

OPEN

DECISION

ITEM X

DERBYSHIRE FIRE & RESCUE AUTHORITY

13 FEBRUARY 2020

REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE AND DIRECTOR OF FINANCE/TREASURER

REVENUE BUDGET 2020/2021 AND THE MEDIUM TERM FINANCIAL PLAN FOR 2020/2021 TO 2023/2024

1 Purpose of Report

1.1 To present proposals for the 2020/2021 Revenue Budget and the Medium Term Financial Plan (MTFP) for 2020/2021 to 2023/2024. It outlines assumptions, including pay and inflation increases, growth and savings, contained within the budget estimates. The report serves to inform and update Members on the following:

- The Local Government Finance Settlement 2020/2021;
- The Proposed Revenue Budget 2020/2021;
- Council Tax and Precept Increase;
- Feedback on Budget and Service Consultations;
- The Four Year Financial Plan;
- Our Plan (IRMP) 2020/2023;
- The Robustness of Estimates and Level of Reserves.

1.2 This report builds on the Medium Term Financial Strategy presented to Members in December 2019 for approval, and is framed in accordance with the agreed Strategy from that meeting.

2 Recommendations

That Members:

- 2.1 Formally approve a net budget requirement of £39.9m for 2020/2021 based on the information as presented in Section 5 of the report, and summarised in Appendix 1.
- 2.2 Note the Local Government Settlement, Council Tax Base and Collection Fund positions as outlined in Section 4 and 6 of the report.
- 2.3 Determine the budget requirement and approve a precept increase of 1.98%.

- 2.4 Approve growth required from this report including £185,000 to add resilience to the Protection function following HMICFRS findings and recommendations. The MTFP recommends to Members that this investment in the Service will be funded by the additional income generated by precepting at 1.98%. Para 5.7 refers.
- 2.5 Notify the precept to the Billing Authorities, based on the determination of the precept.
- 2.6 Note the medium term financial position for 2020/2021 to 2023/2024 and, in particular, measures taken to balance the 2020/2021 budget, and the financial pressures in subsequent years (Sections 5 and 8 of this report).
- 2.7 Note the Director of Finance/ Treasurer's comments about the robustness of estimates, adequacy of reserves and potential liabilities that may arise in future years (Section 10 of this report).
- 2.8 Note a separate report on this agenda outlining the 2020/2021 to 2023/2024 Capital Programme, Prudential Code Report and Treasury Management Strategy.
- 2.9 To delegate to the Director of Finance authority to update the 2020/21 Revenue Budget, through a change in use of reserves following receipt of NNDR information from billing authorities.

3 Summary

How is the Service doing?

- 3.1 The Fire and Rescue Service continues to provide a responsive and high performing service to our communities as highlighted in last year's Annual Report:

https://www.derbyshire.gov.uk/application/files/9215/7235/0140/Our_Year_2018-19.pdf
- 3.2 Continued challenges force new ways of working, through shared approaches to issues like estates, procurement and training, employment arrangements, and mobilisation. Derbyshire Fire and Rescue Service is well placed to safeguard its emergency operations and to continue to protect public safety through 'Invest to Save' initiatives and an ongoing commitment to collaborative working.
- 3.3 The Authority has secured its strong financial position not least through its ability to make key decisions, particularly around savings to its establishment (Service restructure 2011, Review of Duty System, Swadlincote Fire Station, SLT Review 2016 and support establishment reductions, Review of Duty System, Matlock and Glossop and Joint Control 2019). It is clear that, in light of projected budget deficits, the Authority cannot rely on the continued use of reserves to balance the budget beyond 2020/2021. The proposed 1.98% Council Tax increase provides additional funding to meet the costs of the

2020/21 pay award and other inflationary pressures. Members are referred to the long term projection of DFRS reserves in Appendix 4.

- 3.4 In particular Members will be aware of the favourable outcome of the DFRS HMICFRS inspection, and the resolute efforts of our crews, and those of partners, during the Whaley Bridge, Toddbrook Dam incident. Our response received NFCC (and national) applause, and Members will be aware of the successful recovery of £380,000 from MHCLG through the Bellwin Scheme. Other incidents of merit include our assistance at Wainfleet (Lincs), and South Yorkshire, where our crews assisted over border with severe flooding and immediate risk to life.

