

**FOR PUBLICATION**

**Bedfordshire Fire and Rescue Authority  
12 January 2021**

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**REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER**

**SUBJECT: DRAFT 2021/22 REVENUE BUDGET AND CAPITAL PROGRAMME**

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Background Papers:

1. The 2020/21 Budget Book and Medium-Term Financial Strategy.
  2. The 2021/22 Budget Update Paper presented to the FRA on 10<sup>th</sup> December 2020.
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Implications (tick ✓):

LEGAL		FINANCIAL	✓
HUMAN RESOURCES	✓	EQUALITY IMPACT	✓
ENVIRONMENTAL		POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)
	New		

*Any implications affecting this report are noted at the end of the report.*

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## PURPOSE

To present information to allow Members to approve and consult further on a draft Revenue Budget, Capital Programme and Council Tax for 2021/22.

## RECOMMENDATIONS

That subject to review and consideration of these papers, Members approve a draft budget position to take forward and refine for the final budget meeting on 11<sup>th</sup> February 2021. The specific recommendations are to approve at this point in time:

1. A draft revenue budget requirement of £31.286m, as per Appendix 1, with a council tax increase of 1.99%.
2. A draft Capital Programme of £1.038m as per Appendix 4.

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### 1. Report Background:

- 1.1 The 2021/22 budget timetable was reviewed by the Fire and Rescue Authority (FRA) at the Members Budget workshop on 19<sup>th</sup> November and the FRA meeting of 10<sup>th</sup> December 2020. The timetable has been adhered to.
- 1.2 Budget work to-date has included a robust review and scrutiny of budgets by the Assistant Chief Officer/Treasurer, Chief, Deputy Chief and Assistant Chief Fire Officers, the Finance Team and the Corporate Management Team. Planned meetings have also taken place where the Capital Programme was scrutinised. There has also been one Members' budget workshop in November 2020 where the draft budget was discussed in detail.

There are £513k of new revenue bids, these are mainly for resources/posts and digital transformation. There has been a reduction in capital budget requests for 2021/22 of £506k from the indicative 2021/22 figures when setting the 2020/21 budget. The main change has been a rescheduling of vehicle purchases, extending the current life of the vehicles in use. Not all requests were approved at the officer budget scrutiny stage, so the bids included as part of the draft budget are the reduced scrutinised position. These are subject to further review and discussion at the 2<sup>nd</sup> Members Budget Workshop on 19<sup>th</sup> January 2021.

1.3 The next stages of the budget process, in accordance with the timetable, are summarised in Table 1 below:

*Table 1: 2021/22 Budget timetable extract from the date of 12 January 2020 onwards.*

Fire and Rescue Authority (FRA)	Draft budget approved.	12 January 2021
Public Consultation	End of December 2020 to 31 January 2021.	End of December 2020 to 31 January 2021
Corporate Management Team (CMT)	Update to CMT as required.	January 2021
FRA	2nd Members budget workshop – with bids scrutiny, updates on consultation responses received etc.	19 January 2021
FRA	2021/22 Budget and Council Tax Precept set.	11 February 2021

1.4 The Authority is proposing a draft budget for 2021/22 that takes into account the aims and objectives of the service and prioritises the resources available for front line services, in line with the Community Risk Management Plan (CRMP).

It does this by:

- a. Proposing a council tax increase of 1.99%. This equates to an increase from £100.41 to £102.41, therefore a £2.00 increase per Band D equivalent property per year or just under 4 pence per week.
- b. Proposing the continuation of significant efficiency savings over the period 2021/22 to 2024/25 which totals £0.704m.
- c. Examining all possible savings and other ways of reducing expenditure or increasing income without affecting service levels.

1.5 The Authority when reviewing this draft budget report may choose to make amendments to the draft revenue and capital budgets presented or to the draft council tax increase and adjust the budget proposals accordingly, in consultation with the Treasurer and the Chief Fire Officer. There will be the 2<sup>nd</sup> Members Budget Workshop on 19<sup>th</sup> January 2021, when Members will again discuss the proposed 2021/22 budget in detail prior to the final budget setting in February 2021.

2. Issues and Overview

2.1 The public sector was expecting a three year Comprehensive Spending Review (CSR), following two years of annual budget allocations from Government. Due to the pandemic, the three-year CSR has been postponed until next year, therefore a one year CSR was announced for 2021/22.

The Chancellor of the Exchequer, Rishi Sunak, presented the outcome of the 2020 CSR on 25<sup>th</sup> November 2020. The highlights of this have been presented to the Authority at its December meeting, these included that the council tax referendum cap for Fire and Rescue Authorities would be 2% again.

