



**DORSET & WILTSHIRE  
FIRE AND RESCUE  
AUTHORITY**

Item 20/05

MEETING	Dorset & Wiltshire Fire and Rescue Authority
DATE OF MEETING	12 February 2020
SUBJECT OF THE REPORT	Budget and Precept Implications 2020-21
STATUS OF REPORT	For open publication
PURPOSE OF REPORT	For consideration and approval
EXECUTIVE SUMMARY	<p>This report sets out the revenue and capital budget requirements for 2020-21. Despite our efforts to lobby for a £5 de-minimis increase in the Fire Precept, the Provisional Settlement only allows for a 1.99% increase for fire authorities for the coming year. This results in a Band D Fire Precept of £76.36, an increase of only £1.49 (or less than 3p per week).</p> <p>Based on the provisional finance settlement, our overall level of Government funding, the Settlement Funding Assessment shows an increase of £229k or 1.6% compared to 2019-20. This is in line with our expectations following the Spending Round announcement in September 2019, and all fire authorities have received the same percentage increase. We expect the Final Settlement to show unchanged amounts.</p> <p>We have also included provisional sums in respect of business rates income, as at the time of writing this report, final confirmation of amounts had not been received from the billing authorities. Any adjustment to the final figures will be made through general balances.</p> <p>The revenue budget requirement for 2020-21 is £57.064m as set out in section 3 of the report and the Capital Programme totals £10.394m.</p>

<b>RISK ASSESSMENT</b>	<p>The Authority, through its Medium-Term Finance Plan (MTFP), is able to achieve a sustainable budget position for 2020-21, within the context of the Government's fiscal policy. However, there are significant financial risks going forward, as set out in the MTFP.</p> <p>Future funding remains a significant concern, particularly with the one year only Settlement for 2020-21 and the uncertainties around the Fair Funding Review and potential impact of the Spending Review 2020.</p> <p>There remains a specific risk in relation to costs and funding for the Firefighters' Pension Scheme. Employer costs have increased significantly, and whilst funding for 90% of the additional costs remains in place for 2020-21 amounting to £2.7m, no decisions have yet been made on funding for future years. The impact of the McCloud Sargeant pension judgement could also see employer costs increase further.</p>
<b>COMMUNITY IMPACT ASSESSMENT</b>	None for the purposes of this report.
<b>BUDGET IMPLICATIONS</b>	These are contained within the body of the report.
<b>RECOMMENDATIONS</b>	<p>Members are asked to:</p> <ol style="list-style-type: none"> <li>1. Approve the revenue budget of £57.064m and capital budget of £10.394m for 2020-21</li> <li>2. Approve the basic amount of Band D Fire Precept for the Dorset &amp; Wiltshire Fire and Rescue Authority at £76.36</li> <li>3. Authorise the Treasurer to issue precept notices on the Bournemouth, Christchurch and Poole Council, Dorset Council, Swindon Borough Council and Wiltshire Council</li> <li>4. Approve the Medium-Term Finance Plan 2020-21 to 2023-24.</li> </ol>
<b>BACKGROUND PAPERS</b>	2020-21 Provisional Local Government Finance Settlement, Ministry of Housing, Communities and Local Government (MHCLG), 20 December 2019

<b>APPENDICES</b>	Appendix A - Summary Options 2020-21 – Fire Precept Band D Appendix B - Precept Requirements 2020-21 Appendix C - Medium Term Finance Plan 2020-21 to 2023-24
<b>REPORT ORIGINATOR AND CONTACT</b>	Name: Ian Cotter, Head of Financial Services and Treasurer Email: <a href="mailto:ian.cotter@dwfire.org.uk">ian.cotter@dwfire.org.uk</a> Tel no: 01722 691109

## 1. Introduction

- 1.1 This report provides the final position for the revenue and capital budget requirements for 2020-21. The budget and Band D Fire Precept recommendations are based on the Financial Principles previously approved by the Authority.
- 1.2 There are a number of issues and financial implications presented to the Authority in this report, and these are based on best information and professional forecasts. At the time of writing the report, we have used provisional sums in respect of business rates income whilst we await final confirmation of amounts from the billing authorities. Billing authorities are required to notify us by the 31 January 2020.