March 2020 Budget

- 3.5 The date has been set for March 2020. The Chancellors speech to the House of Commons will include an overview of how the economy is doing. A crucial component will be housing, additional investment to address climate change, and of course Social Care.
- 3.6 It is likely that public spending will increase over the next couple of years, with the majority of spending being focussed on health, some on schools, and very little on other areas. There are no indications that any degree of investment in the Fire Sector is perceived to be a current, or near future, priority for the Government.

Brexit

- 3.7 The Treasury has already allocated a total of £6.3 billion towards preparations for leaving the EU. The biggest beneficiaries so far have been HMRC, the Home Office and DEFRA. Whether or not this spending proves to be temporary or permanent most likely depends on the nature of our departure and future arrangements with the EU.
- 3.8 Recent OBR analysis suggested that even a relatively benign no deal scenario would push the UK economy into recession, make the UK permanently poorer and result in higher borrowing to the tune of £30 billion a year from 2020/2021 onwards.

What are the Risks to the Medium Term Financial Plan?

Pensions

McCloud/Sargeant

- 3.9 Further to the case management hearing in December 2019, the Court of Appeal determined in its judgement that the transitional provisions in the Firefighters' pension schemes resulted in direct age, race and sex discrimination. Technical discussions will now be held with the Firefighters' Pensions Scheme Advisory Board (SAB), which comprises members of the Fire Brigade's Union, Fire and Rescue Services Association, the Fire Officers' Association and the Fire Leaders' Association as well as employer representatives.

- 3.10 Initial estimates suggest that removing the difference in treatment (the discrimination) will add around £4bn per annum to scheme liabilities across public services from 2015. The most recent valuation process set employer contribution rates until 2023 for the Firefighter Pension Schemes.
- 3.11 It is too early to assess the impact on employer contribution rates from 2023 onwards, or to what extent any additional pressure will be met by the Government. It is however clearly apparent that this, and other, pension related risks, continue to compound budget pressures, and will continue to do so for the foreseeable future.

Pensions - Other

- 3.12 Members will also be aware of pensions related pressures (2019/2020 onwards) arising through changes to the discount rate used as part of the firefighters' pension valuation. These followed detrimental changes to the long term growth forecasts by the Office for Budget Responsibility (OBR). This resulted in an additional annual pension cost of circa £2.5m for DFRS. Following lobbying by the National Fire Chief's Council, the Home Office increased the share of Pension Grant for DFRS to £1.9m (from £1.6m) in 2019/2020. The resultant shortfall, being £0.6m, was approved as a growth item by Members, as part of the 2019/2020 budget setting process. This funding shortfall continues to be a pressure in all years of the MTFP.
- 3.13 It is hoped that this additional cost, and other future pension related pressures (such as McCloud / Sargeant) will be better addressed by the Home Office. DFRS have not received confirmation of the amount of 2020/2021 Pension Grant funding at the current time, which serves to exacerbate the financial uncertainties surrounding the 2020/2021 budget, and that of future years. Budget estimates assume that Pensions Grant remains at a similar level as in 2019/2020.
- 3.14 A further new pension claim will soon be issued against Fire and Rescue Authorities. DFRS have instructed the LGA to act on our behalf accordingly.
- 3.15 DFRS will look to mitigate pension related risks by investing in the Pension Risk Reserve at every opportunity, to include the use of Revenue Budget underspends, whilst maintaining appropriate provision in the Strategic Risk Reserve, Capital Development Reserve, and other reserves.

Pay Inflation

- 3.16 The MTFP provides for operational and support pay inflation of 2% (all years). A further 1% pay increase amounts to an additional pressure of circa £300,000 per annum, which has not been factored into the figures contained within this report.
- 3.17 In the event of a pay award in excess of 2%, the Service will look to fund this through the Strategic Risk Reserve in the first instance. However, Members should be aware of the potential for a significant budget deficit increase due to the compounded effect of pay award costs.

3.18 Further, the MTFP assumes that any additional costs arising in relation to ‘broadening the role map’ would be met centrally by the Government.

Ability to Contribute to Reserves

3.19 In arriving at a balanced position, the proposed budget does not provide for a Revenue Contribution to Capital in year 2020/2021. Provision for a £0.3m contribution in years 2021/2022, 2022/2023, and 2023/2024 has been maintained. This will contribute towards future capital project costs such as our continued investment in ICT, Property, and Transport. A transfer of £200,000 to the Pension Risk Reserve will mitigate against future pension costs, the uncertainty of which is outlined in this report.

