

**FOR PUBLICATION**

**Bedfordshire Fire and Rescue Authority  
17 December 2019  
Item No. 7**

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

**SUBJECT: DRAFT 2020/21 REVENUE BUDGET AND CAPITAL PROGRAMME**

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Background Papers:

1. The 2019/20 Budget Book and Medium-Term Financial Strategy.
  2. The 2020/21 Budget Planning Paper to the FRA in September 2019.
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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 2020/21.

## RECOMMENDATIONS

That subject to review and consideration of these papers, Members approve for public consultation:

1. A draft revenue budget requirement of £31.051m, as per Appendix 1 and 1a, with a council tax increase of 1.99%.
  2. A draft Capital Programme of £1.568m as per Appendix 3.
  3. The draft budget consultation approach and questions at para 8.
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### 1. Report Background:

- 1.1 The 2020/21 budget timetable was reviewed by the Fire and Rescue Authority on 4 September 2019 and this 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 and Deputy 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 where the draft budget was discussed in detail.

There have been £431k of new revenue bids however there has been a reduction in capital budget requests for 2020/21 of £168k. 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 were discussed at the Members budget workshop too and are subject to further review and discussion at the 2<sup>nd</sup> Members Budget Workshop in January 2020.

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

*Table 1: 2020/21 Budget timetable extract from the date of 17 December 2019 onwards.*

Fire and Rescue Authority (FRA)	Draft budget approved for consultation.	17 December 2019
Public Consultation on draft budget	From 18 December 2019 to 31 January 2020.	18 December 2019 to 31 January 2020
Corporate Management Team (CMT)	Update to CMT as required.	January 2020
FRA	2nd Members budget workshop – with updates on consultation responses received and the draft settlement figures received late December.	16 January 2020
FRA	2020/21 Budget and Council Tax Precept set.	11 February 2020

- 1.4 The Authority is proposing a draft budget for 2020/21 that takes into account the aims and objectives of the service and prioritises the resources available for front line services.

It does this by:

- a. Proposing a council tax increase of 1.99%. This equates to an increase from £98.45 to £100.41, therefore a £1.96 increase per Band D equivalent property per year or just over 3.7 pence per week.
- b. Proposing the continuation of significant efficiency savings over the period 2020/21 to 2023/24 which totals £938k.
- 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 in January 2020, when Members will again discuss the proposed 2020/21 budget in detail. At this meeting, the Authority should know what the draft settlement is and also what the council tax referendum limit will be. This information is due later in December after the General Election.

## 2. Issues and Overview

2.1 The coalition Government's Spending Review announced at the end of 2010 indicated a 25% formula funding cut to the national funding pot that is distributed to the Fire and Rescue Services. The reductions were back loaded as announced in years 2013/14 and 2014/15. The budget for 2015/16 was set following a one year Spending Round. For the 2016/17 budget process, the DCLG offered a four year funding settlement. The Authority accepted this offer and therefore had some certainty over the Government funding for the period up to and including the fourth and final year of 2019/20. The delayed 2019 Comprehensive Spending, Business Rates and Formula Funding Reviews have not assisted in medium term financial certainty and strategic planning. Due to this delay and the rolled forward 2019/20 budget, the Revenue Support Grant (RSG) identified in Appendix 1 for 2020/21 has been forecast at the 2019/20 level, with minimal reductions in the following years. It is currently anticipated that the RSG will cease from 2021/22, however until there is more clarity and to show this funding Appendix 1 still shows this income, albeit likely to be on another funding line in the future.

The Authority is expecting the draft settlement figures later in December, after the General Election. Significant change is anticipated through the Comprehensive Spending Review in 2020, Formula Funding Review and also the Business Rates Retention. These will now impact on the 2021/22 budget onwards.

2.2 Up to and including the 2019/20 budget, the Authority has seen the Government's revenue and capital funding reduce by £8m since 2010/11. Continued and further reductions to both revenue and capital are forecast at over the 2020/21 to 2023/24 financial years. Until we know the 2020/21 settlement and the outcome of the CSR, Formula Funding and Business Rates review, it is very difficult to forecast the budget for 2021/22 onwards with any accuracy.

