN 2023/24 TO 2026/27						
Base Budget	31,104	33,306	33,306	36,782	38,285	37,834
1 Anticipated increase to Employer Firefighter Pension Contributions	0	0	0	0	250	0
2 Differences between Firefighter retirements and recruitment in advance of retirements	80	0	233	-382	0	0
3 Unbudgeted 2022/23 Green Book pay award (£1,925 increase v 4% budgeted)	108	0	129	0	0	0
4 Unbudgeted 2022/23 Grey Book pay award (Extra 1% for 22/23 4% to 5%)	194	0	142	0	0	0
5 Additional Bank Holidays	13	-13	0	-23	2	2
6 Increase to Retained FF Base due to expected recruitment	0	0	280	280	0	0
7 Reduction in Minimum Revenue Provision (MRP) relating to borrowing costs on previous years vehicles	-11	0	-53	-4	-4	-5
8 Budget Realignment	12	-53	80	10	1	-11
9 Apprenticeship Levy	2	2	2	2	2	0
10 Local Government Superannuation Revaluation Lump Sum	9	20	-126	5	6	20
11 Total Base Budget Adjustments	407	-44	687	-112	257	6
13 Forecast Variations						
14 Investment Interest Decrease/(Increase)	0	0	-130	30	50	15
15 Revenue Contribution to Capital	411	1,193	967	719	-1,442	471
16 Non-Uniform Incremental Drift	88	57	73	71	44	23
17 Transformational Savings/Efficiencies	-211	-92	-252	-94	-140	-180
18 Total Forecast Variations	288	1,158	658	726	-1,488	329
20 Inflation						
21 Fire-fighters pay - 5% 1 April to 30 June 2023, then 5% July 2023, 3% June 2024, followed by 2% following years	79	152	92	213	134	92
22 Fire-fighters pay - 1 July 2023 to 31 March 2024 5% (3% 2024/25, then 2% each following year)	438	228	600	383	263	268
23 Retained Pay (As per Fire-Fighters) April to June	21	12	31	24	14	14
24 July to March	69	47	98	73	43	44
25 Control pay (As per Fire-Fighters) April to June	5	7	11	10	6	6
26 July to March	30	18	33	31	18	19
27 Non Uniformed pay (5% effective from 01/04/2023, 3% 24/25 then 2% thereafter)	274	146	384	243	167	170
28 Member Allowances (as Green Book above)	2	2	4	3	2	2
29 Gas, Electricity, Water and Derv Inflation (No increases in years 24/25 to 26/27 as assume that any inflation increases will be offset by reduction in usage)	24	24	200	-15	0	0
30 Reset Prices / Contract Inflation 23/24 Base (was 4% in 22/23 then extra 4% to reflect average inflation 22/23)	0	0	137	0	-20	0
31 Prices/Contract Inflation (8% in 2023/24 followed by 2% 2024/25 - 2026/27)	135	68	301	78	80	81
32 Total Inflation	1,077	704	1,891	1,043	707	696
34 Budget Pressures						
35 FMS3' bids (Current Year MTFP process)	373	-202	274	38	87	0
36 FMS3' bids (Previous Years MTFP process)	57	168	-34	-192	-14	-55
38 Estimated Net Revenue Expenditure	33,306	35,090	36,782	38,285	37,834	38,810
39 Contribution to/from Transformational Earmarked Reserves	87	-1,877	-2,034	-1,775	5	530
41 Estimated Budget Requirement	33,393	33,213	34,748	36,510	37,839	39,340
43 Budget Requirement Increase Year on Year	1,679.9	-180.5	1,354.7	1,762.4	1,328.5	1,501.3
44 % Budget Increase	5.3%	-0.5%	4.1%	5.1%	3.6%	4.0%
46 Financed by:						
48 Revenue Support Grant (RSG)	2,405	2,479	2,649	2,705	2,705	2,759
49 Business Rates 1% Share from Unitary Authorities	2,300	2,300	2,529	2,582	2,582	2,634
50 Business Rate Top Up	3,840	3,840	3,635	3,635	3,635	3,635
51 S31 from Multiplier cap and Small Business Rate Relief	613	613	658	658	658	658
52 Business Rates - S31 Adjustment from Govt	0	0	392	392	392	392
53 Collection Fund Surplus/(Deficit) - net Business Rates and Council Tax	424	0	-343	0	0	0
54 Collection Fund Surplus/(Deficit) spreading from 2020/21	-46	-46	-46	0	0	0
55 Use of Collection Fund Deficit Reserve	46	46	0	0	0	0
56 Council Tax	23,401	24,221	25,043	26,308	27,636	29,032
57 Services Grant 2022/23	410	-240	231	231	231	231
59	33,393	33,213	34,748	36,510	37,839	39,340
61 Band D equivalent Tax base	224,040	227,362	228,807	233,384	238,051	242,812
62 % change on Band D's	3.39%	1.48%	2.13%	2.00%	2.00%	2.00%
63 Leading to an average council tax (Band D) of	104.45	106.53	109.45	112.72	116.09	119.56
65 % increase	1.99%	1.99%	£5	2.99%	2.99%	2.99%
67 Use of Transformational Reserves Summary						
70 Transformational Earmark Reserve for Budget Setting	2,861	2,498	2,498	1,014	-561	-556
71 Earmark Pay Reserve for Budget Setting	0	0	1,000	0	0	0
72 Total Earmarked Reserve for Budget Setting	2,861	2,498	3,498	1,014	-561	-556
73 Contribution to/from Transformational Earmarked Reserves	87	-1,877	-2,034	-1,775	5	530
74 Annual use of Transformational Reserve for Strategic Projects and Improvements	-250	-250	-250	0	0	0
75 Use of Transformation Reserve for Green/Environmental agenda	-200	-200	-200	0	0	0
76 Reduction of General Reserve from £2.6m to £2.4m in 20/21, with potential to reduce to £2.1m	0	0	0	200	0	0
77 Net Balance Transformational Earmarked Reserves	2,498	171	1,014	-561	-556	-26

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Option 1a: Grey Book 22/23 award 6% base in 2022/23, 23/24 4%, 24/25 3%, the 2% thereafter

APPENDIX 1A

	Proposed 2022/23 £000s	Original 2023/24 £000s	Proposed 2023/24 £000s	Proposed 2024/25 £000s	Proposed 2025/26 £000s	Proposed 2026/27 £000s
MEDIUM TERM REVENUE PLAN 2023/24 TO 2026/27						
Base Budget	31,104	33,306	33,306	36,764	38,321	37,872
1 Anticipated increase to Employer Firefighter Pension Contributions	0	0	0	0	250	0
2 Differences between Firefighter retirements and recruitment in advance of retirements	80	0	188	-382	0	0
3 Unbudgeted 2022/23 Green Book pay award (£1,925 increase v 4% budgeted)	108	0	129	0	0	0
4 Unbudgeted 2022/23 Grey Book pay award (Extra 2% for 22/23 4% to 6%)	194	0	260	0	0	0
5 Additional Bank Holidays	13	-13	0	-23	2	2
6 Increase to Retained FF Base due to expected recruitment	0	0	280	280	0	0
7 Reduction in Minimum Revenue Provision (MRP) relating to borrowing costs on previous years vehicles	-11	0	-53	-4	-4	-5
8 Budget Realignment	12	-53	80	10	1	-11
9 Apprenticeship Levy	2	2	2	2	2	0
10 Local Government Superannuation Revaluation Lump Sum	9	20	-126	5	6	20
11 Total Base Budget Adjustments	407	-44	760	-112	257	6
13 Forecast Variations						
14 Investment Interest Decrease/(Increase)	0	0	-130	30	50	15
15 Revenue Contribution to Capital	411	1,193	967	719	-1,442	471
16 Non-Uniform Incremental Drift	88	57	73	71	44	23
17 Transformational Savings/Efficiencies	-211	-92	-252	-94	-140	-180
18 Total Forecast Variations	288	1,158	658	726	-1,488	329
20 Inflation						
21 Fire-fighters pay - 6% 1 April to 30 June 2023, then 4% July 2023, 3% July 2024, followed by 2% following years	79	152	96	256	135	93
22 Fire-fighters pay - 1 July 2023 to 31 March 2024 4% (3% 2024/25, then 2% each following year)	438	228	486	384	264	269
23 Retained Pay (As per Fire-Fighters) April to June	21	12	39	26	13	14
24 July to March	69	47	116	78	44	45
25 Control pay (As per Fire-Fighters) April to June	5	7	9	11	6	6
26 July to March	30	18	28	33	18	19
27 Non Uniformed pay (4% effective from 01/04/2023, 3% 24/25 then 2% thereafter)	274	146	384	243	167	170
28 Member Allowances (as Green Book above)	2	2	4	3	2	2
29 Gas, Electricity, Water and Derv Inflation (No increases in years 24/25 to 26/27 as assume that any inflation increases will be offset by reduction in usage)	24	24	200	-15	0	0
30 22/23 Inflation uplift to reset 23/24 Base (was 4% in 22/23 then extra 4% to reflect average inflation 22/23)	0	0	137	0	-20	0
31 Prices/Contract Inflation (8% in 2023/24 followed by 2% 2024/25 - 2026/27)	135	68	301	78	80	81
32 Total Inflation	1,077	704	1,800	1,097	709	699
34 Budget Pressures						
35 FMS3' bids (Current Year MTFP process)	373	-202	274	38	87	0
36 FMS3' bids (Previous Years MTFP process)	57	168	-34	-192	-14	-55
38 Estimated Net Revenue Expenditure	33,306	35,090	36,764	38,321	37,872	38,851
39 Contribution to/from Transformational Earmarked Reserves	87	-1,877	-2,016	-1,811	-33	489
41 Estimated Budget Requirement	33,393	33,213	34,748	36,510	37,839	39,340
43 Budget Requirement Increase Year on Year	1,679.9	-180.5	1,354.7	1,762.4	1,328.5	1,501.3
44 % Budget Increase	5.3%	-0.5%	4.1%	5.1%	3.6%	4.0%
46 Financed by:						
48 Revenue Support Grant (RSG)	2,405	2,479	2,649	2,705	2,705	2,759
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51 S31 from Multiplier cap and Small Business Rate Relief	613	613	658	658	658	658
52 Business Rates - S31 Adjustment from Govt	0	0	392	392	392	392
53 Collection Fund Surplus/(Deficit) - net Business Rates and Council Tax	424	0	-343	0	0	0
54 Collection Fund Surplus/(Deficit) spreading from 2020/21	-46	-46	-46	0	0	0
55 Use of Collection Fund Deficit Reserve	46	46	0	0	0	0
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64						
65 % increase	1.99%	1.99%	£5	2.99%	2.99%	2.99%
68 Use of Transformational Reserves Summary						
69						
70						
71 Transformational Earmark Reserve for Budget Setting	2,861	2,498	2,498	1,032	-829	-1,112
72 Earmark Pay Reserve for Budget Setting	0	0	1,000	0	0	0
73 Total Earmarked Reserve for Budget Setting	2,861	2,498	3,498	1,032	-829	-1,112
74 Contribution to/from Transformational Earmarked Reserves	87	-1,877	-2,016	-1,811	-33	489
75 Annual use of Transformational Reserve for Strategic Projects and Improvements	-250	-250	-250	-250	-250	-250
76 Use of Transformation Reserve for Green/Environmental agenda	-200	-200	-200	0	0	0
77 Reduction of General Reserve from £2.6m to £2.4m in 20/21, with potential to reduce to £2.1m	0	0	0	200	0	0
78 Net Balance Transformational Earmark Reserves	2,498	171	1,032	-829	-1,112	-873