Other

3.20 Members have also been briefed on uncertainty in respect of:

- A single year settlement;
- principal funding streams;
- business rates retention;
- Fair Funding review delay;
- potential for interest rate reductions;
- financing of the Capital Programme, and borrowing; and
- the level of reserves the Authority holds.

What does the Service still need to save?

3.21 Appendix 1 presents the budget forecasts for 2020/2021 to 2023/2024. The anticipated deficit, taking account of ‘Integrated Risk Management Plan Our Plan (IRMP)’ savings and based on a proposed 1.98% increase the precept is summarised below. It is worth noting that, unlike in recent years, the current settlement is for 2020/2021 only and assumptions have been made for future years. These have been outlined in this report. Best and early estimates at this stage are as follows:

| | £ |
|-----------|----------|
| 2020/2021 | 0* |
| 2021/2022 | 1.28m |
| 2022/2023 | 1.70m |
| 2023/2024 | 2.13m |

*Assumes a contribution from reserves

3.22 Members should note the measures taken to arrive at a balanced budget in 2020/2021 (see para 3.25 – 3.29 below) and the level of savings targeted over the period to 2023/2024.

3.23 Had the Authority not taken early action to secure sustainable savings through the Effectiveness Programme, ‘Fit to Respond’ programme and Our Plan

(IRMP) projects, then the projected deficit for 2020/2021 would be in the region of £12m, extending to a deficit of over £14m in 2023/2024.

What assumptions have been made in developing the budget and what do they mean for us?

Precept

- 3.24 The figures are based on a proposed annual council tax increase of 1.98% in 2020/2021 (and future years). Precepting at 1.98% provides an additional £0.48m to the Authority in 2020/2021, and £2m over the period 2020/2021 to 2023/2024.

Managing vacancies

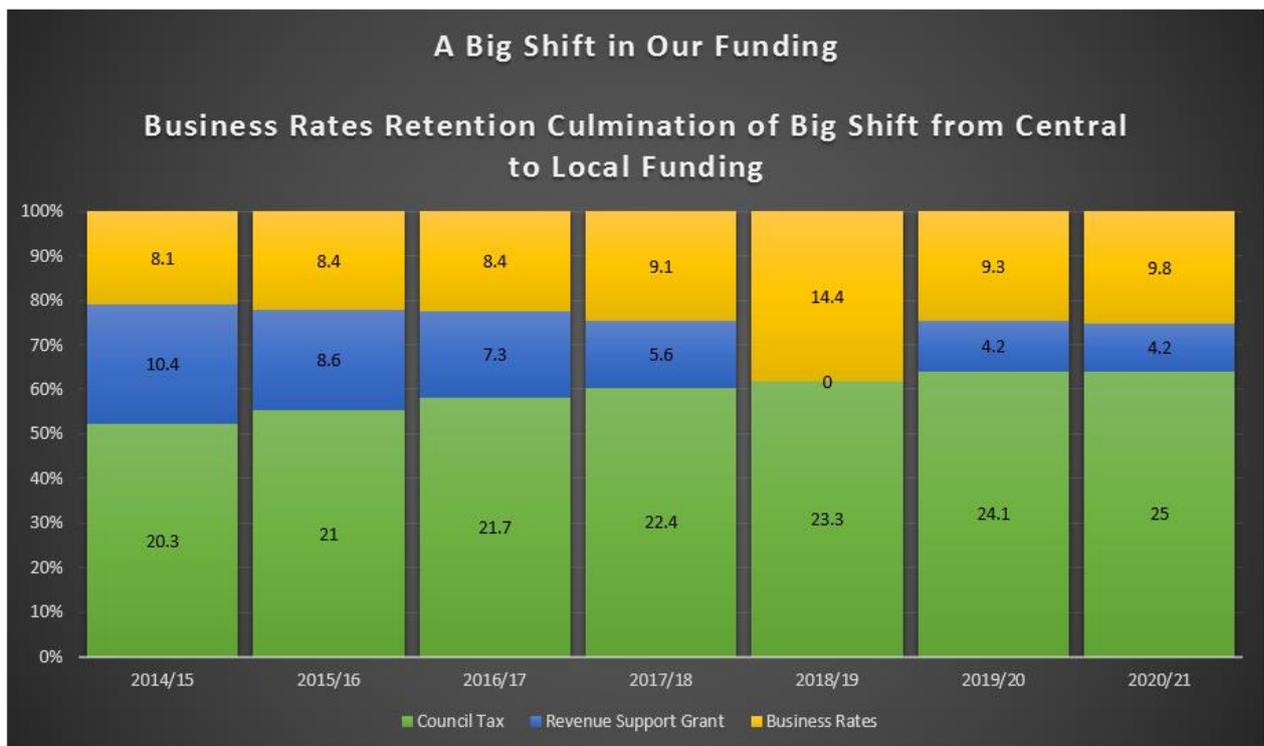
- 3.25 In addition Members should note a £0.5m pay budget adjustment (reduction) to reflect the impact of the operational staff retirement profile and vacancy management generally. This has been applied across all years of the MTFP, so 2020/2021 through to 2023/2024, and is in line with prior year operational staffing budget underspends. Assumptions take account of the retirement profile and future plans for whole-time firefighter recruitment.