## 2. Funding Issues

### 2.1 Local Government Finance Settlement 2020-21

- 2.1.1 The provisional finance settlement for 2020-21 was published on 20 December 2019 and provided details of our Settlement Funding Assessment (SFA) for 2020-21. The settlement proposals were subject to a four-week consultation period ending 17 January 2020. At the time of writing this report the Final Settlement had not been announced, but no significant changes are expected.
- 2.1.2 The SFA consists of estimates of the local share of business rates (the Baseline Funding Level (BFL)), and Revenue Support Grant (RSG). The final figure for this Authority's SFA for 2020-21 is £14.311m.
- 2.1.3 This is an increase of £229k or 1.6% compared to the SFA for 2019-20, in line with our expectation from the Spending Round announcement in September 2019. The breakdown of the SFA is shown below.

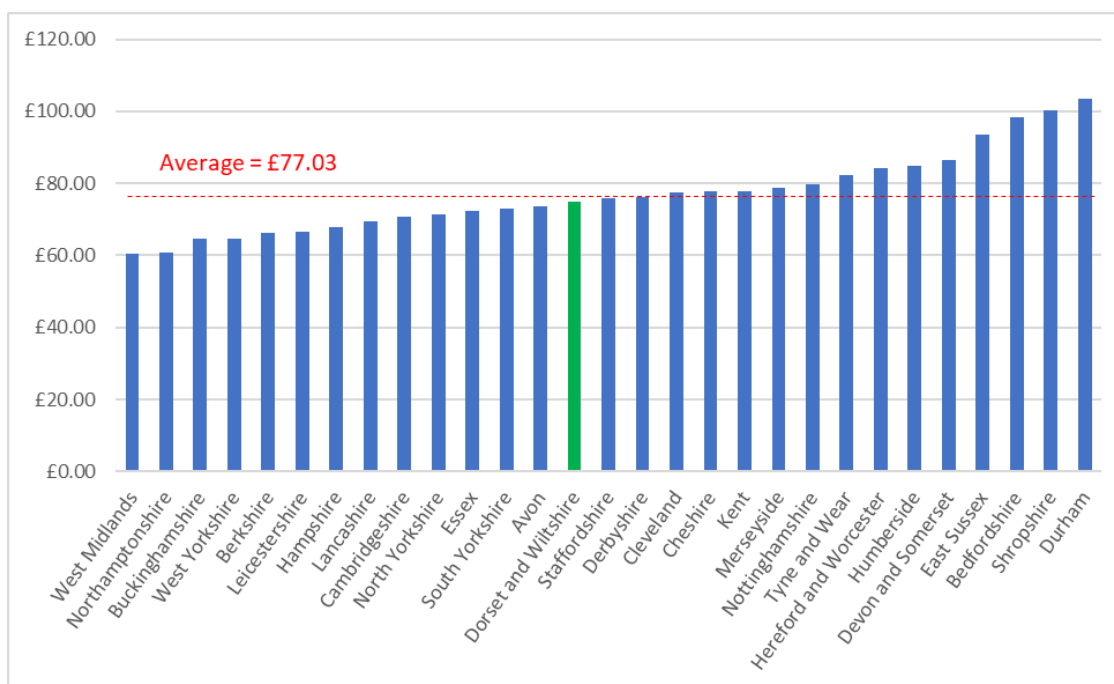
<b>Table 1 – Settlement Funding Assessment</b>	<b>2020-21 £m</b>	<b>2019-20 £m</b>	<b>Difference £m</b>
Total SFA	14.311	14.082	+0.229
<i>made up of:</i>			
- Revenue Support Grant (RSG)	3.857	3.796	+0.061
- Baseline Funding Level (BFL)	10.454	10.286	+0.168

- 2.1.4 All standalone fire and rescue authorities have received the same 1.6% increase.
- 2.1.5 The Baseline Funding Level (BFL) is split between an assumed level of business rates income and a top up grant payment from Government. The top up grant for most authorities is increased each year in line with inflation. The actual amount of business rates income received is subject to some uncertainty and is only confirmed in late January by the local billing authorities. For 2019-20 actual receipts were £261k less than assumed in the SFA.