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Medium Term Savings and Efficiencies 2023/24 to 2026/27

£'000s 2022/23	Ref	Savings/Efficiencies & Income	£'000s 2023/24	£'000s 2024/25	£'000s 2025/26	£'000s 2026/27
5	1	Energy Management Savings	10	10	10	30
	2	Efficiencies from Operational Review (Linked to ongoing CRMP work)	0	50	100	150
5	3	Income from Workshops Non business Activity	5			
20	4	Combine 3 existing BA courses (CFBT, BAR and TVT) into a new Tactical Firefighting Course negating the use of outside venue and instruction.				
	5	ASPIRE Leadership Programme	2			
	6	FF Apprenticeship residential element removal	35			
2	7	Drone Income				
4	8	Collaboration Income - Partner at Bedford station				
5	9	Team Structure and Staffing review				
2	10	Occupation Health system review				
	11	Cleaning Contract	40			
66	12	Business Rates Reductions				
50	13	Collaboration - vehicle servicing income				
4	14	Cessation Whole-time Recruitment system	4			
40	15	Surplus redistribution from the Fire & Rescue Indemnity Company (FRIC) (estimate for 2022/23 only)	(20)	10		
		<u>New for 2023/24 Budget Setting</u>				
	16	Increase in Investment Income through continued and robust cash flow management, combined with higher interest rates gained	130	(30)	(50)	(15)
	17	Continue to be a supportive provider through Herts FRS. This could be developed to become an apprenticeship provider and increase income generation opportunity (Recruits Training).	30		30	
	18	Change of provider for the procurement framework. Move to be part of the NFCC blue light collaboration hub.	9			
	19	Charging neighbouring FRSs for support over the border	10			
	20	Proposal for Internal testing of equipment (lifejackets, etc)	5			
	21	Reduced use of external Compartment fire behaviour training	15			
	22	To continue to have two Crew Commanders in the instructor pool (generating savings)	12			
	23	Income towards Communications Team (Digital support to Staywise)	15			
	24	Protection discount due to investment of 360 degree cameras on front line vehicles	3	9		
	25	Cessation of software/licences for outgoing Fleet System	20			
		Income from service provisions to external partners:				
	26	Continue to develop the driver training provision to generate income from delivery of various courses including the emergency driver instructor course	30	5	5	
	27	Continued delivery of driving courses for other services including Light Vehicle Response Driver (LVRD) and instructor courses.	27			
	28	Savings through the benefits of having new Breathing Apparatus (BA) - less maintenance spend		10	(5)	
203			382	64	90	165

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CAPITAL PROGRAMME 2023-24 to 2026-27

Bedfordshire Fire and Rescue Authority Capital Programme	2023/24 £000's	2024/25 £000's	2025/26 £000's	2026/27 £000's
Fleet and Associated Equipment:				
Mainly Rescue pumps (1st stage payment) & Thermal Image Cameras	1,115			
Mainly Rescue pumps (2nd and 3rd stages), Hydraulic equipment and Response Support Unit		1,450		
Mainly Technical Rescue Unit and light vehicles			470	
Mainly the Incident Command Unit, bikes and light vehicles				910
<i>Sub total Fleet and Equipment</i>	1,115	1,450	470	910
Digital, Data and Technology (DDaT)				
Endpoint Refresh with Desktop & Laptop Deployment		230		
Renewal of Mobilising System Mobile Data Terminal & Risk Information MDTs		310		
Equipment refresh (tablets and phones)			160	
DDaT spend on infrastructure/hardware				300
<i>Sub total DDaT</i>	0	540	160	300
Property Works service wide				
Various: Lighting replacements, CCTV, fire protection, doors & windows, security gates, elec infrastructure, Electric Vehicle charging points	354	255	444	8
Major Roofing Replacements	371	427	0	333
Drill yard resurfacing	14	23	35	0
WC/Shower facility refurbishments	25	58	48	7
Heating - boiler replacements	30	52	0	16
Dormitory refurbishment	23	23	0	0
Station Kitchen Refurbishments	8	8	12	10
Electric Infrastructure/Photovoltaic Tiles/Solar panels	81	0	483	115
Equality, Diversity & Inclusion (predominantly toilet and shower facilities, also access, prayer rooms)	112	40	0	20
Steel Masts & Drill Towers	110	0	0	0
<i>Sub total Property Works (see partial/assumed funding offset below)</i>	1,128	886	1,021	509
Other				
Fitness Equipment Expenditure	15	0	15	0
TOTAL	2,258	2,876	1,666	1,719
Capital Financing Summary				
RCCO = Revenue Contribution to Capital	1,836	2,555	1,113	1,584
Vehicle and Equipment Disposals	72	16	70	20
Capital funding held - review and utilisation	100	0	0	0
Assumed grant funding for Electrical infrastructure, photovoltaic tiles, solar panels, windows (Public Sector Decarbonisation Scheme)	0	0	483	115
Allocation of general capital reserves and vehicle sales reserve	250	305	0	0
Total	2,258	2,876	1,666	1,719

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Bedfordshire

Fire and Rescue Service

BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Medium-Term Financial Strategy

2023/24 – 2026/27

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Appendix 1 Medium-Term Revenue Plan with 5% salary increase and £5 council tax increase
(not attached to this version, see Appendix 1 of the 2023/24 budget report)

Appendix 1a Medium-Term Revenue Plan with 6% salary increase and a £5 council tax increase
(not attached to this version, see Appendix 1a of the 2023/24 budget report)

Appendix 3 Medium-Term Capital Programme
(not attached to this version, see Appendix 3 of the 2023/24 budget report)

1. Introduction

This is Bedfordshire Fire and Rescue Authority's (BFRA) Medium-Term Financial Strategy (MTFS). It is a four year strategy which is refreshed annually and covers the financial years 2023/24 to 2026/27 and seeks to build upon the work undertaken in developing previous MTFS. It contains the Authority's agreed plans for both revenue and capital expenditure and the planned sources of funding to support that expenditure. It also explains the Authority's supporting strategies for matters such as council tax levels, efficiency savings, the use of reserves/reserves strategy and capital funding.

In addition, the plan also seeks to provide the strategic context for these financial plans, linking them to the national and local context and the Authority's corporate objectives and medium-term strategic priorities.

BFRA has been a precepting body since 2004/05 and is required by the Local Government Finance Act 1992, as amended by the Local Government Act 2003, to set a budget requirement and levy a tax on local council taxpayers each year. The Authority is also required to maintain adequate reserves to cope with unforeseen commitments.

In common with many other authorities, each year since becoming a precepting authority, BFRA has experienced a pressurised financial situation which has necessitated robust and effective medium-term financial planning and the taking of some difficult decisions, in order to present acceptable and affordable budgets.

This year has seen the continuation of the harsh economic climate. However, BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves.

The Authority has a planning process which aligns its financial planning with its strategic and integrated risk management planning processes, the key outcomes of which are captured in the Authority's Community Risk Management Plan (CRMP). The financial implications of the CRMP are thus fully integrated into the annual budget plan and MTFS. Both the CRMP and MTFS cover a rolling four-year timescale and are revised on an annual basis. This MTFS has therefore been developed to ensure that resources are adequate and appropriately directed to deliver the aims, objectives and key priorities of the Authority.

The Authority's corporate risk management process, which identifies key organisational risks and puts into place controls to manage these risks, also plays a major role in determining the outcomes of the planning process. This includes an annual

assessment of the potential financial impact of such risks, which in turn is used in determining the most appropriate level of financial reserves for the Authority.

