

For Publication

**Bedfordshire Fire and Rescue Authority
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REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2022/23 REVENUE BUDGET AND CAPITAL PROGRAMME

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Background Papers:

2022/23 Draft Revenue Budget Report to the FRA meeting on 11th January 2022.

PURPOSE:

To present information to allow the Authority to:

- a. Set a budget and precept level for 2022/23 in line with statutory requirements;
- b. Approve a Medium-Term Revenue Plan for the period 2022/23 to 2025/26;
- c. Approve a Medium-Term Capital Programme for the period 2022/23 to 2025/26;
- 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 2022/23 that:
 - a. A Revenue Budget requirement is set at £33.819m, met as indicated in paragraph 3.8 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £23.401m and that consequently, a council tax increase of 1.99% up to £104.45 per Band D equivalent property, calculated as shown in Paragraph 3.8 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 3.11 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, to also approve the 2022/23 savings and efficiencies detailed at Appendix 2
 3. That the 2021/22 year-end underspend is allocated to the Pay/Pensions Reserve.
 4. That the FRA consider and approve the Medium-Term Capital Programme attached at Appendix 3 to this report.
 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.
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1. Introduction and Background

1.1 The Authority is proposing a budget for 2022/23 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 1.99%.
- b. Proposing significant efficiency savings.

1.3 There has been a considerable amount of work towards the 2022/23 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 on 14 December 2021 for consultation. The responses to the budget and Community Risk Management Plan (CRMP) consultation are covered under another agenda item at this meeting.

The budget includes the funding required to address the actions within the current Community Risk Management Plan (CRMP) and also to address any recommendations agreed to be implemented from the HMICFRS tranche 2 inspection.

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 2022/23

2.1 The provisional settlement for 2022/23 was announced on 17 December 2021. The final settlement figures for 2022/23 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 2021/22 and 2022/23 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

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

- 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. From 2023 or beyond, 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 2023/24 onwards for transparency, albeit this funding may be included within other lines such as business rates from this year.
- 2.3 The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £5.942m by the MHCLG for 2022/23 and a business rate baseline estimated at £2.102m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rate baseline is lower than the baseline funding level, we are therefore a 'top up' authority and will receive the payment of £3.840m from central government (to get back to the £5.942m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.747m shown in Appendix 1 for 2022/23 is split between £2.405m RSG funding and £6.342m Business Rates (with the local share of business rates at £2.502m).
- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive £220k in 2022/23 for Firelink and New Dimensions. The final figures are yet to be confirmed.

- 2.5 The council tax referendum cap was confirmed in December 2021 as part of the provisional settlement. The proposed council tax figure of £104.45 is a 1.99% increase, therefore under the new 2% capping limit.

As previously reported, eight Fire & Rescues Services were permitted to raise their council tax by up to £5. Police and Crime Commissioners have the option to increase their council tax charge by up to £10 per annum for 2022/23 to 2024/25.

3. Proposed Budget and Precept for 2022/23 and Medium-Term Revenue Plan

- 3.1 In setting a budget for 2022/23, the Authority must take into account the implications for the following years' financial strategy, namely 2023/24 to 2025/26. 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 2022/23 were the third single year settlement. A three-year Comprehensive Spending Review (CSR) was carried out over 2021, however a single year's funding information has again provided by to Local Government. It is hoped that figures will be released for 2023/24 and 2024/25 at this time next year.
- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2022/23 to 2025/26 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 and efficiencies 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 2022/23 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. Key assumptions include the continuation of the Government funding the Firefighters employer pension contributions increase, funding the National insurance increase and Firefighters and non-operational staff pay awards. Assumptions and Uncertainties are detailed in the MTFS.

- 3.6 Following the draft budget report that was presented to the FRA on 11 January 2022, the three Unitary Authorities have reconfirmed their taxbases for 2022/23. This revised taxbase figure, when compared to the 2022/23 taxabse forecast at the time of setting the 2021/22 budget, will increase the council tax income to the Authority by £0.540m. The forecast Collection Fund figures as included on line 60 in the income section of the MTRP.
- 3.7 The 2011/12 freeze grant that the Authority did receive has been built into the formula funding baseline and is no longer visible.
- 3.8 Appendix 1 details the Government funding of RSG. It should be noted that from 2023/24 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, although the narrative in Appendix 1 line 55 notes this. The RSG for 2022/23 increases by £72k when compared to the 2021/22 figure.