## 2.2 Fire Precept

2.2.1 The Authority has a history of being a low funding, low spending authority. The low level of funding inevitably places pressure on levels of Fire Precept. Our 2019-20 Fire Precept figure of £74.87 compares to a national average for all English standalone fire and rescue authorities of £77.03 (see Chart 1 below).

Chart 1: Band D Fire Precept 2019-20 (all standalone English fire and rescue authorities)



2.2.2 Raising our precept to the 2019-20 national average level of £77.03 would require an increase of £2.16 or 2.89%, breaching the current referendum threshold, but well within a £5 de-minimis increase.

2.2.3 In the Local Government Finance Settlement 2020-21 Technical Consultation document issued in October 2019, the Government proposed a core referendum principle of 2% for fire and rescue authorities. Our response to this consultation argued the case for a £5 de-minimis increase “to address and alleviate some of our financial pressures and put us on a much stronger footing to protect vital frontline emergency services”. Our individual submission supported a similar co-ordinated response from the National Fire Chiefs Council (NFCC).

2.2.4 The provisional finance settlement for 2020-21 announced referendum principles in line with those proposed in the Technical Consultation document, and they are as follows:

- a core principle of up to 2%, applicable to shire counties, unitary authorities, London boroughs, the Greater London Authority general precept, and fire and rescue authorities

- a bespoke council tax referendum principle of 2% or £5, whichever is higher, for shire districts
- continuing the adult social care precept at an additional 2%
- no referendum principles for mayoral combined authorities or town and parish councils.

2.2.5 The Provisional Settlement Consultation document again asked for views on this package of referendum principles and our response continues to put forward the compelling case for a £5 de-minimis increase for Fire. Section 4.6 illustrates the financial impact of a £5 increase for this Authority.

2.2.6 The Police Funding Settlement for 2020-21, announced on 22 January 2020, has set a precept referendum limit of £10 for Police and Crime Commissioners.

2.2.7 Total Fire Precept funding is also dependent on increases in the taxbase, i.e. the number of Band D equivalent households in the Authority area. On average across the whole of the Authority area, our taxbase for 2020-21 has risen by approximately 1.3%, slightly below our 1.5% assumption.

2.2.8 There are also one-off collection fund surpluses and deficits held by the billing authorities, which offset or add to the amount of council tax income collected each year. In total, these amount to £176k for 2020-21, compared to £554k for 2019-20. These amounts should be considered as one-off windfalls and not wholly relied upon over the medium-term, although for future years the MTFP assumes collection fund surpluses of £250k each year, in line with the agreed Financial Principles.

## 2.3 Funding Summary

2.3.1 In view of the final finance settlement, the lack of a £5 de-minimis option for increasing the Fire Precept and the medium-term financial projection, Members are asked to approve increasing the Band D Fire Precept by 1.99%, i.e. below the 2% referendum threshold and in line with Government expectations.

2.3.2 On that basis, the projected level of funding available for 2020-21 is £57.064m as shown in Table 2 on page 7. If the level of Fire Precept was to be frozen at the 2019-20 amount of £74.87, total funding would be £831k less, at £56.233m, significantly impacting on long-term financial sustainability.