2. National Context

Service planning, and therefore financial planning, must take place with due regard to the national policy context for the fire and rescue service and economic and public expenditure plans.

Emergency services play an essential part in serving our communities and keeping them safe. Whilst the police, fire and rescue and NHS ambulance services all have distinct frontline roles, it is clear that close collaboration between them can provide real benefits for the public and help each service better meet the demands and challenges they face.

The Prime Minister's announcement on 5 January 2016 that responsibility for fire and rescue policy had transferred from the Department for Communities and Local Government to the Home Office again demonstrates the Government's commitment to closer collaboration between police and fire and rescue services.

In April 2017 the National Fire Chiefs Council (NFCC) was formed. The NFCC is made up of senior representatives from all fire and rescue services across the UK.

The new Council provides clear, professional advice to government (including devolved administrations) and the wider sector on matters such as professional standards, operational guidance, research and sharing best practice, while supporting the whole of the UK FRS.

As part of the reform agenda, a Fire and Rescue inspectorate (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, HMICFRS) has been created. The Authority's review took place in the first tranche of inspections in 2021. The results of this can be found at <https://www.justiceinspectorates.gov.uk/hmicfrs/publications/fire-and-rescue-service-inspections-2021-22-tranche-1/>

A Covid-19 HMICFRS pandemic review took place in late 2020 and the Service/Authority had its second full inspection in 2021. The links for these can be found at:

<https://www.justiceinspectorates.gov.uk/hmicfrs/publications/the-fire-and-rescue-services-response-to-the-covid-19-pandemic-in-2020/>

and

<https://www.justiceinspectors.gov.uk/hmicfrs/publications/frs-assessment-2021-22-bedfordshire/>

The Service's inspection in Tranche 1, Round 3 with HMICFRS will commence in February 2023.

The Authority has implemented where appropriate, the recommendations from the Thomas Review.

The following sections cover in broad outline the national context within which the budget and other aspects of MTFS have been framed.

2.1. **National Statutory and Policy Context:**

The Fire and Rescue Services Act 2004 represented the most comprehensive reform of the statutory framework for the service for more than fifty years and brought about far reaching changes to the way in which individual fire and rescue authorities plan and deliver their services. Amongst the most fundamental of these was the replacement of the previous prescriptive standards of fire cover with a framework for local integrated risk management planning, a duty to engage in preventative community safety work and the provision for a National Framework (revised in June 2018) to provide clarity for Fire and Rescue Services on the Government's expectations.

In addition, a range of Statutory Instruments have been introduced over recent years, which between them impose new duties on the Service, including the requirement to respond to emergencies other than fire, such as road traffic collisions, chemical, biological, radiological and nuclear (CBRN) incidents, serious flooding and major search and rescue incidents. The new responsibilities are not limited to response, but also extend to the need for the fire and rescue service to play a key role in civil contingency planning.

Reform

When the then Home Secretary, Theresa May, outlined her vision for fire and rescue services in May 2016, this was a "radical ambitious" package of reforms. This approach has since been supported by subsequent Home Secretaries up to and including the current Minister Rt Hon Chris Philp MP.

The reform agenda is made up of three distinct pillars. These are:

1. Efficiency and Collaboration

The aim is to drive deeper collaboration between fire and rescue and other local services – including through the statutory duty in the Policing and Crime Act – and support the NFCC and the sector deliver commercial transformation, including procuring more collaboratively, efficiently and effectively.

2. Accountability and Transparency

The aim to enable the public to fully hold their service to accounts by replacing opaque governance and inspection arrangements and publishing more comparable performance indicators.

3. Workforce Reform

The recommendations are the sector and Government to deliver and are based around five broad themes:

- The working environment including diversity of workforce
- Documented conditions of service
- Industrial relations
- Retained duty system and
- Management

On a more local level; the Service continues to work with a range of statutory and non statutory partners in pursuit of joint initiatives that will make our communities safer and healthier. With shrinking budgets and a Government desire to ‘do more for less’ the expectations of all partner organisations on each other will increase. As a Service we must ensure we remain best placed to meet this challenge. The Authority actively seeks joint working arrangements to best meet the need of the community.

2.2 National Financial Context:

The public sector received a three-year Comprehensive Spending Review (CSR) in December 2021, following three years of annual budget allocations from Government.

The Chancellor of the Exchequer, Rishi Sunak, presented the outcome of the 2021 CSR on 27th October 2021.

Following the announcement of the CSR, the second 1 year provisional financial settlement was announced on 19th December 2022, but only for one year 2023/24.

3. Local Context

3.1 **The Authority's Area:**

Bedfordshire occupies a geographically central position within the UK. It has exceptional links to London with the presence of key transport infrastructure including the M1 and A1 roads, three major rail routes and London Luton Airport.

Bedfordshire has a growing and ageing population of over 682,311¹ people, with a workforce of over 250,000. It has one of the most diverse populations in the country, over a relatively small geographical area.

The county is, in land use terms, largely rural and agricultural, including major areas of outstanding natural beauty. Most people (over 70%) live in its larger towns including the two major towns of Luton and Bedford but also in a number of smaller market towns. These towns lie within often picturesque rural settings which also includes many villages that add to the area's diversity of places to live, work and play.

Over recent years the local economy, like many throughout the UK, has moved from traditional manufacturing and heavy industry to one based more upon the service industry. These industries include logistics and air transport, higher education, research and development, tourism and hospitality, creative and cultural businesses, construction, and business services.

Bedfordshire has two successful universities; the post-graduate Cranfield University, and the under-graduate University of Bedfordshire, together with strongly performing further education colleges based in Bedford, Luton and Dunstable. There are a number of significant and internationally linked research locations at these universities and also at Colworth Science Park, Cranfield Technology Park and the Millbrook Vehicle Proving Ground.

There are on-going major transport infrastructure improvements and developments to the road system within the county and continued growth at London Luton Airport; a key deliverer in the business passenger market and handling circa 16 million passengers a year in total.

There are also iconic visitor attractions in the county, such as Woburn Safari Park, Whipsnade Zoo and Center Parc's fifth UK village at Woburn.

¹ 2020 mid-year population estimates

From April 2009 local government within the county has been through three unitary authorities - Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council. The Bedfordshire Fire and Rescue Authority (BFRA) comprises elected Members from each of these unitary authorities, whose numbers are proportional to the populations they represent: 3 Members from Bedford Borough Council, 5 Members from Central Bedfordshire Council and 4 Members from Luton Borough Council.

3.2. The Authority's Strategic Priorities Objectives:

The achievement of the Authority's objectives and targets within a rapidly changing and complex environment requires a robust strategic and business planning process which must in turn guide the development of the medium-term revenue and capital expenditure plans, targeting financial resources to support day-to-day activities as well as planned investment.

Such effective business planning is also essential in order to embed a Service-wide culture of providing the best quality service through the most efficient means and ensure that efficiency measures can be used to free up existing resources, enabling them to be redirected to new and emerging priorities.

BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves. In the recent years the Authority has:

- Changed the shift system at all of our wholetime fire stations.
- Changed the shift system at 1 of our 2 day crewed fire stations.
- Restructured our teams
- Significant ICT investment to enable working from home across the service in response to the Covid Pandemic including increased Cyber security
- Introduction of a new Mobilising system, the first in the country to utilise a fully cloud based system.

The production of the Service's Community Risk Management Plan (CRMP) is facilitated by the Strategic Assessment and considers a wide range of factors and issues, many of which are complex and played out over a longer timeframe, whilst others are less complex but more volatile requiring close monitoring.

The annual CRMP process enable the development of more detailed plans across the Service and in particular the programme of strategic improvement projects / actions for the forthcoming year and medium-term beyond and play a vital role in guiding and prioritising proposals for expenditure in the annual budget setting and medium-term financial planning process.

The Service planning processes and current medium-term CRMP led to the development of six aims (see below). Our Mission is: Working together to keep Bedfordshire safe.

For us, delivering on our mission means focusing on the following six strategic commitments:

We are:

PREVENTING ... fires and other emergencies from happening.

PROTECTING ... people and property when fires happen.

RESPONDING ... to fires and other emergencies quickly and effectively.

We will do this by:

ENGAGING ... and building closer relationships with our communities and businesses

INVESTING ... in our people to be the best they can be, to serve you better.

MAKING ... every penny count, using our resources in an environmentally sustainable way

Please refer to the CRMP for further detail.

The budget also financially and strategically supports the Service's Values, including new 2023/24 budget bids. The Values are:

- We've got your back – striving to keep us all safe, while being supportive and inclusive.
- We are to be different – we are bold in our approach, we welcome challenge and are open to innovative ideas
- Every contact counts – making a positive difference each and every time, with respect and professionalism.
- We are accountable – we are transparent, trustworthy and responsible for our actions.

3.3. Government Funding Settlement:

The Government’s provisional settlement was announced on 19 December 2022, with the final settlement figures to be confirmed in early February 2023. The settlement figures are detailed below in Table 1.