To manage these funding reductions, the Authority has introduced savings and efficiencies of £6.493m up to 2019/20, with at least a further £938k planned. The Authority has also absorbed the £1.3m annual funding of the Capital Programme. New budget bid/growth pressures have also been managed with other cost increases such as pay awards, general inflation, employer national

insurance increases and the apprenticeship levy and scheme. The above funding reductions have also been offset by increases in council tax, the council taxbase and Collection Fund surpluses.

- 2.3 There are two MTRPs attached at Appendix 1 and 1a. With the uncertainty of the Firefighters pay award, linked with the broadening of the role discussions, these two appendices present two versions of the pay award. Appendix 1 shows the budget for a 2% FF pay award in 2019/20 and 5% in 2020/21. Appendix 1a shows keeping the 5% in 2019/20 and again 5% in 2020/21.
- 2.4 The 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 2020/21 includes the rolled over RSG from 2019/20 at £2.283m and the currently estimated Business Rates income (as shown in the MTRP lines 54 and 55).

The Government's calculation of the 'start-up funding assessment' (SUFA) refers to a local authority's share of the spending control total. This SUFA figure is made up of two parts: an authority's revenue support grant in that year and the baseline funding level as set for the start of the business rate retention funding system.

- 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 2020/21 budget assumptions and uncertainties, for transparency, are detailed in Appendix 2. Key pressures and uncertainties include pay awards, employers pension contributions, council tax referendum limit, 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 and 1a, it is currently forecast that there will be no reduction in Revenue Support Grant to the Authority in 2020/21 from the 2019/20 amount of £2.283m. This is after a 20% reduction or £0.573m in equivalent funding between the financial years 2018/19 and 2019/20. The MTRP factors in Revenue Support Grant funding reductions between the years 2021/22 and 2023/24. This is subject to the Comprehensive Spending Review in 2020/21 and the outcome of the Business Rates Retention. There is therefore significant funding uncertainty over the next few years, combined with funding pressures such as Employer Pension Contributions and pay awards.

The Authority's Business Rates Retention (BRR) baseline funding level was set for 2013/14 and will increase by the Retail Price Index (RPI) until there is a reset calculated by Government. 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 2 below details the estimated business rates income from the three unitary authorities. This has decreased by (£48k) for 2020/21, below the previously estimated 2020/21 predictions.

Table 2: Business Rates Income

<b>Authority</b>	<b>2019/20</b>	<b>Forecast Original 2020/21 at time of 2019/20 budget setting</b>	<b>Current Forecast 2020/21</b>	<b>Variance Original to Revised 2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Bedford</b>	641	653	654	1
<b>Luton</b>	644	683	673	(10)
<b>Central Bedfordshire</b>	937	1,009	970	(39)
<b>Total</b>	<b>2,222</b>	<b>2,345</b>	<b>2,297</b>	<b>(48)</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2020.

#### 4. Council Tax Taxbase

- 4.1 The Department for Works and Pensions (DWP) from 2013/14 reduced its funding to local authorities for those receiving council tax benefits by 10%. As a result of this and the new schemes that billing authorities have put in place, there was a reduction in the council tax taxbase. The schemes that the authorities developed led to the taxbase reducing from 209,029 Average Band D properties in 2012/13 to 185,822 in 2013/14. The Authority did receive a grant allocation from the DCLG to offset the impact of the taxbase reducing in 2013/14. However, since 2014/15 this has not been visible and is included within the Revenue Support Grant which is subject to funding reductions. Following the above there have been fluctuations in the taxbase, which have led in part to the Council Tax Collection Fund surpluses.
- 4.2 Table 3 below shows the estimated change in the taxbase between 2019/20 and 2020/21. These are the current estimated taxbase figures for 2020/21 received to date from the local billing authorities.
- 4.3 As can be seen from the table below, the forecast 2020/21 taxbase figures provided when setting the 2019/20 budget, have increased by 1,511.76 Band D equivalent properties. This increase will result in additional council tax revenues for the Authority of £152k in 2020/21. The overall impact on the MTRP from this revised 2020/21 forecast taxbase is £0.607m over the years 2020/21 to 2023/24, therefore having a direct impact on reducing the call on the Transformational earmarked reserve.