Budget growth and savings

- 3.26 The proposed budget incorporates savings of £0.4m in 2020/2021 (£1.8m in 2019/2020). These are outlined in more detail in Section 9 of this report. The requirement for growth items amounts to some £1.3m (£1.2m 2019/2020). These are incorporated within the proposed budget, and are discussed in more detail in Section 5. The Authority's concerted approach to securing savings has protected the front line and supports the approach that 'extraordinary items', unexpected budget pressures, or costs arising from new statutory, legislative or corporate initiatives will be funded through reserves as necessary.
- 3.27 After taking account of pay and other inflation, ongoing budget pressures, and savings items, Members should note that a contribution of £0.8m is required from the Strategic Risk Reserve in order to present Members with a balanced budget in 2020/2021. This should be considered alongside a Managed Vacancy reduction applied to operational pay budgets, and the absence of Revenue Contribution to Capital provision in year 2020/2021. The authority will continue to monitor the required contribution from reserves during 2020/2021 and update Members on the effect of emerging variances in particular the Managed Vacancy adjustment.
- 3.28 Members are also reminded of a £0.8m contribution from the Strategic Risk Reserve necessary to balance the 2019/2020 and 2018/2019 budget, before taking account of in year underspends, and that reserves cannot be relied upon to continue to bridge funding shortfalls as a sustainable measure.
- 3.29 CIPFA guidance sets out the legal requirement that a Revenue Budget deficit is not permissible when it cannot be covered by revenue reserves, this applies to any future financial year.

4 Local Government Finance Settlement 2020/2021 and Future Years

- 4.1 Derbyshire Fire and Rescue Service is funded through a combination of business rates, central government grants, and council tax. The Service also generates other smaller sources of income through rents, fees and charges, investments and contributions.
- 4.2 The Local Government Finance Settlement is the annual determination of funding to local government. The Ministry of Housing, Communities and Local Government (MHCLG) announced the Local Government Settlement for 2020/2021 on 20 December 2019, this being a single year settlement.
- 4.3 The Settlement Funding Assessment for 2020/2021 is £13.2m, an increase of £0.2m (1.5%) compared to the 2019/2020 allocation of £13.0m.
- 4.4 Assumptions around Revenue Support Grant in future years do not provide for further increases (or reductions) to this key funding stream. This is in keeping with budget assumptions applied by partnering bodies and consideration of budget assumptions by the Fire Finance Network. However Members should be aware that in light of continuing national pressures, uncertainty around the implications of Brexit, and similar, real term future reductions to RSG, and Fire Sector funding generally, cannot be ruled out.
- 4.5 The Authority's estimates include a Section 31 compensation grant of £674,000 in all years. The grant recompenses authorities for their individual reduction in non-domestic rating income arising through business rates measures announced at autumn statements.
- 4.6 Across the public sector there has been a consistent change in the profile of funding with increasing reliance being placed on local taxation. Additional resources provided by government have often been delivered through increases to the Council Tax precept limit rather than supplementary government grant. The following graph shows the growing significance of Council tax and NDR as sources of funding for DFRS.