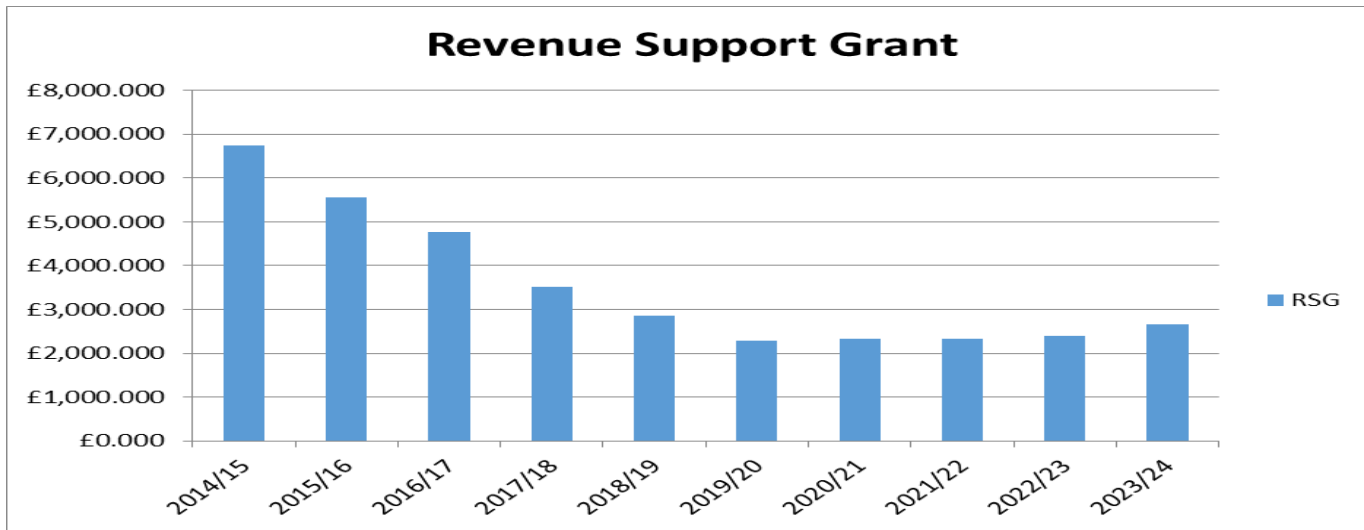
Table 1: Government Grant Revenue Funding

	2022/23 £m	2023/24 £m	£m Variance
Revenue Support Grant (RSG)	2.405	2.649	0.244
Business Rates baseline funding	5.942	6.164	0.222
Settlement Funding Assessment	8.347	8.813	0.466

As detailed above, the funding increase between 2022/23 and 2023/24 is £0.466m over both grant and business rates income.

The chart below details the Revenue Support Grant income reductions since 2014/15. These reductions have been visible in the Medium Term Revenue Plan and have course led to increased savings and efficiencies.

Chart 1: Revenue Support Grant from 2014/15 to 2023/24



The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £6.164m by the Department of Levelling Up, Housing and Communities (DLUHC) for 2023/24, which includes a forecast share of local business rates estimated at £2.475m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rates locally collected/allocated (the 1% share) are lower than the baseline funding level of £6.164m, we are therefore a 'top up' authority and will receive the payment of £3.689m from central government (to get back to the £6.164m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.813m shown in Appendix 1 for 2023/24 is split between £2.649m RSG funding and £6.164m Business Rates. The local share of business rates, as advised by the Unitary Authorities, is higher than the assumed £2.475m at £2.529m and therefore the top up has been reduced by this £54k in Appendix 1.

There is much volatility with business rates income and associated discounts and grants to compensate, particularly since Covid and the various support provided by Government to businesses. Any variances will be monitored and reported as part of the in-year budget monitoring reports. There will also be the impacts from the valuation appeals; the Chancellor has confirmed that there will be a business rates revaluation taking place in 2023.

The Service will also increase links with the Unitary Authorities to better understand their business rates positions and how this will impact the in-year funding position of the Authority. With material re-distribution in 2022/23, this further understanding would be beneficial.

The split of this between local authorities is shown below in Table 2.

Table 2: Local Business Rates income.

Authority	2023/24 £
Bedford	813,819
Luton	603,000
Central Beds	1,111,636
Total	2,528,455

The above figures are fed into the MTRP. As are the Section 31 Business Rates Grants currently forecast at £658k in total from the three Unitary Authorities for 2023/24 (subject to final update). In addition there is annual Government S31 funding (multiplier compensation), £392k for 2022/23 and a Services Grant of £231k.

As previously reported, the Authority in future years will be subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a share of this, if it decreases the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted.

The detailed split of the Authority's total funding and local council tax is shown in Table 3 below:

Table 3: Detailed income split

	2022/23 £m	2023/24 £m	Change £m
Budget Requirement (£m)	33.819	34.748	0.929
<u>Funded by:</u>			
Precept Requirement (£m)	23.401	25.043	1.642
Central and Local Government Funding (£m)	8.747	8.813	0.066
Section 31 Business Rates grant (est)	0.382	0.392	0.010
S31 Multiplier Cap grant (est)	0.488	0.658	0.170
Collection Fund surplus/(deficit) incl spreading of prior year	0.345	(0.389)	(0.688)
Use of Collection Fund Deficit Reserve	0.046	0	(0.046)
Services Grant (new from 2022/23)	0.410	0.231	(179)
Funding Total (£m)	£33.819	£34.748	
Tax Base (Band D equiv. properties)	224,040	228,807	4,495
Band 'D' Council Tax	£104.45	£109.45	£5

The above income lines are further explained below:

- The Government Grant funding for 2023/24 is as per the provisional settlement figures provided by the DLUHC, with the exception of the local business rates. For business rates, as noted below, the more up to date local authority information is used.
- The Precept Requirement is the total of council tax income to the Authority.
- The local business rates for 2023/24 are the figures provided by the three local authorities that are being finalised and reported in their NNDR 1 returns.
- Council Tax Taxbase, is the Band D equivalent number of properties. For six years there was a lower figure than in 2012/13 and prior years due to the changes in the benefits system, which has reduced the taxbases. This reduced council tax income was offset by the Council Tax Support funding that was separately identifiable in 2013/14 but from 2014/15 has been included in the general Government funding calculations. The taxbase in 2020/21 was higher for the first time than the 2012/13 levels.
- The S31 grants have been updated, for both the locally collected and the Government S31 grant where known/confirmed.

3.4. Other Revenue Grants:

In addition to the formula funding, the Government provides specific revenue grants. For the two grants listed below, these are forecast to be circa £150k in 2023/24.

- *Firelink* - This is for the wide area radio system in England, Wales and Scotland for the fire and rescue service. This grant is reducing over the medium term and the cost will have to be picked up by the service.
- *New Dimensions* - This is a grant to cover local costs associated with hosting and maintaining skills associated with national resilience vehicles. This grant was reduced from 2017/18.

The total and split of the 2023/24 funding is yet to be received from the DLUHC.

As well as the above, a grant is also received for the Special Response Team (MTA). This is currently circa £54k per annum.

3.5. Fire Capital Grant Allocation:

As anticipated, there is no Government funding or bidding round for capital in the 2023/24 budget. This was the position for the 2016/17 to 2022/23 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is now a budgeted base budget revenue contribution of circa £1.0m per annum (with fluctuations) from 2023/24 onwards towards capital expenditure. This is with the assumption that capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions.

The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Corporate Management Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2023/43 Capital Programme.

Key items of note in the proposed 2023/24 Capital Programme of £2.258m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in our equipment to ensure safety of the public, firefighters and officers.
- Investment in Digital, Data and Technology (DDaT).
- Investment in the modernisation of our building

4. The Medium-Term Revenue Plan

4.1. Overview and Key Features of the Revenue Budget Strategy:

The Medium-Term Revenue Plan (MTRP), attached at Appendix 1/1a of the 2023/24 budget report, sets out the Authority's revenue budget strategy for the next four years and the predicted impact on council tax. It captures all of the revenue budget implications of the forecasts and assumptions set out throughout this document, including the impact of the capital budget on revenue.

A key feature of the Authority's overall revenue budget strategy is the decision to set a budget for 2023/24 which involves a £5 increase in council tax on 2022/23 levels. This £5 council tax increase is combined with strategies for council tax, efficiency savings and the use of reserves, which together are aimed at delivering significant and sustainable savings over the four year period and beyond, whilst supporting continuing improvements in the quality of service in line with the Authority's strategic priorities.

The council tax strategy, based on current assumptions and estimates, involves increases at £5 for 2023/24, 2.99% for 2024/25 and 2.99% for the following 2 years until 2026/27. These increases are currently built into the MTRP based on need. This is supported by a strategy for efficiency savings and the utilisation of the 'transformational reserve' in 2023/24 onwards. The support provided to the revenue budget by the planned use of the reserves in the years 2024/25 to 2026/27 is aimed at smoothing the impact of formula grant reductions.

4.2 Components of the Medium-Term Revenue Plan:

The following sections give a brief explanation of each of the main components of the MTRP:

4.2.1 *Base Budget*

The net revenue budget for running the Service in 2022/23 was £33.306m. After adjusting for an amount of £87k, which was a contribution to reserves to balance the budget, this increased the budget requirement to £33.393m.

For the 2023/24 budget, the net revenue budget is £36.782m, with a budgeted contribution of £2.034m from the Transformational reserve decreasing the budget requirement to £34.748m.

4.2.2 *Impact of Pensions Funding Changes*

From 2006/07 arrangements were introduced which saw the majority of firefighters pension costs being paid for from the pension account (that is separate from the BFRA's budget), which is funded by a combination of employers' and employees' contributions with Government paying the balance. The level of the employers' contributions is set by the Government Actuary Department and applies uniformly across all Authorities. The BFRA is still responsible for injury retirements and the initial contribution towards ill-health retirements.

The employer pension lump sum contributions percentage have decreased for non-operational employees from April 2023. The employer firefighter contributions have also seen recent significant increases, with some grant funding support these increases.

4.2.3 Forecast Variations

This component of the budget includes a variety of estimated or predicted impacts. The items for increases on protection premiums and investment interest decrease/increase are self-explanatory and the figures given represent estimates based on information currently available. The Revenue Implications of the Capital Programme represent the cost of capital borrowing (minimum revenue provision, loan, interest repayments, running costs) on the revenue budget.

