

For publication

Bedfordshire Fire and Rescue Authority
11 February 2020

REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2020/21 REVENUE BUDGET AND CAPITAL PROGRAMME

For further information on this Report contact: G Chambers
Assistant Chief Officer/Treasurer
Tel No: 01234 845000

Background Papers:

2020/21 Draft Revenue Budget Report to the FRA meeting on 17 December 2019.

Implications (tick ✓):

LEGAL	✓	FINANCIAL	✓
HUMAN RESOURCES	✓	EQUALITY IMPACT	✓
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	

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

PURPOSE:

To present information to allow the Authority to:

- a. set a budget and precept level for 2020/21 in line with statutory requirements;
- b. approve a Medium-Term Revenue Plan for the period 2020/21 to 2023/24;
- c. approve a Medium-Term Capital Programme for the period 2020/21 to 2023/24;
- 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 2020/21 that:
 - a. A Revenue Budget requirement is set at £30.991m, met as indicated in paragraph 3.8 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £21.880m and that as a consequence, a council tax increase of 1.99% up to £100.41 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 the Medium-Term Revenue Plan attached at Appendix 1 to this report, in doing so, to also approve the 2020/21 savings and efficiencies detailed at Appendix 2
3. That the 2019/20 year-end underspend is allocated to a Pay Award 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.

1. Introduction and Background

- 1.1 The Authority is proposing a budget for 2020/21 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 2020/21 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 draft budget was approved by the Authority on 20 December 2019 for consultation. Feedback on the consultation is summarised in this report at para 6.
- 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 2020/21

- 2.1 The provisional settlement for 2020/21 was announced on 17 December 2019. The final settlement figures for 2020/21 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 2019/20 and 2020/21 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

	2019/20 £m	2020/21 £m	% change
Revenue Support Grant (RSG)	2.283	2.320	1.6
Business Rates baseline funding	5.847	5.942	1.6
Settlement Funding Assessment	8.130	8.262	1.6

- 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 2020 or beyond, it is expected that the Business Rates funding will increase and the RSG will cease. The RSG has still been identified in Appendix 1 in years 2021/22 onwards for transparency, albeit this funding will 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 2020/21 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 £8.459m shown in Appendix 1 for 2020/21 is split between £2.320m Revenue Support Grant funding and £6.139m Business Rates (with the local share of business rates at £2.299m, £0.197m higher than used in the SFA figures).

- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive £220k in 2020/21 for Firelink and New Dimensions. The final figures are yet to be confirmed.
- 2.5 The council tax referendum cap was confirmed in December 2019 as part of the provisional settlement. The proposed council tax figure of £100.41 is a 1.99% increase, therefore under the new 2% capping limit.

Police and Crime Commissioners have the option to increase their council tax charge by up to £10 per annum.

3. Proposed Budget and Precept for 2020/21 and Medium-Term Revenue Plan

- 3.1 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. There are significant 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 2019/20 were the last of the four year funding deal that the Authority accepted. The 2020/21 year, due to Brexit and the election is an unexpected roll forward of 2019/20 funding, with a delayed Comprehensive Spending Review until 2021/22.
- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2020/21 to 2023/24 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, 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 2020/21 is recommended to be set at £30.991m. Key assumptions include the Government funding of the Firefighters employer pension contributions increase in 2020/21 but a budget pressure from this of £0.750m in 2021/22 (that is 50% of the 2020/21 grant). The Firefighter pay award assumption is 5% backdated to July 2019 and 5% in July 2020.
- 3.6 Following the draft budget report that was presented to the FRA on 17 December 2019, the three Unitary Authorities have confirmed what their taxbases are for 2020/21. This revised taxbase figure, when compared to the 2020/21 taxbase forecast at the time of setting the 2019/20 budget, will increase the council tax income to the Authority by £0.130m. The forecast Collection Fund figures as included on line 59 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 2021/22 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 54 notes this. The RSG for 2020/21 increases by 1.6% when compared to the 2019/20 figure.

Table 2: Key Budget Information

	2019/20 £m	2020/21 £m	Change £m
Budget Requirement (£m)	29.832	30.991	1.159
<u>Funded by:</u>			
Precept Requirement (£m)	20.971	21.880	0.909
Central and Local Government Funding (£m)	8.284	8.459	0.175
Section 31 Business Rates grant	0.258	0.236	(0.022)
Collection Fund surplus/(deficit)	0.229	0.366	0.137
Business Rates Levy redistribution	0.090	0.050	(.040)
Funding Total (£m)	29.832	30.991	1.159
Tax Base (Band D equiv. properties)	213,017	217,906	4,889
Band 'D' Council Tax	£98.45	£100.41	£1.96

- 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. The results of the 2020/21 budget consultation support this increase, please see para 6 below.