2.2 Following the announcement of the CSR, the provisional financial settlement was announced on 17<sup>th</sup> December. The figures are summarised in Table 2 below:

Table 2: Provisional Formula Funding Settlement

	<b>2020/21 £m</b>	<b>2021/22 £m</b>	<b>£m ch an ge</b>
Revenue Support Grant (RSG)	2.320	2.333	0.013
Business Rates baseline funding	5.942	5.942	0
<b>Settlement Funding Assessment</b>	<b>8.262</b>	<b>8.275</b>	<b>0.013</b>

- 2.3 The Settlement Funding Assessment (SFA) is the Government's assessment of the funding that the Authority requires. This can be broken down into Revenue Support Grant (RSG), the Authority's Business Rates Baseline (how much is collected locally and allocated to the Fire and Rescue Service) and the Government's Business Rates Baseline Top up. The figure for 2021/22 includes the increased RSG from 2020/21 by £13k to £2.333m for 2021/22 and the currently estimated Business Rates income (as shown in the MTRP lines 52 and 53 with updated locally collected figures).
- 2.4 The employer firefighter pensions grant will be received again for a third year in 2021/22, at £1.7m. It has been indicated that this will be the final year received as a grant, as it will be included as part of the overall financial settlement from 2022/23 onwards. This confirmation negates the need for budget allocation towards this, so this has been reflected in the attached Medium Term Revenue Plan.
- 2.5 Capital - Prior to 2013/14 the Authority received in excess of £1m capital grant funding per annum. A bidding process was introduced in 2013/14 and continued until 2015/16. There have not been any capital grants or bidding rounds post 2015/16.
- 2.6 The 2021/22 budget assumptions and uncertainties, for transparency, are detailed in Appendix 2. Key pressures and uncertainties include pay awards, employers pension contributions, the continuation of grants and the Emergency Services Network costs.
3. Business Rates Retention/Formula Funding
- 3.1 As can be seen from Appendix 1, it is currently forecast that there will be a minimal increase in Revenue Support Grant to the Authority in 2021/22 at £2.333m, up £13k from the 2020/21 amount of £2.320m. This is after a 20% reduction or £0.573m in equivalent funding between the financial years 2018/19 and 2020/21. The MTRP factors in Revenue Support Grant funding being static between the years 2021/22 and 2024/25. This is subject to the Comprehensive Spending Review in 2021/22 and the outcome of the Business Rates Review. RSG may cease as a grant with business rates share/income increasing to compensate.

As our business rate baseline is lower than the baseline funding level, we are a 'top up' authority and receive a payment from central government. All Fire and Rescue Services are top up authorities. Fire grants such as for Firelink and New Dimensions are outside of the BRR scheme.

The Authority could be impacted by 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.

Table 3 below details the estimated business rates income from the three unitary authorities. This has decreased by (£117k) for 2021/22, based on the previously estimated 2021/22 predictions.

Table 3: Business Rates Income

<b>Authority</b>	<b>2020/21</b>	<b>Forecast Original 2021/22 at time of 2020/21 budget setting</b>	<b>Current Forecast 2021/22</b>	<b>Variance Original to Revised 2021/22</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Bedford</b>	657	667	675	8
<b>Luton</b>	672	686	653	(33)
<b>Central Bedfordshire</b>	970	1,062	970	(92)
<b>Total</b>	<b>2,299</b>	<b>2,415</b>	<b>2,298</b>	<b>(117)</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2021.

#### 4. Council Tax Taxbase

- 4.1 Table 4 below shows the estimated change in the taxbase between 2020/21 and 2021/22. These are the current estimated taxbase figures for 2021/22 received to date from the local billing authorities.
- 4.2 As can be seen from the table below, the forecast 2021/22 taxbase figures provided or estimated when setting the 2020/21 budget, have decreased by 5,206 Band D equivalent properties. This decrease will result in reduced council tax revenues for the Authority of £541k in 2021/22. This may have a longer term overall impact on the MTRP in the following years, we are yet to see how the taxbase will pick up post pandemic.

*Table 4: Taxbase (Band D equivalents)*

<b>Council</b>	<b>2020/21 Taxbase</b>	<b>Indicative 2021/22 Estimates when setting 2020/21 budget</b>	<b>Councils Revised 2021/22 Estimates</b>	<b>Variance Original to Revised 2021/22</b>	<b>Original forecast income 2021/22 £'000</b>	<b>Revised forecast income 2021/22 £'000</b>	<b>Variance £'000</b>
<b>Bedford Borough</b>	60,943.00	62,484	58,919	(3,565)	6,399	6,034	(365)
<b>Luton</b>	51,828.70	52,347	51,087	(1,260)	5,361	5,232	(129)
<b>Central Bedfordshire</b>	105,134.00	107,079	106,698	(381)	10,966	10,927	(39)
<b>Total</b>	<b>217,905.70</b>	<b>221,910</b>	<b>216,704</b>	<b>(5,206)</b>	<b>22,726</b>	<b>22,193</b>	<b>(533)</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2021.