** Estimate 2020/2021 – subject to NNDR notifications*

Specific Grants 2020/2021

- 4.7 It is anticipated within financial plans that the Home Office will continue to meet its commitment to provide New Burdens funding to Fire and Rescue Authorities for the provision of **FireLink**. The precise allocation is anticipated to be in line with previous years (FireLink £209,529 2019/2020), subject to confirmation of the contractual CPI to be applied for the financial year 2020/2021.
- 4.8 MHCLG typically circulate the Fire and Rescue Revenue Grant Determinations to Fire and Rescue Authorities in June, with payments then being made monthly across the year, the initial payment being retrospective. It is anticipated that 2020/2021 allocations will be published by the Home Office to a similar timescale.
- 4.9 **Emergency Services Mobile Communications Programme (ESMCP)** – the operational communications network that will replace Airwave is expected to cost less than FireLink for equivalent usage. This will be provided by a major national programme (ESMCP) to provide a secure communications network for the Police, NHS and Fire. ESMCP is not a continuation of Firelink funding and it is likely that ongoing revenue costs will be funded through RSG. It is hoped that the current revenue deficit associated with Firelink, circa £0.1m per annum, will be addressed through a more equitable resource allocation. It should be noted that revenue costs will be proportional to the amount of voice and data usage on the network and that the lower anticipated costs are on a like for like usage.

- 4.10 It is anticipated that Capital Grant in the amount of £0.9m will carry to 2020/2021, specific to associated project costs such as security compliance, devices, software upgrades and network connections. A further £0.4m Capital Grant Unapplied is specific to the Tri Control project.

Capital Grant 2020/2021

- 4.11 The Service does not anticipate any further Capital Grant funding in 2020/2021 onwards. The Capital Programme 2020/2021 to 2023/2024 is included in a separate report on this agenda, taking account of Capital receipts and partner contributions. The financing of the Capital Programme is reflected in the Proposed Revenue Budget over the period.

5 Revenue Budget 2020/2021

- 5.1 The proposed 2020/2021 Revenue Budget is summarised below.

Table 1: 2020/2021 Net Budget Requirement

| | £m |
|--|-------------|
| Expected budget 2019/2020 | 37.7 |
| Funding to Balance Base Budget 2019/2020 | 0.5 |
| Base Budget 2019/20 | 38.2 |
| | |
| Increases: | |
| Pay and Other Inflation | 0.9 |
| Ongoing Pressures on the Base Budget | 1.3 |
| | |
| Reductions: | |
| Ongoing Budget Reductions (Savings) | (0.4) |
| Other Budget Adjustments - Pensions | (0.4) |
| Contribution to Pension Risk Reserve | 0.2 |
| Revenue Contribution to Capital | 0.0 |
| Net Budget Requirement 2020/2021 | 39.9 |
| | |
| Balancing Contribution from Strategic Risk Reserve | (0.8) |

- 5.2 **Pay and Other Inflation** – the 2020/2021 proposed budget allows for pay inflation of 2% for all categories of employee. Inflation applied to other Service budgets amounts to £0.18m.
- 5.3 The local share of NNDR is an assumption at this time (all years), and is based on a 1% uplift. A 2% uplift would result in additional income of approx. £30,000 in 2020/2021. At the time of writing not all NNDR information had been received from billing authorities.

Ongoing Pressures

5.4 The 2020/2021 budget includes growth of £1.3m as outlined below:

Funding the Cost of Change

- 5.5 In agreeing the 2019/2020 MTFs, Members approved that a number of new posts, arising through WPG decisions made during 2018/2019, be funded through the **Invest to Save Reserve**. These included fixed term contracts specific to bolstering the ICT and Business Intelligence function, staffing costs in relation to backfill arrangements for the Joint Director of Finance role, and capacity to support new tax requirements after the withdrawal of SLA support from Derbyshire County Council. Further additional staffing costs arose specific to the HR Portfolio.
- 5.6 Members will be aware through regular monitoring reports that the level of remaining **Invest to Save Reserve** is not sufficient to support this ongoing cost. A growth item of £380,000 provides for the removal of reserve funding, and is shown in Appendix 1 under the heading **Contribution to / from Earmarked Reserve**.