The item on non-uniform incremental drift relates to increases in pay for non-uniformed staff as a result of increased 'time served' which results in their moving up the 'spinal column points' within their salary scales.

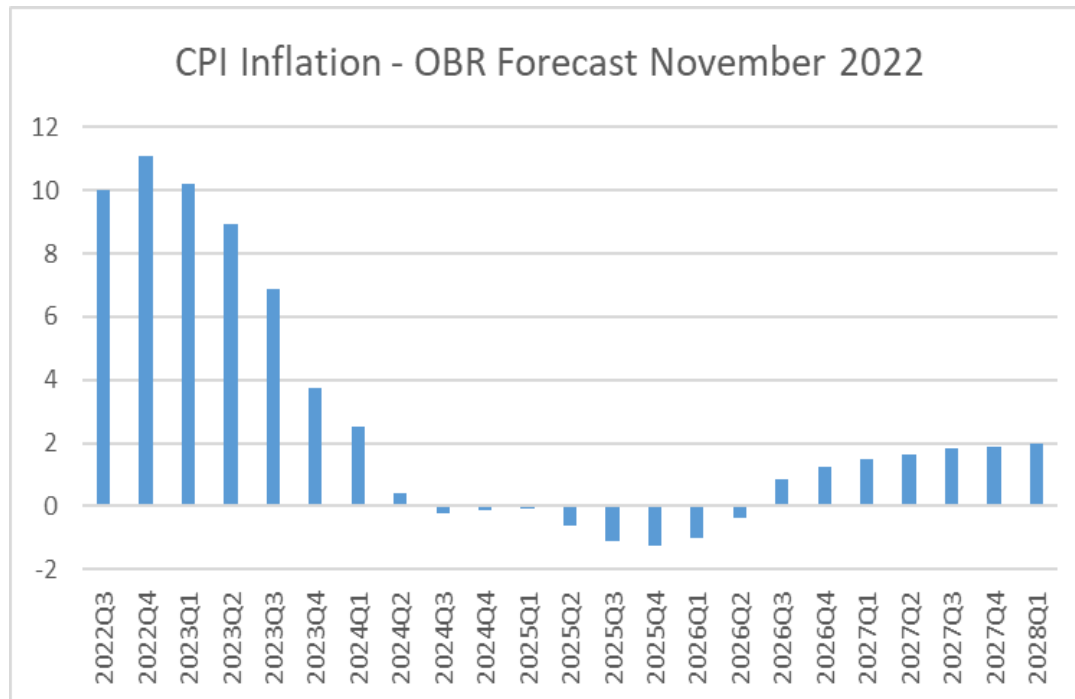
Of particular importance are the items on efficiency savings. As noted at the start of this Section, the Authority's efficiency savings strategy is a core component of the MTRP. The efficiency savings for each of the four years are shown as two types: Transformational Efficiencies/Savings which relate to far-reaching organisational changes, normally associated with significant strategic projects; and Budget Manager Process Efficiency Savings which relate to incremental cost reductions and improvements in ways of working for which all senior managers are set annual targets across all non pay-related budgets. Further details of the Authority's efficiency savings strategy are given in Section 4.3 below.

Of course it is important to remember that actual spending will be under significant pressure. Other recent increases/pressures include the National insurance contributions for employers from April 2016 and the new apprenticeship levy from April 2017.

4.2.4 Inflation

In the last quarter of 2022 CPI peaked at a 40 year high and the exceptional rates are expected to continue into 2023/24 when prices are expected to reduce over 23/24 and then hover near 0% and possible negative inflation for a short period of time before slowly rising from quarter 3 in 2026/27 financial year to the Bank of England target of 2%.

The graph below shows the impact on the MTRP for CPI with a high cost in year 1 dropping to manageable costs in years 2 to 4 of the MTRP period (23/24 – 26/27).



Staff Pay: Direct employee costs amount to circa 82% of the revenue budget and as a result the annual pay awards in the latter years of this current budget setting process have a significant impact on future expenditure levels. Specifically for 2023/24, with pay forecasts at 5% for non-uniformed officers and uniformed officers from 2023 for members to consider. For uniformed officers, their pay award may be linked with a review on conditions of service, so some funding uncertainty here.

This budget will fund wholtime and retained operational staff, emergency fire control operators and full-time and part-time support staff pay awards. All of the Authority's pay awards are determined by national negotiating bodies and, other than through the Employers' representatives on the negotiating team, the BFRA has no direct influence on the outcome and, therefore, the use of estimates for budget projections is required.

Prices Inflation: This includes all non-pay items, from indirect employee costs such as recruitment, insurance, occupational health and health and safety related provision and operational training, through to premises, transport, supplies and services. Non-pay inflation of 8% (the average of the OBR forecast for 2023/24 period) for general supplies and services has been incorporated into the MTRP for 2022/23. There is a separate line for an inflation provision for gas, electricity, water and diesel.

4.2.5 *Budget Pressures*

This line of the MTRP refers to proposed items of new or additional expenditure brought forward by managers during the process of budget setting, which have been approved for taking forward into the budget. These projects (after the number of the business case template used for submission) and all have been subject to rigorous scrutiny.

4.2.6 *Estimated Net Revenue Expenditure*

This line of the plan shows the sum total of each of the above expenditure elements and thus represents the total budgeted revenue spending on the Service.

4.2.7 *Contributions to/from General Reserves*

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. Details of the amounts and nature of Reserves which the Authority has decided to hold are given in Section 4.4.

4.2.8 *General and Earmarked Reserves, below*

This line of the MTRP shows how the Authority plans to use the Transformational Reserves, as per the strategy, in years 2023/24 to 2026/27. This strategy is supported by the Authority's efficiency savings plans and the proposed council tax strategy over the four years of the MTRP and is aimed at smoothing the impact of the uncertainty in formula grant in 2023/24 to 2025/26, thereby allowing adequate time for longer-term efficiency savings measures to deliver sustained reductions to base budget requirements, whilst maintaining levels of service delivery.

4.2.9 *Collection Fund*

For 2012/13 and the years before, a collection fund deficit arose for a local authority (a billing authority) when the actual amount of council tax collected by the Authority is less than the amount calculated based upon the number of properties (taxbase) and level of council tax set. This can arise due to a number of reasons including an over-estimation of the taxbase and non-payment by householders. Conversely, a collection fund surplus can arise when the amount of council tax collected exceeds the calculated amount due to an under-estimation of the council taxbase. From 2013/14, there is also now a surplus or deficit on the business rates collected too.

For 2023/24, the respective estimated Collection Fund position of each of its constituent authorities (Bedford, Central Bedfordshire and Luton) has resulted in a net collection fund deficit of £343k for this Authority, with a further £46k deficit spread from 2022/21 in

2022/23 and 2023/24. This means that the Authority’s net funding from council tax for this year only is effectively increased by that amount. This is detailed on an individual authority basis in Table 4 below.

Table 4: 2022/23 Collection Fund estimated outturn after the impact of 2020/21 deficit spreading

Authority	Council Tax £ surplus/(deficit)	Business Rates £ surplus/(deficit)	Net £ surplus/(deficit)
Bedford	96,027	0	96,027
Luton	86,917	0	86,917
Central Beds	(104,000)	(422,000)	(526,000)
Total	78,944	(422,000)	(343,056)

For a combined fire authority, any collection fund deficit or surplus will represent the combined ‘net’ result of its share of each of its constituent authorities’ estimated year-end Collection Fund position.

4.2.10 *Financed By*

This element of the Plan shows the detail of the separate sources of revenue funding required to meet the estimated budget requirement for each year of the Plan, ie from where the Authority’s revenue income comes. The detailed split of funding is shown earlier in the MTFs in Table 3.

4.2.11 *Calculation of Band D Council Tax and Percentage Increase*

The taxbase used in the MTRP projections represents the number of Band D equivalent properties in the three constituent local authorities that BFRA precepts upon (ie Bedford, Central Bedfordshire and Luton). The taxbase for 2023/24 has been set at 228,807 Band D equivalent properties, based on the information that has been supplied by these authorities. This is 4,767 Band D equivalents higher than 2022/23. The split per authority is shown in Table 5 below. This is an increase of 2.13% compared to the 224,040 taxbase in 2022/23.

The estimated increases of future years’ council taxbases are included within the MTRP, currently at c.2% each year.

Also shown is the percentage increase in council tax projected for each year of the MTRP. As explained previously, these equate to 2.99% for 2024/25 and each year until 2026/27.

Table 5: Taxbase – Band D Equivalentents

Authority	2023/24
Bedford	62,443
Luton	54,758
Central Bedfordshire	111,606
Total	228,807

4.3 Efficiency Savings Strategy

An efficiency saving occurs when the cost of an activity is reduced, but its quality and effectiveness remains the same or improves. BFRA continues to focus on becoming more efficient - finding new ways to deliver highest quality services at lowest possible cost.

The Authority's MTRP for 2023/24 to 2026/27 shows the level of budgeted efficiency/ savings planned for each of the four years, which form an integral part of the overall revenue budget strategy. In addition, the Authority's efficiency savings/initiatives during 2022/23 are mainly on track to deliver an underspend which will be used, subject to the approval of the FRA, to contribute to the Collection Fund deficit Reserve.