There is a new grant to support local authorities and their reductions in taxbase, called the Local Council Tax Support (LCTS) grant. For the Authority the grant, that is currently assumed to be a one off, will be £400k in 2021/22. This is therefore less than the forecast loss of £533k noted above.

## 5. Collection Fund Deficit

5.1 The Collection Fund Deficits from the three unitary authority authorities are captured in the MTRP at line 58. The updated 2019/20 council tax and/or business rates deficits or surpluses are allocated fully to the 2021/22 financial year, whereas the 2020/21 deficits can be spread over three years, so 2021/22, 2022/23 and 2023/24. The deficits from all unitary authorities are:

- 2021/22 £786k
- 2022/23 £171k
- 2023/24 £170k

5.2 The Authority awaits further information on the 75% support to local authorities on the 75% support for collection fund deficits associated with the 2020/21 element (not the 2019/20 revised figures). This has not yet been included in the figures presented, however, 75% of the in-year deficit would be additional one off income of £384k.

## 6. Choices (Options) - Revenue Budget

6.1 The council tax freeze grant option ceased for the 2016/17 budget setting period and is therefore not a consideration for this 2021/22 budget.

The 2011/12 freeze grant that the Authority did receive has been built into the formula funding baseline.

6.2 Appendix 1 details a council tax increase at 1.99% for 2021/22 and 1.99% per year thereafter. This is based on need as with these increases, the medium term budget is showing a near balanced position.

6.3 The referendum trigger for council tax will be 2% for 2021/22 as previously indicated.

6.4 As identifiable in Appendix 1 the Authority has:



- Planned savings and efficiencies over the medium-term of £0.704m to assist in balancing the budget and offset the Government's funding reductions (MTRP line 21).
- Implementing the Transformational Reserves Strategy that was set up in the 2011/12 Medium-Term Financial Plan, setting earmarked reserves aside to utilise to balance the budget in following years whilst the savings and efficiencies were/are being planned and implemented (MTRP line 43).
- Focused on the medium-term, as well as the 2021/22 tax setting year, to ensure that there is an outstanding fire and rescue service that we can all be proud of in the future.
- Budgeted for revenue contributions to capital, to enable future funding of the Capital Programme to be met from internal resources and not new borrowing (MTRP line 18).

As well as the focus on savings and efficiencies, the Authority is also aiming to maximise its income generation from chargeable services, investments and property rental.

6.5 Further work has again been carried out for this budget round on savings and efficiencies and these are summarised in Appendix 3, covering the period 2021/22 to 2024/25. Work continues on this and it is at least annually reviewed and refreshed.

## 7. Transformational Earmarked Reserve (TEMR)

- 7.1 Following the last few years of contributing to the TEMR as per the agreed financial strategy, these monies are now being used to smooth the introduction of the savings/efficiencies, are being invested in transformational initiatives and also support closing the budget gap in the medium-term.
- 7.2 The balance of the TEMR as at 1 April 2021 is forecast to be £2.485m. As identified in Appendix 1, £1.932m has been allocated over the 2021/22 to 2024/25 years, currently leaving a gap to balance the 2024/25 financial year. This position will be discussed further and closed at the 2<sup>nd</sup> Members Budget workshop.
- 7.3 The FRA has previously approved (meeting of 21<sup>st</sup> October 2020) that the forecast 2020/21 year end underspend is allocated to a new Collection Fund deficit reserve. The latest forecast outturn position will be reported to the FRA at the February 2021 meeting. Line 58 in the MTRP currently shows this reserve being allocated at £700k.

7.4 The Authority's Officers and Treasurer recommend that at least a Council Tax increase of 1.99% should be implemented. This is based on need, as the current MTRP shows that there is likely to be a budget gap in 2025/26 to close. As this is based on numerous funding assumptions, there is planning time between now and 2024/25 to implement additional savings and efficiencies if the forecasts become reality. However, these do need to be researched, planned and implemented, so there is a significant lead time for large scale savings and efficiency options that will be required to close a base revenue budget gap in 2025/26. The Transformational Efficiency Reserve will also be continued in the medium-term to assist in future year's budget setting, with investments in innovation to close the budget gap and improve the efficiency of the Authority's resources.

## 8. Capital Programme

8.1 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 base budget revenue contribution of £1.3m per annum, which fluctuates in line with the varying funding demand (MTRP line 18). This is with the assumption that capital grants are not forthcoming. If the capital funding from 2022/23 changes, the base budget revenue contributions could reduce. No new borrowing is currently planned in the medium term, however, this could change and would be discussed with FRA Members if this was anticipated.

