

**FOR PUBLICATION****Bedfordshire Fire and Rescue Authority  
11 January 2022****REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER****SUBJECT: DRAFT 2022/23 REVENUE BUDGET AND CAPITAL PROGRAMME**

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**Background Papers:**

1. The 2022/23 Budget and Medium-Term Financial Strategy.
2. The 2022/23 Budget and CRMP consultation paper presented to the FRA on 14<sup>th</sup> December 2021.

**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.*

**PURPOSE**

To present information to allow Members to approve and consult further on a draft Revenue Budget, Capital Programme and Council Tax for 2022/23.

## 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 10th February 2022. The specific recommendations are to approve at this point in time:

1. A draft revenue budget requirement of £32.876m, as per Appendix 1, with a council tax increase of 1.99%.
  2. A draft Capital Programme of £1.371m as per Appendix 4.
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### 1. Report Background:

- 1.1 The 2022/23 budget timetable was reviewed by the Fire and Rescue Authority (FRA) at the Members Budget workshop on 23rd November and the consultation questions approved at the FRA meeting of 14th December 2021. 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 Officer, 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 2021.

There are £368k of new revenue bids, these are mainly for resources/posts (predominantly temporary), training related, cyber security and website improvements. There has been an increase in capital budget requests for 2022/23 of £210k from the indicative 2022/23 figures when setting the 2021/22 budget. The main changes are the rescheduling of vehicle purchases and more accurate scheduling of property works such as roof replacements. 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 25th January 2022.

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

*Table 1: 2022/23 Budget timetable extract from the date of 11 January 2022 onwards.*

Fire and Rescue Authority (FRA)	Draft budget approved.	11 January 2022
Public Consultation	Budget and CRMP, as presented to the FRA on 14 <sup>th</sup> December 2021	End of December 2021 to 31 January 2022
Corporate Management Team (CMT)	Update to CMT as required.	January 2022
FRA	2nd Members budget workshop – with bids scrutiny, updates on consultation responses received etc.	25 January 2022
FRA	2022/23 Budget and Council Tax Precept set.	10 February 2022

1.4 The Authority is proposing a draft budget for 2022/23 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 £102.41 to £104.45, therefore a £2.04 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 2022/23 to 2025/26 which totals £0.579m.
- 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 25<sup>th</sup> January 2022, when Members will again discuss the proposed 2022/23 budget in detail prior to the final budget setting in February 2022.

## 2. Issues and Overview

2.1 The public sector was expecting a three year Comprehensive Spending Review (CSR), following three years of annual budget allocations from Government, more recently due to the pandemic. The Chancellor announced in October 2021 that there would be a three year CSR and it was widely assumed that there would be a three year funding settlement. However, when the provisional settlement figures were announced on 17<sup>th</sup> December 2021, it was confirmed that they would again be for one year only. The police sector did receive headline funding figures for years 2023/24 and 2024/25.

The Chancellor of the Exchequer, Rishi Sunak, presented the outcome of the CSR in October 2021. The highlights of this have previously been communicated to the Authority, these included that the council tax referendum cap for Fire and Rescue Authorities would be 2% again. As part of the provisional settlement it was announced that the eight lowest council tax charging Fire & Rescue Services could increase their council tax by up to £5. This is a positive move for the sector, however it is not applicable to BFRS.

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

Table 2: Provisional Formula Funding Settlement

	<b>2021/22 £m</b>	<b>2022/23 £m</b>	<b>£m change</b>
Revenue Support Grant (RSG)	2.333	2.405	0.072
Business Rates baseline funding *	5.942	5.942	0
<b>Settlement Funding Assessment</b>	<b>8.275</b>	<b>8.347</b>	<b>0.072</b>

\*This is the Government's estimate of the top up and locally collected Business Rates for BFRS.