As well as making significant savings in previous years, from 2010/11 to 2022/23 £7.419m has been reduced from budgets through budget scrutiny and savings/efficiencies, the Authority's plans for 2023/24 and beyond include making additional significant efficiency savings through:

- Further operational and non-operational reviews
- Efficiency improvements from investments in ICT
- Procurement savings from new contracts
- Collaboration savings
- Income generation

4.4. General and Earmarked Reserves:

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. The Treasurer has the duty to report on the adequacy of reserves (under section 25 of the Local Government Act 2003), particularly when the authority is considering setting its budget requirement.

The required level of reserves for the period 2023/24 is outlined within the Reserves Strategy and financial strategy.

General Reserves are a working balance to help cushion the impact of uneven cash flows and avoid unnecessary borrowing and as a contingency to cushion the impact of unexpected events or emergencies. The Authority's General Reserves are detailed in the Reserves Strategy at Appendix 5 to the 2023/24 Budget Report.

Earmarked Reserves, in accordance with the Local Authority Accounting Panel (LAAP) Bulletin 77, can be set up where there are known or predicted requirements. As is common with most other Fire and Rescue Authorities and public sector bodies, BFRA has set up a number of earmarked reserves which have been separated out from General Reserves. These are also detailed in Appendix 5, the Reserves Strategy.

At the time of writing, the forecast year end underspend for 2022/23 is circa £166k. The General Reserve of £2.4m, at c.7% of net revenue expenditure, is in line with the current overall average Combined Fire Authority average. As the S151 Officer I am comfortable with the level of reserves and do not deem it too low or high.

In addition, the Authority has separate ear-marked reserve for the Capital Receipts Reserve. Project carry forwards are also classed as ear-marked reserves at the year end stage.

The Transformational Earmarked Reserve that was specifically set up for budget setting purposes is estimated to total £2.498m at 31 March 2023. As detailed in the MTRP, it is forecast that this will be allocated to offset the budget gap in the years 2023/24 to 2026/27 and to invest in transformation initiatives.

5. The Medium-Term Capital Programme

5.1 **The Capital Programme**

Maintaining and improving the BFRA's infrastructure requires considerable resources and, for asset management purposes, this is broken down into three categories of investment, for each of which a comprehensive Asset Management Plan is produced; namely:

- Land and Buildings
- Fleet and Operational Equipment
- Information and Communication Technologies (ICT)

For each category of investment a separate programme of projects exists which spans a four year period. Because of the nature of the types of projects included in the programmes it has been the practice for some time to phase plans over a medium-term timeframe in order to show the way some schemes run over several years.

In line with best practice the land and buildings programme is developed so as to meet ongoing maintenance demands as well as to support the development of land and buildings investment and its subsequent management.

The fleet and operational equipment programme reflects the need to maintain a comprehensive fleet of vehicles with acceptable asset lives, equipped to the correct standard to meet current and planned service delivery requirements.

The ICT programme contains projects designed to develop and maintain the communications and technological infrastructure, to support both operational and organisational needs.

Traditionally IT, vehicles and operational equipment have either been leased or funded from revenue and hence did not feature in the Capital Programme, but are the subject of revenue bids for funding. Following the introduction of the Prudential Code, work was undertaken to review the cost effectiveness of leasing compared with long-term borrowing and a number of previously leased items are now being included as part of the four year Capital Programme. Discussions regularly take place with our treasury and leasing advisers, Capita Treasury Solutions, to ascertain for our specific Authority at that point in time, what the optimal funding options are.

All proposed schemes are assessed against set criteria to establish the extent to which they support the strategic objectives and Authority's priorities.

The Authority has implemented an asset management process that ensures all its assets are procured, maintained and disposed of in an efficient and effective way to provide value for money to the council tax payer.

The buildings programme for 2023/24 onwards has been developed on the basis that at present there are no further plans to change the type or location of fire stations and therefore the bulk of investment in premises is directed towards enhancement and the provision of new facilities for training and enhanced national resilience. However, it is an area that may change due to joint working/collaboration.

Historically, vehicles and equipment for frontline response and community fire safety have followed certain levels of specification and requirements. Following a comprehensive review of the emergency response fleet, a number of innovative changes are being made to the current fleet. These changes will deliver a fleet of vehicles aligned to the emergency response required to be mobilised to the identified risk profile of Bedfordshire.

The Capital Programme for 2023/24 is fully funded by revenue contributions of £1.836m, with a contribution from the Capital reserves and vehicle sales of £422k.

It is unknown how fire and rescue authorities will be funded for capital expenditure in the next Spending Review period.

6. Other Considerations

6.1. **Key Budget Assumptions and Uncertainties:**

2023/24 Budget Process- Assumptions/Uncertainties

Current Assumptions:

- One year settlement for 2023/24 (Final settlement February 2023).
- The tax base will increase by 2% annually.
- An increase in the employer firefighter pension contributions will increase in 2025/26.
- That the council tax referendum limit will continue @ 3% for 2025/26 and 2026/27
- Based upon demonstrable need that the FRA will approve the £5 council tax precept increase.
- The FF Employer Pensions Grant will be received for 2023/24 at £1.7m again as a grant, likely to be part of settlement in a future year
- Collection Fund positions as per early indications – Still awaiting final NNDR1's from local authority partners.

- All longstanding grants received in 2022/23 will continue in 2023/24. This includes, New Dimensions, Fire link (with reductions), MTA.
- Green Book pay award 5% April 2023. Modelling 4% too 2023/24.
- Grey Book pay award 5% July 2023. Modelling other 4% too in 2023/24.
- Taxbase increasing post the reduction due to the pandemic.
- Business rates increasing not decreasing.
- Fire Grant/Emergency Services Mobile Communications Programme (ESMCP) funded – *Potential large funding risk here.* MAIT funding.
- That CPI will fall in line with OBR projections as at Q3 2022/23.

Other – the Authority wants to build in an Environmental Impact budget, to invest in reducing greenhouse gasses and becoming more green.

Uncertainties:

- Firefighters pay awards for July 2022 and July 2023 onwards.
- The continuation of inflationary pressures and if costs will reduce or remain at current level.
- What, if any, allocation will be given to Authorities to deliver efficiencies/savings/productivity.
- How much Prevention and Protection Grant we will receive.
- As above, how much of the Employer Pension Grant at £1.7m will be included as part of the settlement/CSR from 2024/25 onwards. It could be subject to reduction in the following years.
- If the new Services Grant of £231k will continue at this level (was £430k when introduced in 2022/23).
- FF pensions – impact from the Remedy and associated costs (internal resourcing, payment to Administrators), immediate detriment costs and other pension related matters.
- The government Public Sector Decarbonisation Scheme will remain open for bids in future years to help fund environmental works to service properties. Our Capital programme forecasts a successful funding bid for 2025/26 & 2026/27.
- Impact from Business Rates Retention (no Revenue Support Grant) potentially a future year in the MTRP.
- Impact from recent CSR and funding for 2023/24 to 2024/25 and Spending Review for 2025/26.
- Impact from delayed formula funding review (year unknown).
- Recruitment profile/establishment/retirements – associated recruitment/training costs.
- New savings/efficiencies in the medium term.
- Collaboration (PCC, Ambulance (servicing, co-responding, falls, bariatric funding?), Police etc) – and associated costs/savings/investments.

- Medium term property strategy (Emergency Cover Review, One Public Estate, HQ, workshops, sharing etc)
- Contingent Liabilities/Assets included in the Statement of Accounts.
- EU directives/legislative changes/post Brexit impacts such as supply chain and cost increases.
- Implications arising from the Day Crewing and Retained pensions.
- Strike expenditure potential over the course of the four year MTRP.
- Interest and inflation rate fluctuations.
- Outcomes of Retained Duty System project (budget increase/decrease)
- Outcome of Grey book pay review – broadening the role, pay award.
- Outcome of Emergency Cover Review Project.
- Outcome of contaminants work both locally and nationally and potential additional expenditure here.

6.2 Equality Impact:

The challenging economic environment in which the Service is operating means that it is sometimes necessary to make difficult and unpopular decisions. A number of the major changes included within the Authority's strategic priorities for the medium-term and thus supported by financial provision within this MTFS, particularly those associated with transformational efficiency savings, will be of this type. The Authority recognises that equality legislation does not prevent it from making these decisions but gives an opportunity to demonstrate its commitment to equality, diversity and inclusion and to ensure such decisions are based on robust evidence and taken in accordance with the Public Sector Equality Duty.

The Authority, therefore, ensures that robust equality analysis is carried out, paying due regard to the impact on our community and staff, where policies, procedures and practices are changing. Decisions, where appropriate, will also be informed by the wider context to ensure particular groups are not unduly affected by the cumulative effects of different decisions. All decisions will be documented through equality impact assessment ensuring fairness, transparency and accountability. This information will be published in line with the requirements of the Public Sector Equality Duty.

6.3. Data Quality:

The Authority is committed to achieving and maintaining fit for purpose, quality data enabling sound decision making and informed planning. This is vitally important with key documents, such as this MTFS and the Authority seeks to continually improve the quality characteristics of such data with particular emphasis on accuracy, validity, reliability, timeliness, relevance and completeness.