<b>Table 2 - Total Funding 2020-21</b>	
Taxbase	557,575
Band D Fire Precept (£)	£76.36
Fire Precept (£m)	42.577
Collection Fund Surplus/Deficit(-) (£m)	0.176
Revenue Support Grant (RSG) (£m)	3.857
BRR and Top Up grant (£m)	10.454
<b>Total Funding (£m)</b>	<b>57.064</b>

### 3. Budget Requirement 2020-21

- 3.1 In determining the 2020-21 budget requirement, there are a number of influencing factors outside of the issues around precepts and Government funding. The main factors are considered below.
- 3.1.1 Staffing costs represent a significant element of the overall budget requirement. Our plans continue to assume 2% pay awards for all staff groups, although there is a risk of higher increases being agreed following successive years of pay restraint and considering recent awards across other areas of the public sector. National negotiations on the role of the firefighter and required pay levels are still taking place. Any increase above 2% would initially be funded from our general balances but would clearly have an ongoing base budget impact that would require funding. A 1% variation in the pay award is worth approximately £450k.
- 3.1.2 As Members are aware, in late 2018 we were notified of the Government Actuary's Department (GAD) latest valuation of the firefighters' pension fund. Costs have increased significantly from April 2019 following confirmation of final employer contribution rates. The Government agreed to fund 90% of the additional costs in 2019-20 by way of Section 31 grant funding and this is continuing in 2020-21, but funding beyond 2020-21 has yet to be determined. The Government has indicated that this will be part of the Spending Review 2020 process. For this MTFP our share of grant for 2020-21 and future years has been estimated at £2.7m, the same as 2019-20, pending final confirmation from the Home Office. The previous MTFP assumed that the grant would increase in line with inflation each year.
- 3.1.3 We have also seen an increase in costs for the Local Government Pension Scheme. Following the latest triennial valuation, the change to our employer contribution rate will see costs increase by an estimated £77k.
- 3.1.4 Inflationary and contractual increases on non-pay budgets amount to approximately £205k per annum.

- 3.2 Taking all of the changes into account, the Net Budget Requirement for 2020-21 is £57.064m as summarised below:

<b>Table 3 – Budget Requirement 2020-21</b>		<b>Service Budget 2020-21 £m</b>
<b>Revenue Budget</b>		
- Employees		48.247
- Premises		3.789
- Transport		1.495
- Supplies & Services		5.229
- Agency & Contracted Out		2.274
- Democratic Representation		0.115
- Capital Financing/Leasing		3.280
- Income		-6.697
- Transfers to/from Reserves		-0.668
<b>Net Budget Requirement</b>		<b>57.064</b>

#### 4. Medium Term Finance Plan

- 4.1 The Medium-Term Finance Plan (MTFP) 2020-21 to 2023-24 shown at Appendix C is also recommended for approval. The MTFP is based on the agreed Financial Principles, current data received from our constituent authorities, Service spending proposals and our Strategic Assessment of Risk.
- 4.2 The Strategic Assessment of Risk document highlights a number of areas where there is potential financial impact, including:
- resources to respond to the outcomes of the Grenfell Tower inquiries and changes to the current system of building regulation and fire safety
  - the impact of the replacement national radio and communication system, known as the Emergency Services Mobile Communications Programme (ESMCP)
  - reducing our environmental impact, which will need some one-off “Invest to Save” funding to generate longer-term, ongoing savings as part of our efficiency plan
  - potential increase in ill-health retirement costs flowing from the impact of pensions changes and an ageing workforce
  - strengthening the Network Fire Service Partnership (NFSP) with our neighbouring fire and rescue services



- improving the sustainability of our ICT systems, which is likely to need some one-off additional investment; and
- ensuring the sustainability of our operational training centres, including the feasibility of developing a single, central training facility.

4.3 These issues were discussed in detail with Members at the December seminar. For planning purposes, we have assumed a minimum net base budget cost increase of £250k from 2021-22 to fund these items and this is included in the “Estimated Net Service Budget” line in the tables that follow.