HMICFRS – Investment in Fire Safety

- 5.7 DFRS has a duty to provide Fire Safety advice and support, and to ensure safe practice through regulation, as outlined in *The Fire Services Act 2004 – Part 2 Section 6 Fire Safety and The Regulatory Reform (Fire Safety) Order 2005*.
- 5.8 Several high profile incidents (including Grenfell Tower May 2017) have led to a wider review of Fire Safety legislation and the expectation for Fire Services to undertake additional Fire Safety work within their communities. HMICFRS have also identified a national reduction in the undertaking of Fire Safety activity and in Protection services generally. HMICFRS findings in Derbyshire, although good overall, reflect a reduction in the number of specialised personnel undertaking Fire Safety work.
- 5.9 DFRS recognises the need to invest in Protection as an immediate priority, and to support succession planning within the Service. Budget growth of £185,000 ongoing provides for the cost to substantiate 3 Business Safety Advisor posts and 2 Fire Safety Officer posts.
- 5.10 A further £40,000 investment in **Training** will ensure that the competency framework specific to the Protection portfolio is enhanced, and that Service wide investment in areas around succession planning, promotion readiness, and leadership is undertaken. This aligns with our strategic vision and investment in our people, alongside HMICFRS requirements.

Other Growth

- 5.11 **Direct Employee Expenses** – the LGPS Pension Fund undergoes a triennial valuation, this is in order to comply with legislation and to calculate the level

of employer contribution rate required to ensure that the balance of cost is met over the longer term. The 2019 Pensions Fund Valuation highlighted the need for a 1% employer contribution increase. This represents an ongoing cost of £66,500 for DFRS.

- 5.12 **Premises Related – Rates** – following the completion of the Swadlincote Fire Station new build, an increase of £70,000 in Business Rate charges has arisen. This additional cost will be challenged by Property Services, however DFRS have a duty to provide for this cost in the meantime. Members will be kept informed of progress accordingly.
- 5.13 **Transport Related - Direct Transport Costs** – growth of £131,000 is in relation to the extension of 8 appliances which were originally funded by a lease in 2007. The extension of the lease is considered to be the preferred option, despite the associated cost, due to the ongoing analysis of the optimum fleet size to best serve Derbyshire Fire. The alignment of Revenue and Capital budgets means that the Capital cost associated with the replacement of the appliances will be delayed, and possibly reduced. A further £15,830 growth item is specific to Motor Vehicle Insurance.
- 5.14 **Supplies and Services – Grants and Subscriptions** – a growth item of £55,000 provides for the annual Chief Fire Officers Association professional partnership (subscription) payment, the format and fees having been approved at the CFOA and NFCC meeting. Services – a growth item of around £64,000 provides for the increased cost of DFRS insurance, due to liability insurance in particular.
- 5.15 Other smaller growth items include ICT Hardware / Software related growth of £37,600, Overnight Accommodation £20,000, linked to use of the Fire Service College (including for the Protection Portfolio, with regards to Fire Safety). A further £20,000 provides for an anticipated increase in Pensions Administrator costs following the withdrawal of SLA support from Leicestershire County Council.

Future Years Growth

- 5.16 **Capital Financing Costs** - growth of £91,870 in 2021/2022 (rising to £500,000 in 2023/2024) is in respect of borrowing costs and aligns with the Capital Programme and our planned capital investment in the Service. It should be considered alongside the removal of revenue provision to support capital expenditure in year 2020/2021 (approved as part of the 2019/2020 to 2022/2023 budget setting process).
- 5.17 Members are reminded of the removal by the Government of Capital Grant (circa £1.049m per annum) from 2015/2016 onwards. The Service will make every effort to secure Central Government funding towards future capital projects, should a resource similar to Transformation Grant funding be made available.

6 Council Tax and Precepting Options

- 6.1 Following the introduction of the Business Rates Retention Scheme in April 2013, the District, Borough and City councils are now required to take account of both Council Tax and Business Rates collected in determining their surplus / deficits.

Council Tax Base/Band D Equivalent Properties

- 6.2 The Council Tax Base represents the number of taxable properties in Derbyshire. There has been a significant increase in the number of taxable properties in Derbyshire compared to 2019/2020. The increase of approximately 1.6% results in additional income to the Authority of £0.4m before any council tax increase is applied. This information was confirmed in writing by the billing authorities by 31 January, the statutory deadline.