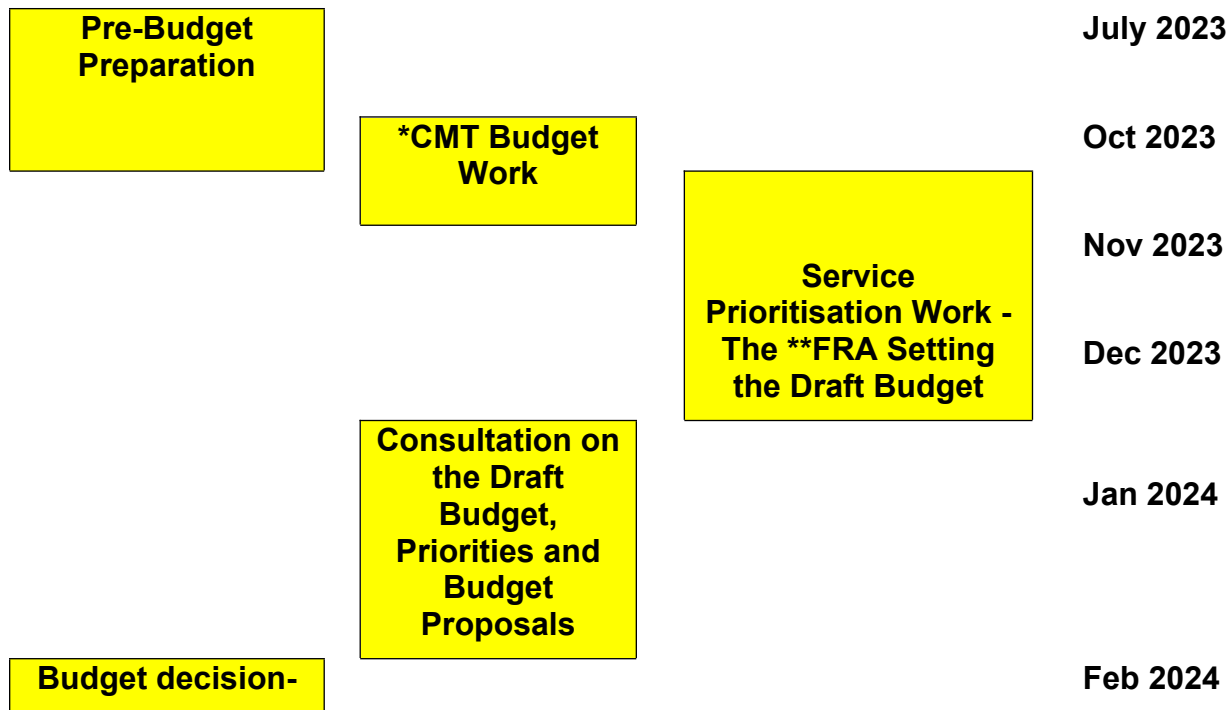
Systems for assurance and validation of our data are in place, for example Performance Indicators are supported by data proformas which include descriptors, data sources, and change control. A data issues log is maintained that considers severity,

impact and mitigation. The Authority’s Business Improvement Programme incorporates process re-engineering to assure our data at the point of entry following the ‘record once and use many times’ principle, delivering new ways of working and business systems where appropriate. A new Digital, Data and Technology steering group commenced in January 2023 chaired by the Chief Fire Officer who is the NFCC national lead for DDaT.

6.4. Budget Setting Process for Future Years:

The summary diagram below shows the key stages that will be followed by the Authority in setting future year’s budgets. In order to ensure proper process and timescales, it incorporates budget planning from July, setting a draft budget in December for consultation, followed by a final budget set in February.

Diagram 1: The budget setting timetable



making

CMT**= Corporate Management Team *FRA**= Fire and Rescue Authority

Appendix 5

Reserves Strategy – Budget 2023/24 to 2026/27

1 Introduction and Background

- 1.1 Reserves are an essential part of good financial management. They help the Authority to cope with unpredictable financial pressures and plan for future spending commitments. The level, purpose and planned use of reserves are important factors for the Authority to consider in developing the Medium-Term Financial Strategy (MTFS) and setting the annual budget.
- 1.2 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.

In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The relevant paragraphs are detailed in Annex 1 attached.

- 1.3 In setting the budget, the Authority decides what it will spend and how much income it needs from limited fees/charges and the council tax to supplement government funding. The Authority may choose to fund some of its spending from its reserves, or set aside some of its income to increase reserves for future spending.

Having the right level of reserves is important. If reserves are too low, there may be little resilience to financial shocks and sustained financial challenges.

- 1.4 Authorities are free to determine the reserves they hold. Members are responsible for ensuring that the Authority's reserves are part of the MTFS and need to be appropriate for circumstances. The Chief Finance Officer has a duty to provide members with advice on the level of reserves.

Appendix 5

- 1.5 Fire and Rescue Authorities face significant challenges. The unprecedented reduction in government funding since 2010/11, rising costs and growing demand for many services are all testing the Authority's financial management and resilience. The current inflationary pressures considerably add to the pressures, including pay awards. The position is potentially to become tougher with again only a one year settlement for 2023/24 despite there being a three year Comprehensive Spending Review in 2022, and potential Funding Formula and Business Rates Retention reviews to take place. There are also continuing pressures from inflationary increases in supplies, services and pay awards.
- 1.6 Current and future financial challenges pose significant, and increasing, risks for the Authority. The Authority may consider using reserves to balance competing pressures, for example:
- Using reserves to offset funding reductions and protect services – although this can only be a short-term strategy as reserves are a one-off funding resource – and/or invest in making changes that reduce the cost of providing services in the longer term.
 - Increasing reserves to strengthen resilience against future, uncertain cost pressures. A feature of the previous budget strategy and MTFS, was that reserves were built up to be used to support the budget and fund investment in delivering savings through transformation and improving services. The Transformational Budget Reserve is now being utilised to offset the budget gap as strategically planned and importantly invest in service transformation and environmental initiatives.

2. The approach to setting the Reserves Strategy

- 2.1 The Reserves Strategy is integral to the MTFS and the annual budget setting process. This strategy includes:
- Information showing the current level of reserves
 - Consideration of the forward strategy for reserves needed to support the Authority's MTFS
 - A summary of the financial risks facing the Authority in conjunction with
 - An explanation of the purpose and level of any earmarked reserves
 - Details of the plans for reserves within the published budget

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2.2 Reserves will be monitored throughout the year and the level of reserves reported as part of the year end accounting processes.

3 Why the Authority holds reserves

3.1 We use different terms to refer to the reserves depending on why they are held. Terms we use in this report have the following meanings:

- *General* – the main balance that the Authority wishes to set aside. This is the £2.4m and is compared annually to other Combined Fire Authorities. This has reduced, as planned, from the previous £2.6m, with a planned reduction to £2.2m over the medium term plan.
- Available *earmarked reserves* – funds we hold set aside to meet known or predicted future spending or ring-fenced by previous Authority decisions (such as the Collaboration Reserve, pay reserve)
- *Other reserves* the Authority holds but which are not available to fund their general spending; some reserves with statutory restrictions on how they can be spent, such as capital receipts or specific revenue grants
- Total reserves – the sum of earmarked, other and General

3.2 Available earmarked reserves include funds for contingent spending that is hard to predict (risk-based reserves) – for example property or vehicle damage, or reserves to cover shortfalls in investment income, pay award projections and so on.

3.3 Reserves are distinct from provisions. Provisions are funds set aside for probable future liabilities where the timing and amounts are uncertain

Delivering a balanced budget

3.4 There are a number of reasons why a Fire and Rescue Authority or Local Authority might hold reserves, these include to:-

- (a) Mitigate potential future risks such as increased demand and costs;
- (b) Help absorb the costs of future liabilities;
- (c) Temporarily plug a funding gap should resources be reduced suddenly;

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- (d) Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
- (e) Spread the cost of large scale projects which span a number of years.

Reserves only provide one-off funding so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

Long-Term Sustainability - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term. Due to the fact that funding for future Capital Projects is held as an Earmarked Reserve, the overall level of reserves held by the Authority is currently still high, but will reduce significantly as the Capital programme progresses.

Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

- 3.5 The Local Government Finance Act 1992 requires the Authority to calculate its expected outgoings and income for the year – including any additions to or use of reserves. Where expected outgoings exceed expected income, the difference is the Authority's tax requirement for that year.
- 3.6 If unplanned costs are incurred during the year that are not funded externally – for example, by a grant from government or an insurance policy – or the Authority experiences a shortfall in expected income/funding, there will be few options if it is to deliver to budget. Raising extra income or making in-year savings may have an unacceptable impact on service users. Therefore the Authority may want to consider using reserves to balance spending and income.
- 3.7 The 2023/24 to 2026/27 MTFs assumes that there will be utilisation of the Transformation Reserve for budgeting and transformation/innovation/environmental purposes. It forecasts that this reserve will be usable to balance future years budgets. The MTRP details the utilisation of General Reserve (line 76) and also proposes the use of held and previously unused capital reserves (£555k) and the Pay Award reserve (£1m) that was created for pay awards above budgeted for. This is clearly the case now, with the firefighters pay award for July 2022 yet to be agreed with potential industrial action ahead.

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4 Reserves and the management of risks – Annual Review

- 4.1 With regard to the Authority's financial stability, reserves are used to manage risks. There are certain earmarked reserves that have been set aside for specific risks, for example: insurance/protection, ill health and early retirement, HR matters, Health and Safety matters, grant loss, Pensions/Pay uncertainties, budget pressures and one that was new for 2021/22 a Collection Fund deficit reserve. These reserves and the potential pressures that need to be managed are reviewed as part of the budget setting process. The review of reserves in year and the forecast of a forecast large Collection Fund deficit, led to the FRA in October 2020 establishing an earmarked reserve for this from the 2020/21 year end underspend.
- 4.2 The Authority also manages unforeseen financial shocks by maintaining a General Fund/Working Balance. The Authority's agreed policy is to maintain working balance at £2.4m. Some Authorities set a minimum desired percentage and although the Authority has not done this, the policy would maintain general balances at approximately 7% of the net budget. This level of working balance is kept under review and the Chief Finance Officer has expressed a view that the level is reasonable as part of the budget setting process. A reduction over the medium term to £2.2m is currently planned, but subject to a further review when setting next year's budget.