There is planning time between now and 2023/24 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. With the utilisation of reserves for investment in transformational efficiencies and also budget balancing, the budget gap is currently forecast to be in 2024/25, however this will be reviewed following the 2020/21 settlement after the funding formula review, the Spending Review and Business Rates Retention roll out.

The 2021/22 financial year will see changes in Government funding to local authorities. Local Authorities will 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. It is now not anticipated that the Authority will be funded by direct grant and no business rates, like Police Authorities are. The Authority will continue with Business Rates and Council Tax, but no RSG.

- 3.10 Table 3 below details the council tax per band. As there is a 1.99% increase from the 2019/20 level, there is a change across all the valuation bands. The council tax of £100.41 equates to, for a Band D equivalent property, 28 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	66.94
B	7/9	78.10
C	8/9	89.25
D	1	100.41
E	11/9	122.72
F	13/9	145.04
G	15/9	167.35
H	2	200.82

In summary, the taxbase of 217,906 Band D equivalents, multiplied by the Band D council tax of £100.41 equals the precept of £21.880m.

- 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, and payments for the Authority's share of the estimated surplus or deficits on the council tax and business rate Collection Funds for 2019/20, in ten equal instalments on the agreed dates, of the sum indicated in Column 3. Column 4 details for 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 2020/21.

Table 4: Precepts

Unitary Councils (1)	£ (2) Council Tax £'000	£ (3) Deficit/(surplus) £'000	£ (4) Business Rates £'000
Bedford Borough	6,119	10	657
Luton Borough	5,204	(140)	672
Central Bedfordshire	10,557	(236)	970
Total	21,880	(366)	2,299

- 3.12 At the time of writing this report, the NNDR1 returns from the Unitary Authorities have not 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 from reserve.
- 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 2020/21. This equates to 8% 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 £1.925m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2019/20 year end underspend, that is currently forecast to be circa £116k and is due to the budgeted Firefighter pay award, is allocated to a new Pay Award Reserve.

As discussed at the second FRA Members budget workshop, the reserves strategy is to review and reduce both the General Reserve and Earmarked Reserves in the 2021/22 to 2024/25 MTFs. This date, 2021/22 coincides with the potential significant changes from the Spending Review, Business Rates Retention and Funding Formula Review. It is prudent to plan to make these changes to reserves following clarity around these forthcoming reviews.

The Transformational reserve will be £3.507m at the 2019/20 year end, prior to any in year underspend allocation. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2023/24 budget gap and beyond. This is detailed at the foot of the MTRP in Appendix 1.

- 4.2 The reserves strategy is included in the attached MTFs. 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. The 2015/16 and 2016/17 revenue underspend was allocated to a Collaboration Reserve, with a view that revenue and/or capital expenditure is likely in the medium term.

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 2020/21 to 2023/24 and to invest in transformational efficiencies. This strategy will ensure that additional savings and efficiencies are introduced in a planned and effective manner over the years to close the budget gap.

For 2020/21, the Capital Reserves have been reduced by £1m and a new reserves has been set up for Firefighter Pensions for £1m, in light of the financial risk due to the pensions grant and also the unknown impacts from the McCloud/Sergeant cases and the associated costs of this work and those resulting from the yet to be agreed remedy.

5. Proposed Medium-Term Capital Programme

- 5.1 As anticipated, there is no Government funding or bidding round for capital in the 2020/21 budget. This was the position for the 2016/17 to 2019/20 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is now a budgeted base budget revenue contribution of circa £1.3m per annum (with fluctuations) from 2021/22 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 2020/21 Capital Programme.

- 5.3 Key items of note in the proposed 2020/21 Capital Programme of £1.505m are:

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

6 Budget Consultation

- 6.1 The consultation on the 2020/21 budget and council tax proposals took place between 2 January 2020 and 31 January 2020. This year the decision was made to join up the two aspects of consultation; the budget and the Community Risk Management Plan (CRMP). Last year two separate surveys were undertaken.

- 6.2 A survey was sent to the 14,961 people registered on the BedsFireAlert Community messaging system, who are willing to take part in consultations. This was sent out on two additional occasions as a reminder. It was also made available via the Authority's website and publicised through the local press and several organic and paid for social media campaigns on the Service's Facebook, Instagram and Twitter channels. It was promoted to BFRS staff through the weekly editions of Blue Bulletin and a supporting briefing note sent to all managers.