8.2 The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. CMT has also reviewed and assessed the bids made, supporting the schemes that are attached at Appendix 4 as the 2021/22 Capital Programme.

8.3 Key items of note in the proposed 2021/22 Capital Programme of £1.038m are:

- Investment in our front line operational equipment
- Investment in ICT and software.
- Investment in the modernisation of our buildings (office and operational).

8.4 The FRA Treasurer will be reviewing the capital reserves and it is likely some will be un-earmarked/released to support the funding of the 2021/22 capital programme. This will ease the financial pressures in this year and support the medium term with this one off un-earmarking.

## 9. Budget Consultation

9.1 The budget consultation questions were approved by the FRA at the meeting on 10th December 2020. The consultation, in conjunction with the Community Risk Management Plan consultation, is currently underway.

## 10. Implications

### 10.1 **Financial:**

10.1.1 The implications to highlight are:

- With the medium term financial uncertainty, due to a one year settlement and the forthcoming anticipated changes from 2021/22, a prudent level of general and earmarked reserves are being retained.
- Should there be a change to the referendum limit in a future year, the Authority will consider the options presented at that time.

### 10.2 **Medium-Term Implications:**

10.2.1 In setting a budget for 2021/22, the Authority must take into account the implications for the following years' financial strategy, namely 2022/23 to 2024/25 and beyond. There are significant efficiency savings over this period that will require action in the short term if they are to be secured within the planned timescales.

### 10.3 **Robustness of Estimates and Adequacy of Reserves:**

10.3.1 The Local Government Act 2003 places a duty on the Section 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 will do this for the final budget that is set post consultation on 11 February 2021.

10.3.2 Budget work to-date has included a robust review and scrutiny of budgets by the Assistant Chief Officer/Treasurer, Chief and Deputy Chief Fire Officers, the Finance Team, Corporate Management Team and one FRA Members' budget workshop.

In addition to the Authority's own council tax, there are separate council taxes for the Police Service, the local authorities of Central Bedfordshire, Bedford, Luton and their associated parishes that taxpayers will see on their council tax bills.

#### **10.4 Use of Balances:**

10.4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. Ernst & Young, the Authority's external auditors, reported in their Opinion of the 2019/20 Statement of Accounts on 23rd December 2020, that the Authority had appropriate arrangements in place to secure efficiency, effectiveness and economy in our use of resources.

10.4.2 As noted above in this report, it is anticipated that the Transformational Reserve will be fully utilised over the medium term. The General Reserves has reduced from £2.6m in 2020/21 to £2.4m in 2021/22. Further discussions will be held with the Authority at the 2<sup>nd</sup> Members budget workshop on reducing this further in a latter year.

10.4.3 The revenue contributions to capital have built up over a number years to circa £1.3m per annum. This is a capital funding source to be utilised annually from 2021/22.

#### **10.5 Resources and Risk:**

10.5.1 The resource implications are detailed throughout this report, appendices and in the current Medium Term Financial Strategy.

10.5.2 The Authority's General and Earmarked reserves have been reviewed against the revised corporate risk register and these will be presented and discussed at the second Members' budget workshop on 19th January 2021.

#### **10.6 Legal:**

10.6.1 The Authority must set a balanced budget for 2021/22 by midnight on 1 March 2021.

10.6.2 The Authority has specific legal duties in relation to equalities and financial decision-making – see below.

10.6.3 There are no further specific legal issues arising from this report.

## 10.7 **Equality:**

10.7.1 Under the equality duty (set out in the Equality Act 2010), public authorities must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The law requires that public authorities demonstrate that they have had ‘due regard’ to the aims of the equality duty in their decision-making. Assessing the potential impact on equality of proposed changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have ‘due regard’.

10.7.2 It is also important to note that public authorities subject to the equality duty are also likely to be subject to the Human Rights Act 1998. It is therefore recommended that public authorities consider the potential impact their decisions could have on human rights.

10.7.3 Decisions should include a consideration of the actions that would help to avoid or mitigate any impacts on particular protected characteristics. Decisions should be based on evidence, be transparent, comply with the law and it is important that a record is kept.

10.7.4 Due regard has been and will be considered as part of the budget build process.

The Appendices are set out as follows:

- Appendix 1 – Draft 2021/22 Revenue Budget with a 1.99% council tax increase and Pay Award Freeze in 2021/22.
- Appendix 2 – Summary of planning assumptions and uncertainties.
- Appendix 3 – Medium-Term Savings and Efficiencies.
- Appendix 4 – Draft 2021/22 Capital Programme.

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