Increasing Financial Risks

- 4.3 The risk environment for local government has significantly increased over recent years. This strategy identifies the following issues that have increased risk:
- Ongoing inflationary pressure to supplies, services and pay awards
 - Continued limited Government funding with now four years of only annual settlements, although there was a three year CSR for 2022/23, only the police sector had indicative high level funding figures given for 2023/24 too.
 - Potential changes in the grant funding methodology – Formula Funding Review, Business Rates review and Spending Reviews
 - Significant movement and growth in resident population numbers brings pressures to a range of services and requires more investment in infrastructure – could have impacts on hydrant and operational provision

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- Localisation of business rates presents a collection rate risk, an economic downturn risk and a risk in respect of backdated appeals – In a future year potentially, Business Rates Retention Scheme and no RSG
- A key new uncertainty is the outcome of the Remedy for the age discrimination case (McCloud) and the impact that this may have financially on Fire and Rescue Services. An earmarked reserve has been set up to cover this and the unknown cost of employer contributions and Administrator payments (as well as pay awards and associated potential industrial action).
- Any impacts from Brexit/the war in Ukraine and supplies still could have a financial impact.
- Collection Fund deficits and the volatility of the taxbase during and post the pandemic and also Business Rates valuations/appeals.

On-going risks in the current strategy

4.4 In addition to the new risks there are still the risks that are usually managed within the MTFS and the Corporate Risk Register.

5 Budgeted Reserves – Risk Assessment

5.1 The forecast Earmarked Reserves usage assumed as part of the budget strategy are included in the Medium Term Revenue Plan.

5.2 The forecast value of General Fund Reserves as at 1st April 2023 is £2.4m as detailed in Table 1 below.

Table 1: Risk Assessed General Reserves

Description	Likelihood	Impact	£'000
Large scale failure of Personal Protective Equipment or other safety critical equipment	Possible	Significant	300
Major incident within the County/Region	Likely	Significant	650

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Failure of operational vehicle prior to planned replacement in Capital Programme/unforeseen inability to provide service requirements	Possible	Significant	300
Failure of a major supplier	Likely	Significant	300
Failure/corruption/security breach of ICT System	Possible	Significant	200
Non-specific General Reserves to meet any other unforeseen service requirements			650
Total General Reserves			2,400

- 5.4 The reserves below have been set aside for foreseen circumstances that may necessitate usage. They are annually reviewed and if not deemed necessary, released to support the revenue budget. Some have been set up as a result of base revenue budget scrutiny, where budgets in the past were held for just in case events necessitated their use. Where this was so, these have been removed from base revenue budget and an earmarked reserve created. The large items, such as ESMCP, Hydrants and the Replacement mobilising system, are where the spend is unknown so these amounts have indicatively been set aside to avoid budget pressure in the medium term and to assist with the Medium Term budget setting. The items listed below are not contractually or legally committed, at this point in time. All are clearly linked to supporting the Authority's service delivery plans. Following a review by the Treasurer for the 2023/24, and in accordance with discussions held at the second Members budget workshop in January 2023, a newly identifiable earmarked reserve has been allocated to Contaminants at £200k
- 5.5 The earmarked reserves are detailed in Table 2 below.

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Table 2: Earmarked Reserves

Description	£'000
Emergency Services Mobile Communications Programme (ESMCP) reserve – Emergency Services Network (ESN)	180
Replacement Mobilising Project	100
Contingency for doubtful debts	10
Hydrant installation (taken out of revenue budget due to uncertainty)	225
Goods and services, contractual inflation in excess of assumptions (1%)	80
Potential liability as a result of legal/disciplinary action in relation to Personnel	100
Health & Safety and/or Contaminants work	200
Sudden absenteeism of a large number of personnel across the whole of the Service due to pandemic or similar	125
Ill-health retirements in excess of budget provision/injury pension	125
Unplanned urgent property works (eg roof repairs)	100
Contingency for insufficient Insurance cover (additional contribution)	25
Interruption to Business Continuity (including Industrial Action, Cyber, adverse weather conditions resulting in higher than average numbers of emergency incidents – excludes Bellwin incident))	150
Unplanned urgent maintenance/replacement of particular item of equipment (eg engine or gearbox wearing out/failing earlier than anticipated)	50
Invest to Save/Innovation Fund (these have been taken out of annual revenue budgets)	60
ICT Innovation/Application Development	75
Total Requirement	1,605

The use of the previously held £1m for pay and pensions has been included for utilisation as part of the 2023/24 budget setting. However, a contribution back to this reserve is proposed within the Budget Monitoring report presented in today's agenda. This underspend is predominantly achieved through the redistribution of business rates monies from 2021/22.

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5.5 Other Reserves for noting:

- Collaboration Reserve £2.378m (includes 2017/18 year end additional contribution of £498k from Home Office Pensions refund)
- Capital Receipts Reserve £507k plus the vehicles reserve of £48k (totalling £555k) has been allocated as part of the funding of the capital programme for 2023/24.

There is also a Capital Reserve that holds the approved funding where schemes run over the financial year end, this includes vehicles, property works and ICT projects.

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Annex 1 – Extract from National Framework reference reserves

Reserves

1.1

Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

1.2

Fire and rescue authorities should establish a policy on reserves and provisions in consultation with their chief finance officer. General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.

1.3

Each fire and rescue authority should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).

1.4

Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan. The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

- how the level of the general reserve has been set;
- justification for holding a general reserve larger than five percent of budget; and
- details of the activities or items to be funded from each earmarked reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

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1.5

The information on each reserve should make clear how much of the funding falls into the following three categories:

- a. Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
- b. Funding for specific projects and programmes beyond the current planning period.
- c. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)

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TREASURER'S STATEMENT

Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Fire and Rescue Authority when it is making the statutory calculations required to determine its council tax and the Authority is required to take that report into account when making the calculations. The report must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

Dealing firstly with the robustness of the estimates; an improved budget scrutiny process was introduced some years ago and, as reported to Members throughout the budget process, this has been followed again this year. Members have also been briefed on and involved in debating the more important aspects of the budget at two Members' Budget Workshops. Feedback from the budget consultation has also been reported back to Members. Therefore, both Officers and Members have arrived at this budget setting meeting fully informed on all the major issues. The budget is also prepared between the Treasurer and the Chief Accountant, so there is a built in check/review between these officers too. Given this background, I can confirm my satisfaction as to the robustness of the estimates presented to you in this report.

Members will also be aware from previous years' discussions and at the two Budget Workshops of the need to make adequate provision for Reserves and Working Balances. The requirement for financial reserves is acknowledged in Statute and Sections 32 and 43 of the Local Government Finance Act 1992, requiring precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

CIPFA has published a Guidance Note on Local Authority Reserves and Balances. It details that it is the responsibility of the Treasurer to advise the Authority concerning the level of reserves and the protocols for their establishment and use.

The importance of sound working balances, reserves and provisions cannot be over emphasised. It is critical, particularly where an emergency service is involved, to have adequate working capital. A working balance is needed to even out the peaks and troughs of cash flow. It guards against the need (and cost) of regular short-term borrowing. Apart from the day to day fluctuations in cash flow, the working balance will be made up principally by the level of reserves and provisions.

There are three main purposes for the establishment and maintenance of reserves:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.

It has been recognised previously by Members that this latter purpose is crucial at the present time with only annual Government funding, funding pressures and particularly general inflationary pressures including pay awards.

There is an annual review of the level of reserves. The detail on the level and strategy for both General and Earmarked Reserves is included within the Reserves Strategy. The level of the risk assessed General Reserve is £2.400m, reduced from £2.6m as part of the 2020/21 budget. The main earmarked reserves remain at £1.605m following the planned use of the Pensions/Pay reserves at £1m in 2023/24. The 2023/24 underspend is proposed to be allocated to refund this reserve as the pay award could still be higher than currently budgeted. This was due to significant uncertainties of financial impacts for these two areas. The non-operational pay award has been agreed for 2022 but we still await the finalisation of the operational pay award. The budget was set at 4% and currently 5% has been rejected. We await the outcome of the ballot for strikes.

The level of general reserves was compared with those of other fire authorities and compared favourably with the average percentage. The Transformational earmarked reserve, used for transformation, environmental and budget setting purposes, is forecast to be £2.498m at the 2022/23 year end in line with the Authority's financial strategy. This excludes the 2022/23 year-end underspend, that has been recommended to the FRA as part of the 2023/24 budget setting report to put back into the Pay/Pensions reserve following its use as part of the 2023/24 year and in anticipation of an operational pay award for 2022 above the increased budgeted amount of 5% (increased from 4% but still yet to be agreed).

The reserves are fully detailed in the Reserves Strategy.

The Authority created a Collaboration Reserve that was predominantly funded from the 2015/16 and 2016/17 underspends and a pensions reimbursement. This has been set aside for resource costs and also mainly estates works.

For the 2021/22 year, a new earmarked reserve was been set up to offset the unitary authorities apportionment of the council tax and business rates Collection Fund deficits. For 2022/23, this position had reversed with Collection Fund surpluses forecast (for council

tax, for business rates there are deficits) and again there is a swing with an overall deficit for the 2023/24 budget. There has also been a thorough review of capital reserves, resulting in the utilisation of the £555k capital reserve that will be funding the 2023/24 capital programme and relieving the revenue budget of this funding pressure over 2023/24 and prudently 2024/25.

Gavin Chambers CPFA
Treasurer to the Fire and Rescue Authority

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