- 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 2022/23 includes the increased RSG from 2021/22 by £72k to £2.405m for 2022/23 and the currently estimated Business Rates income (as shown in the MTRP lines 57 and 58 with updated locally collected figures, therefore £6.182m and not the £5.942m shown above).
- 2.4 The employer firefighter pensions grant that has now been received for three years, will again be provided as grant in 2022/23. This is annually £1.7m and the figure will be confirmed by the Home Office in January 2022. It has been indicated again that this will be the final year received as a grant, as it may be included as part of the overall financial settlement from 2023/24 onwards.
- 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 2022/23 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.
- 2.7 This draft budget position does not include the current work in progress on the Community Risk Management Plan (CRMP) action plan/initiatives for 2022/23. Some of these are non-impactive on the budget and where they are (increases or decreases), further discussions are planned to take place with Members in January 2022. These items include Estate expenditure, work with partners such as the East of England Ambulance Trust (EEAST) and project work on operational response crewing, vehicles and locations.
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 2022/23. This is after a circa 50% reduction or £2.4m in equivalent funding between the financial years 2016/17 and 2021/22. The MTRP factors in Revenue Support Grant funding being static between the years 2023/24 and 2025/26. This is subject to the medium-term outcome of Comprehensive Spending Review from 2023/24 onwards and the outcome of the Business Rates Review if this is still to take place. 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, on current estimates/information, by (£87k) for 2022/23, based on the previously estimated 2022/23 predictions.

Table 3: Business Rates Income

<b>Authority</b>	<b>2021/22</b>	<b>Forecast Original 2022/23 at time of 2021/22 budget setting</b>	<b>Current Forecast 2022/23</b>	<b>% Change Current to Forecast</b>	<b>Variance Original to Revised 2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>
<b>Bedford</b>	675	681	649	(4.7)	(32)
<b>Luton</b>	653	659	643	(2.4)	(16)
<b>Central Bedfordshire (est)</b>	1,078	1,089	1,050	(3.6)	(39)
<b>Total</b>	<b>2,406</b>	<b>2,429</b>	<b>2,342</b>	<b>(3.6)</b>	<b>(87)</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2022.

#### 4. Council Tax Taxbase

- 4.1 Table 4 below shows the estimated change in the taxbase between 2021/22 and 2022/23. These are the current estimated taxbase figures for 2022/23 received to date from the local billing authorities.
- 4.2 As can be seen from the table below, the forecast 2022/23 taxbase figures provided or estimated when setting the 2021/22 budget, have increased by 5,169 Band D equivalent properties (last year it was a decrease of 5,206). This increase will result in additional council tax revenues for the Authority of £540k in 2022/23 above the income from taxbase increases previously forecast.

*Table 4: Taxbase (Band D equivalents)*

Council	2021/22 Taxbase	Indicative 2022/23 Estimates when setting 2021/22 budget	Councils Revised 2022/23 Estimates	% Change Indicative to Revised	Variance Original to Revised 2022/23	Original forecast income 2022/23 £'000	Revised forecast income 2022/23 £'000	Variance £'000
<b>Bedford Borough</b>	58,919	59,509	61,942	4.1	2,433	6,216	6,470	0.254
<b>Luton</b>	51,087	51,597	52,738	2.2	1,141	5,389	5,508	0.119
<b>Central Bedfordshire</b>	106,698	107,765	109,360	1.5	1,595	11,256	11,423	0.167
<b>Total</b>	<b>216,704</b>	<b>218,871</b>	<b>224,040</b>	<b>2.4%</b>	<b>5,169</b>	<b>22,861</b>	<b>23,401</b>	<b>0.540</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2022.

For 2021/22 a new grant was introduced to support local authorities and their reductions in taxbase, called the Local Council Tax Support (LCTS) grant. For the Authority the grant, that was a one off, was £399k in 2021/22.