*Table 3: Taxbase (Band D equivalents)*

<b>Council</b>	<b>2019/20 Taxbase</b>	<b>Councils Original 2020/21 Estimates</b>	<b>Councils Revised 2020/21 Estimates</b>	<b>Variance Original to Revised 2020/21</b>	<b>2020/21 Forecast council tax income £'000</b>
<b>Bedford Borough</b>	60,120.00	61,204.29	61,160.00	<b>(44.29)</b>	<b>6,141,024</b>
<b>Luton</b>	50,644.50	51,150.95	51,828.70	<b>677.75</b>	<b>5,204,076</b>
<b>Central Bedfordshire</b>	102,362.00	104,255.70	105,134.00	<b>878.30</b>	<b>10,556,416</b>
<b>Total</b>	<b>213,126.50</b>	<b>216,610.94</b>	<b>218,122.70</b>	<b>1,511.76</b>	<b>21,901,516</b>

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2020.

## 5. Choices (Options) - Revenue Budget

- 5.1 The council tax freeze grant option ceased for the 2016/17 budget setting period and is therefore not a consideration for this 2020/21 budget.

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

- 5.2 Appendix 1 and 1a details a council tax increase at 1.99% for 2020/21 and 1.99% per year thereafter. This is based on need as even with these council tax increases in each year, there is still a base budget gap going forward into 2023/24 (Appendix 1 of £381k and Appendix 1a of £798k). The Authority awaits confirmation if there are changes to the 2% referendum limit for the 2020/21 council tax setting. There has been an additional 1% in recent years and there has also been proposals from the sector for a £5 increase. Members will recall that the Police were permitted to have a £12 council tax increase in the current year.

- 5.3 It is currently anticipated that the referendum trigger for council tax will be 2% for 2020/21 as previously indicated.

- 5.4 As identifiable in Appendix 1 and 1a the Authority has:

- Planned savings and efficiencies over the medium-term of £0.938m 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 44).
- Focused on the medium-term, as well as the 2020/21 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 20).

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.



- 5.5 Further work has again been carried out for this budget round on savings and efficiencies and these are summarised in Appendix 4, covering the period 2020/21 to 2023/24. Work continues on this and it is at least annually reviewed and refreshed.
- 5.6 Appendix 1 and 1a currently show an estimated Collection Fund surplus of £371k, MTRP line 58. This figure will be updated in the budget report in February 2020 when all three estimated 2019/20 Collection Fund positions are finally confirmed by the Unitary Authorities for both Council Tax and Business Rates.
6. Transformational Earmarked Reserve (TEMR)
- 6.1 Following the last few years of contributing to the TEMR, as per the agreed financial strategy, these monies will now be used to close the budget gap in the medium-term, smooth the introduction of the savings/efficiencies and be invested in transformational initiatives.
- 6.2 The balance of the TEMR as at 1 April 2020 is forecast to be £3.770m, which includes the 2019/20 financial year forecast underspend of £303k. As identified in Appendix 1 and 1a, £1.778m and £3.446m has been allocated over the 2020/21 to 2023/24 years. As there is currently a base budget gap of £0.381m Appendix 1 and £0.798m in Appendix 1a in 2023/24, on the assumption that the same gap is there for 2024/25 plus new inflationary pressures, the current forecast use of the Transformational reserve will leave a balance of £1.492m in Appendix 1 to offset against any continued budget gap. Appendix 1a shows a deficit of £0.479m for 2023/24, so that year would actually need balancing.
- 6.3 It is recommended that the 2019/20 year end underspend is allocated to the TEMR.
- 6.4 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 still shows that there will be an as yet unfunded ongoing base budget reduction at the end of 2023/24. As this is based on numerous funding assumptions, there is planning time between now and 2023/24 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.

## 7. Capital Programme

- 7.1 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 17). This is with the assumption that capital grants are not forthcoming. If the capital funding from 2020/21 changes, the base budget revenue contributions could reduce.
- 7.2 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 3 as the 2020/21 Capital Programme.
- 7.3 Key items of note in the proposed 2020/21 Capital Programme of £1.568m are:
- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
  - Investment in ICT and software.
  - Investment in the modernisation of our buildings (office and operational).