Table 2: Key Budget Information

	2021/22 £m	2022/23 £m	Change £m
Budget Requirement (£m)	31.713	33.819	2.106
<u>Funded by:</u>			
Precept Requirement (£m)	22.193	23.401	1.208
Central and Local Government Funding (£m)	8.578	8.747	0.169
Section 31 Business Rates grant	0.310	0.382	0.072
S31 Multiplier Cap grant	0.293	0.488	0.195
Collection Fund surplus/(deficit)	(1.196)	0.345	1.541
Forecast 75% Coll Fund support	0.037	0	(0.037)
New Council Tax Support Grant	0.399	0	(0.399)
New Business Rates Grant (retail discount relief)	0.845	0	(0.845)
Use of Collection Fund Deficit Reserve	0.254	0.046	(0.208)
New Revenue Grant 2022/23	0	0.410	0.410
Funding Total (£m)	£31.713	£33.819	£2.106
Tax Base (Band D equiv. properties)	216,704	224,040	7,336
Band 'D' Council Tax	£102.41	£104.45	£2.04

3.9 The Authority's Officers and Treasurer recommend that the Council Tax increase of 1.99% should be implemented. This is based on need, 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 2022/23 budget consultation support this increase, please see the Consultation Report also being presented to this meeting of the FRA.

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. Even with the utilisation of reserves for investment in transformational efficiencies and also budget balancing, there is no budget gap forecast over the medium term up to and including 2024/25 (the current CSR period).

The 2023/24 financial year is likely to see changes in Government funding to local authorities. Local Authorities will potentially be able to keep more of their business rate income, subject to the redistribution via tariffs and top ups. The RSG is anticipated to cease and additional responsibilities may be passed to councils too. What these are is yet to be confirmed.

3.10 Table 3 below details the council tax per band. As there is a 1.99% increase from the 2021/22 level, there is a change across all the valuation bands. The council tax of £104.45 equates to, for a Band D equivalent property, 29 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 £
A	6/9	69.63
B	7/9	81.24
C	8/9	92.84
D	1	104.45
E	11/9	127.66
F	13/9	150.87
G	15/9	174.08
H	2	208.90

In summary, the taxbase of 224,040 Band D equivalents, multiplied by the Band D council tax of £104.45 equals the precept of £23.401m.

- 3.11 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 2022/23. 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	6,470	649
Luton Borough	5,508	653
Central Bedfordshire	11,423	1,200
Total	23,401	2,502

- 3.12 At the time of writing this report, not all of the NNDR1 returns from the Unitary Authorities have been received. The above figures are based on the most recent information received. It is anticipated that any updates will not be material and will be amended via the contribution to/from the Transformation Reserve. Therefore, confirmation of the Section 31 grants are outstanding too.
- 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 2022/23. This equates to 7.1% of the Authority's budget requirement, which is circa the average for all Combined Fire Authorities. This is after a comprehensive review and setting up of specific ear-marked reserves of £2.605m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2021/22 year end underspend, that is currently forecast to be circa £171k, is allocated to a Pay and Pensions Reserve, following this being utilised in year for the unbudgeted pay awards.

The Transformational reserve is planned to be £2.861m at the 2021/22 year end. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2022/23 to 2024/25 budgets and beyond. 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 2025/26 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 2022/23, the Capital Reserves have been reduced by £0.488m. 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 2022/23.

5. Proposed Medium-Term Capital Programme

- 5.1 As anticipated, there is no Government funding or bidding round for capital in the 2022/23 budget. This was the position for the 2016/17 to 2021/22 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 £1m per annum (with fluctuations) from 2022/23 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.

- 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 2022/23 Capital Programme.

- 5.3 Key items of note in the proposed 2022/23 Capital Programme of £1.357m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in IT.
- Investment in improvements and modernisation of our buildings.

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 2022/23 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.
- 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 must set a balanced budget by midnight on 1 March 2022.
- 8.2.2 The Authority has specific legal duties in relation to equalities and financial decision-making.
- 8.2.3 There are no further specific legal issues arising from this report.

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.

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