A letter was sent to a number of key partners in the emergency services and local government inviting their views. We also attended a number of community events including church coffee mornings, community groups, community centres etc. We also asked a number of organisations including the three unitary authorities, the Police, East of England Ambulance Service Trust (EEAST) and the Chamber of Commerce to put the link on their websites and to promote the consultation to their members. We communicated to the press via press releases and a number of them included the link on their websites and shared our social media content.

- 6.3 On the 27 January there were a total of 307 (76.87% coming from Alert) responses with (158: 88.3% supporting the 1.99% council tax increase and 120: 67.4% supporting an increase of between £3 and £5. A majority of these responses were from subscribers to BedsFireAlert but 71 came from those responding through social media. This is a significantly lower response to last year's consultation. The budget consultation for 2019/20 had 1,120 responses, so combining it with the CRMP for 2020/21 has resulted in less feedback.
- 6.4 In response to the question of whether respondents thought there were efficiency areas that could be considered we received 74 comments, with the majority advising "none" or "don't know". Of the 74 that did provide comments some respondents said they did not have sufficient information to make a decision or that the Service should not make any more savings. A variety of comments related to suggestions for saving money or generating income, such as charging for some services such as freeing people from lifts, charging hoax callers or insurance companies for extinguishing fires. A small number of people mentioned that as pensioners it was increasingly difficult for them to pay for increases in council tax.
- Feedback from a number of people via alert and the community events said that the consultation was too long and complicated. They would prefer a simple questionnaire with a less wordy supporting document. The length of the survey put people off completing it. As noted above, the CRMP element of the consultation was the long part, as it included the full proposed 2020/21 action plan.

Other comments specifically on the budget consultation, can be categorised into the following main areas:

- Reducing the numbers of senior officers/managers;
- Collaborating, sharing services including support staff and co-responding with Police and Ambulance Service or other FRS;
- Co-location with other emergency services;
- A review of charging for services.

6.5 As a response to the themes above, the paras below provide a summary of what efficiencies are already being undertaken.

The senior structure has already been reduced by one Assistant Chief Fire Officer (ACFO), so there are now three Principal Officers and there has also been the removal of one Area Commander (AC). More recently, there has also been a senior management restructure that removed a Corporate Management Team Member, with savings associated with this.

In addition to the above, there is a budget reduction planned in 2021/22, of another AC post, changing this to a green book role, which leads to further savings. The AC posts will have then reduced from the original five to three. Some Members have raised concern about operational resilience at the Principal Officer level, this is currently being considered, along with previous discussions around talent management and development opportunities.

The FRA are aware of the collaboration work underway with the Police Service, Ambulance Service and other organisations. These initiatives are increasing with the sharing of premises and operational service areas, such as Forced Entry and Missing Persons Search. This year we are trialling a new joint collaboration with EEAST to deliver a home falls response service for vulnerable people in Bedfordshire. We are also piloting the servicing of Ambulance vehicles.

We have the Shared ICT Service in operation with numerous other shared work areas with local authorities such as Democratic Services support, legal, cleaning contracts, joint procurements, GDPR work and the Authority is a founding member of the Fire and Rescue Indemnity Company (FRIC), providing an alternative to traditional insurance.

The Service now shares its estate with the police at four locations (Bedford, Leighton Buzzard, Ampthill and Toddington), the Ambulance at five (Luton, Sandy, Stopsley, Shefford and shortly Dunstable). Other partner organisations also rent some space at our stations.

The Service informs telephone callers where charges will be levied on services provided such as lock outs and flood clearance from basements, where not deemed emergencies and suggesting that they seek alternative suppliers for these incidents.

7. Proposed Medium-Term Financial Strategy (MTFS)

- 7.1 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 2020/21 revenue budget and capital programme, but also sets the scene for future years.
- 7.2 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.

8. Robustness of Estimates and Adequacy of Reserves

- 8.1 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.

9. Implications

9.1 **Financial:**

- 9.1.1 The resource implications are detailed throughout this report and appendices, particularly in the MTFS.
- 9.1.2 The Treasurer's statement comments on the robustness of the estimates and adequacy of the Authority's reserves with reference to risks identified.

9.2 **Legal:**

- 9.2.1 The Authority must set a balanced budget by midnight on 1 March 2020.
- 9.2.2 The Authority has specific legal duties in relation to equalities and financial decision-making.
- 9.2.3 There are no further specific legal issues arising from this report.

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

- 9.3.1 Under the Public Sector 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'.
- 9.3.2 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.
- 9.3.3 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.
- 9.3.4 Due regard has been and will be considered as part of the budget build process.

**PAUL M FULLER CBE QFSM MStJ DL
CHIEF FIRE OFFICER**

**GAVIN CHAMBERS
TREASURER**