A new grant for 2022/23 has been announced as part of the provisional settlement and is £410k for our Authority. This is to cover the estimated Employer National Insurance (NI) Contribution increase from April 2022, estimated at £170k and the balance is unringfenced grant. It is assumed that only the NI funding will be provided from 2023/24 onwards.

## 5. Collection Fund Deficit/Surplus

- 5.1 The Collection Fund Deficits from the three unitary authorities are captured in the MTRP at line 61. These are the forecast 2021/22 year end positions on the collection of council tax and business rates, that are included as part of the Authority's 2022/23 budget. The council tax surpluses and business rates deficits from all unitary authorities have a net position of a surplus of £380k.
- 5.2 The three-year permitted spreading of the 2020/21 Collection Fund deficits will continue over 2022/23 and 2023/24.

## 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 2022/23 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 2022/23 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 2022/23 as previously indicated, unless one of the eight lowest charging authorities that can raise up to £5 for 2022/23. The Authorities are Berkshire, Buckinghamshire, Hampshire & Isle of Wight, Lancashire, Leicestershire, Northamptonshire, West Midlands and West Yorkshire
- 6.4 As identifiable in Appendix 1 the Authority has:
  - Planned savings and efficiencies over the medium-term of £0.579m to assist in balancing the budget and offset the Government's funding reductions (MTRP line 25).



- Implemented/ing 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 and invest in innovation in following years, whilst the savings and efficiencies were/are being planned and implemented (MTRP line 47).
- Focused on the medium-term, as well as the 2022/23 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 22). New borrowing may be required if any large-scale capital developments are approved in a latter year.

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 2022/23 to 2025/26. Work continues on this and it is at least annually reviewed and refreshed.

## 7. Transformational Earmarked Reserve (TEMR)

- 7.1 Following the initial years of contributing to the TEMR as per the agreed financial strategy, the medium-term projects both contributions to and from the reserve. These monies as previously planned, are 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 2022 is forecast to be £2.861m, before any 2021/22 year end impact. As identified in Appendix 1, £2.209m has been allocated over the 2022/23 to 2025/26 years, currently leaving a balanced medium term position. This position will be discussed further and closed at the 2<sup>nd</sup> Members Budget workshop.
- 7.3 The latest forecast 2021/22 outturn position that was reported to the FRA at the December 2021 meeting was (£171k). Line 83 in the MTRP shows this being currently allocated to the TEMR in 2022/23.
- 7.4 The Authority's Chief Fire Officer 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 with only 2% pay awards, shows that there is a near balanced position at the end of 2025/26 with little Transformational reserve remaining. As this is based on numerous funding assumptions, there is planning time

between now and 2025/26 to implement 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 that will be required to close a base revenue budget gap in 2025/26 if pay awards are above the 2%. 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 2022/23 Capital Programme.
- 8.3 Key items of note in the proposed 2022/23 Capital Programme of £1.371m 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 has reviewed the capital reserves and £488k has been un-earmarked/released to support the funding of the 2022/23 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 14th December 2021. 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:

- There could be volatility again during 2022/23 should the pandemic have new variants that impact of jobs and therefore potentially the taxbase.
- 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 2022/23, the Authority must take into account the implications for the following years' financial strategy, namely 2022/23 to 2025/26 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 10th February 2022.

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. The 2020/21 accounts are currently being audited.

10.4.2 As noted above in this report, it is anticipated that the Transformational Reserve will be mostly utilised over the medium term. The General Reserves has reduced from £2.6m in 2021/22 to £2.4m in 2022/23. 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 2022/23.

#### **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 25th January 2022.

#### **10.6 Legal:**

10.6.1 The Authority must set a balanced budget for 2022/23 by midnight on 1 March 2022.

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 2022/23 Revenue Budget with a 1.99% council tax increase.
- Appendix 2 – Summary of planning assumptions and uncertainties.
- Appendix 3 – Medium-Term Savings and Efficiencies.
- Appendix 4 – Draft 2022/23 Capital Programme

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