4.4 In summary, the indicative net budget deficits/surpluses over the medium-term are as follows:

<b>Table 4</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	£m	£m	£m	£m
Total Funding	57.064	57.920	58.792	59.752
Estimated Net Service Budget	57.064	59.240	61.103	62.605
<b>Budget surplus(+)/deficit(-)</b>	<b>£0.000</b>	<b>-£1.320</b>	<b>-£2.311</b>	<b>-£2.853</b>

4.5 This assumes increases in the Fire Precept of 1.99% each year, together with an expectation that continued funding will be made available to meet our increased employer pension costs (see 3.1.2 above). Without this continued pensions funding, the deficit forecasts could potentially increase significantly. As an example, table 5 below illustrates the impact of the current £2.7m grant being removed in equal steps over a five-year period.

<b>Table 5</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	£m	£m	£m	£m
Total Funding	57.064	57.920	58.792	59.752
Estimated Net Service Budget	57.064	59.780	62.184	64.226
<b>Budget surplus(+)/deficit(-)</b>	<b>£0.000</b>	<b>-£1.860</b>	<b>-£3.392</b>	<b>-£4.474</b>

4.6 We continue to lobby for increased flexibility around precept increases. Table 6 below illustrates the significant beneficial impact of a £5 increase in the Fire Precept, which would deliver approximately £2m of additional funding.

<b>Table 6</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	£m	£m	£m	£m
Total Funding	57.064	59.891	60.832	61.864
Estimated Net Service Budget	57.064	59.240	61.103	62.605
<b>Budget surplus(+)/deficit(-)</b>	<b>£0.000</b>	<b>£0.651</b>	<b>-£0.271</b>	<b>-£0.741</b>

## **5. Reserves and Balances**

5.1 The Service will need to use its reserves and balances in order to provide a sustainable long-term financial position.

### **5.2 General Balances and Reserves**

5.2.1 General Balances are set aside as a safety net to cover unplanned and unbudgeted costs. The Authority needs to maintain separate reserves and balances to help deal with unexpected contingencies and specific risks that cannot be managed within the annual revenue budget, and to provide a working balance to help manage cash flow fluctuations arising from their normal business activities.

5.2.2 General Balances at the start of 2019-20 amounted to £2.726m, increasing to £2.792m by the end of the financial year, in line with the Financial Principle of maintaining General Balances at 5% of revenue budget or £2.5m, whichever is the greater. We continue to review the general balances risk assessment on an annual basis as part of the budget setting cycle.

### **5.3 Other Earmarked Reserves**

5.3.1 The Authority has a number of other reserves that are maintained to help to deal with specific risks that cannot be managed within the annual revenue budget. This includes some of those items highlighted in the Strategic Assessment of Risk, such as the ESMCP and NFSP projects. Further detail regarding earmarked reserves is provided within the MTFP (Appendix C).

## **6. Capital Programme**

### **6.1 Capital Expenditure Summary**

6.2 Draft capital expenditure requirements for 2019-20 to 2023-24 are shown in table 7. The revised Capital Programme for 2019-20, as approved by the Authority in December 2019, totals £4.7m. The capital budget for 2020-21 recommended for approval is £10.394m.

<b>Table 7</b>	<b>Revised Budget 2019-20 £m</b>	<b>Indicative Budget 2020-21 £m</b>	<b>Indicative Budget 2021-22 £m</b>	<b>Indicative Budget 2022-23 £m</b>	<b>Indicative Budget 2023-24 £m</b>
<b>Capital Expenditure</b>					
Property/Estates	1.758	2.087	923	1.150	1.140
Vehicles	0.946	6.906	4.581	3.269	2.148
Equipment	1.198	229	405	114	1.801
ICT	0.798	1.172	530	565	275
<b>TOTAL</b>	<b>4.700</b>	<b>10.394</b>	<b>6.439</b>	<b>5.098</b>	<b>5.364</b>
<b>Financed by</b>					
Prudential Borrowing	3.458	9.922	6.406	5.098	5.364
Capital Reserves	0.000	0.000	0.000	0.000	0.000
Other Earmarked Reserves/ Unapplied Grants	1.242	0.472	0.033	0.000	0.000
<b>TOTAL</b>	<b>4.700</b>	<b>10.394</b>	<b>6.439</b>	<b>5.098</b>	<b>5.364</b>

### 6.3 Property/Estates

6.3.1 The 2020-21 programme includes the outcomes of a property conditions survey, identifying the property assets in most need of attention now and over the next few years, based on risk and priority. Current property budgets do not include any provision for major station replacements or enhancements.