## 8. Budget Consultation

- 8.1.1 It is proposed that the budget is consulted on for 2020/21 in conjunction with the Community Risk Management Plan.
- 8.1.2 Online consultation with the public will utilise the Service's community messaging system Beds Fire Alert (part of the Neighbourhood Alert Network). Beds Fire Alert has in excess of 19,000 subscribers. In Bedfordshire 8.86% of households are users of the Neighbourhood Alert Network. This will be supported by posts on our Social Media Channels (Twitter and Facebook) and a Consultation page on our website which will link to the Beds Fire Alert Survey. Members of the public can take part in the consultation process without subscribing to the Alert system.
- 8.1.3 In addition to the online consultation the Service will seek to engage with partners and local businesses.
- 8.1.4 Internal consultation with staff and representative bodies during this period will be through a variety of means including face to face meetings, management briefing days, station visits and online survey questionnaires.

### 8.1.5 Proposed Budget Consultation Questions:

1. Do you support the currently proposed council tax increase of 1.99% for a Band D house? This would increase the Band D charge for the Fire & Rescue Service from £98.45 to £100.41.
2. If the council tax referendum cap is increased above the current 2%, or we are permitted to have up to a £5 increase, would you support an increase of up to £5 for a Band D property to protect and invest in your Fire & Rescue Service?
3. Are there any other savings, efficiencies or areas of collaboration that you would suggest are looked into further?

## 9. Implications

### 9.1 **Financial:**

#### 9.1.1 The implications to highlight are:

- With the medium term financial certainty, due to a one year settlement and the forthcoming anticipated changes from 2020/21, a prudent level of general and earmarked reserves are being retained.
- Should there be a change to the referendum limit, the Authority will consider the options at the February budget setting meeting.

### 9.2 **Medium-Term Implications:**

9.2.1 In setting a budget for 2020/21, the Authority must take into account the implications for the following years' financial strategy, namely 2021/22 to 2023/24 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. The base budget gap forecast on the current assumptions needs addressing, as the gap may be circa £1m in 2024/25 (Appendix 1a view) when taking inflationary pressures into account and the current Transformational earmarked reserves is forecast to have been fully allocated.

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

- 9.3.1 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 2020.
- 9.3.2 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.

### **9.4 Use of Balances:**

- 9.4.1 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 2018/19 Statement of Accounts on 20 November 2019, that the Authority had appropriate arrangements in place to secure efficiency, effectiveness and economy in our use of resources.
- 9.4.2 As noted above in this report, it is anticipated that the Transformational Reserve will be fully utilised over the medium term. It is planned that the General Reserves will reduce from £2.6m in 2019/20 to £2.4m in 2020/21 and then £2.1m in 2022/23.
- 9.4.3 The revenue contributions to capital have built up over a number years to £1.3m per annum. This is a capital funding source to be utilised annually from 2020/21. This is prudent with the uncertainty of Capital Grant.

### **9.5 Resources and Risk:**

- 9.5.1 The resource implications are detailed throughout this report, appendices and in the current MTFS.
- 9.5.2 The Authority's General and Earmarked reserves have been reviewed against the revised corporate risk register and these presented and will be discussed at the second Members' budget workshop in January 2020.

## 9.6 **Legal:**

9.6.1 The Authority must set a balanced budget for 2020/21 by midnight on 1 March 2020.

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

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

## 9.7 **Equality:**

9.7.1 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’.

9.7.2 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.

9.7.3 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.

9.7.4 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 2020/21 Revenue Budget with a 1.99% council tax increase and 5% FF Pay Award 2020/21.
- Appendix 1a - Draft 2020/21 Revenue Budget with a 1.99% council tax increase and 5% FF Pay Award 2019/20 and 2020/21.
- Appendix 2 – Summary of planning assumptions and uncertainties.
- Appendix 3 – Draft 2020/21 Capital Programme.
- Appendix 4 – Medium-Term Savings and Efficiencies.

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