### 6.4 Vehicles

6.4.1 Vehicles are regularly reviewed and are subject to the long-term vehicle replacement policy. The 2020-21 Capital Programme includes the completion of the project to replace nineteen large fire appliances. A further seventeen large fire appliances and four 4x4 fire appliance are due for replacement over the following three years. A provisional sum of £662k is included in 2022-23 for the purchase of a fourth aerial appliance.

## 6.5 Equipment

6.5.1 The programme for equipment is made up of operational equipment and personal protective equipment (PPE) requirements. 2019-20 sees the completion of the major refresh of PPE costing approximately £1.6m. Breathing Apparatus will also be required to be replaced in a major refresh at a similar cost of circa £1.6m, although this has been pushed back to 2023-24 financial year.

## 6.6 Information Technology and Communications

6.6.1 Ongoing ICT requirements are planned up to 2023-24 and include IT hardware and software replacements, communications equipment, systems and infrastructure.

## 6.7 Capital Financing

6.7.1 Capital expenditure can be financed from a variety of sources, including capital receipts, direct revenue contributions, reserves, specific grants and through prudential borrowing.

6.7.2 The Service has fully utilised its capital reserves and capital receipts over the previous three financial years. Following agreement with the Home Office, some elements of the Capital Programme are being funded from the Transformation Grant across 2019-20 to 2021-22. Additionally, £750k of direct revenue contributions will be made in 2019-20. Any shortfall of funding then must be made up through prudential borrowing as shown in Table 7 above.

## 7. Statutory Declarations

### 7.1 Robustness of the Estimates

7.1.1 Under Section 25 of the Local Government Act 2003, the Treasurer, as designated under Section 151 of the Local Government Act 1972 and Section 112 of the Local Government Finance Act 1988, is required to report to the Authority when setting its Band D Fire Precept on two issues:

- the robustness of the estimates included in the budget; and
- the adequacy of the financial reserves in the budget.

7.1.2 There are also a range of other safeguards aimed at ensuring local authorities do not over commit themselves financially. These include:

- The Chief Financial Officer's powers under Section 14 of the Local Government Act 1988, which requires a report to the Authority if there is or is likely to be unlawful expenditure or an unbalanced budget

- The Local Government Finance Act 1992, which requires a local authority to calculate its budget requirement for each financial year, including the revenue costs which flow from capital financing decisions. The Act also requires an authority to budget to meet its expenditure after taking into account other sources of income. This is known as the 'balanced budget requirement'; and
- The Prudential Code, introduced under the Local Government Act 2003, which applies to capital financing and treasury management decisions.

7.1.3 Whilst budgets are based on realistic assumptions, some budgets are subject to a degree of estimating error as actual expenditure can be affected by factors outside of the Authority's control, for example major incidents. The estimates have been prepared on an incremental basis, based on existing commitments, adjusted for inflation, increments and other unavoidable cost-drivers, and taking into account variations in service provision.

7.1.4 The revenue and capital budgets can be regarded as robust. Although there are risks in the 2020-21 budget, as with any budget, those risks are manageable, and have been taken into account in advising on the level of general reserves at this time.

## **8. Summary & Key Messages**

8.1 The Service's revenue budget requirement for 2020-21 is £57.064m and the Capital Programme requirement is £10.394m.

8.2 In order to meet this budget requirement and taking into account the level of funding provided in the Local Government Finance Settlement, Members are asked to approve a Band D Fire Precept of £76.36. This represents an increase of £1.49 (or less than 3p per week). This is recommended as the most prudent and sustainable option currently available in the face of ongoing base budget deficits beyond 2020-21.

February 2020