Council Tax and NNDR Surpluses

- 6.3 The Authority is entitled to a proportionate share of any surplus Council Tax and Business Rates income from the City and District Council Tax Collection Funds. For 2020/2021 this is estimated to be a surplus of £25,990, however at the time of writing not all information had been received from billing authorities.

Implications

- 6.4 The net impact of the Financial Settlement, Specific Grant funding and changes to the Council Tax base and NNDR income is to increase the base budget for 2020/2021 by £1.1m (reduction of £0.2m 2019/2020). Given the uncertainty around the future level of funding and the absence of a multi-year settlement, inflationary and pay award considerations, increasing pension related pressures, and other legislative and statutory pressures, the Authority should consider the following precept increase. This should be considered alongside the Authority's level of reserves.

Increase Council Tax for a Band D property in 2020/2021 by 1.98% above 2019/2020 levels

- 6.5 This would increase Council Tax from its current level of £76.22 for a Band D property to £77.73, representing an increase of £1.51. The increase proposed in this option is below the current referendum threshold of 2% for Fire and Rescue Services.
- 6.6 The table below shows the impact of precepting at 1.98% on the range of council tax bands (A to H) and the subsequent increase in council tax payable in pounds and pence per annum. On the current tax base every 1% increase in Council Tax will generate an additional £242,000 of funding.

Cash Increase in Council Tax Bands

| Band D Council Tax Increase | Band D Council Tax | Increase Per Annum | Increase Per week | Income Generated For DFRS |
|-----------------------------|--------------------|--------------------|-------------------|---------------------------|
| 1.98% | £77.73 | £1.51 | £0.03 | £480,000 |

| Increase in Council Tax | Value of Council Tax Band per Annum | Increase in Council Tax Band per Annum |
|-------------------------|-------------------------------------|--|
| 1.98% | £51.82 to £155.46 | £1.01 to £3.02 |

7 Consultation Feedback

- 7.1 Consultation has taken place with the public on The Medium Term Financial Strategy 2020/2021 to 2023/2024. As part of the consultation, members of the Derbyshire community were asked to 'Have Their Say' on our MTFs, and the level of precept to be applied. At the time of writing the consultation was still open and 77 responses had been received.

8 Four Year Financial Forecast 2020/2021 – 2023/2024

- 8.1 The table below details indicative budgets for the next four years based on a 1.98% in Council Tax 2020/2021 (1.98% 2021/2022 onwards).

Projected Four Year Financial Plan based on a 1.98% increase in Council Tax in year 2020/2021 (and 1.98% 2021/2022 onwards)

| | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|--|---------------------|---------------------|---------------------|---------------------|
| | £ | £ | £ | £ |
| Approved Base Budget Previous Year* | 38,233,650 | 39,850,140 | 40,910,970 | 41,933,440 |
| Pay and Other Inflation | 864,470 | 855,400 | 870,400 | 888,000 |
| Ongoing Budget Pressures | 1,317,440 | 91,870 | 234,670 | 172,460 |
| Revenue Contribution to Capital | | 300,000 | | |
| Ongoing Budget Reductions | (376,500) | (75,000) | (57,000) | |
| Budget Adjustment - Er Pension Contributions | (429,370) | | | |
| Budget Adjustment - Contribution to Pension Risk Reserve | 200,000 | | | |
| Other Budget Adjustments | 40,450 | (111,440) | (25,600) | (21,800) |
| Proposed Net Budget | 39,850,140 | 40,910,970 | 41,933,440 | 42,972,100 |
| Council Tax Precept | (24,958,190) | (25,452,400) | (25,956,400) | (26,470,300) |
| Business Rates Top Ups & Tariffs | (9,136,840) | (9,228,230) | (9,320,520) | (9,413,740) |
| Revenue Support Grant | (4,239,450) | (4,239,450) | (4,239,450) | (4,239,450) |
| Council Tax & NNDR Collection Fund Surplus | (25,990) | (25,990) | (25,990) | (25,990) |
| NNDR Section 31 Grant | (674,030) | (680,770) | (687,580) | (694,460) |
| Total Funding | (39,034,500) | (39,626,840) | (40,229,940) | (40,843,940) |
| Budget Deficit | 815,640 | 1,284,130 | 1,703,500 | 2,128,160 |

*takes account of Invest to Save Reserve funding in 2019/2020

- 8.2 Funding assumptions, as outlined in the report, result in a deficit in the region of £2.1m. Years 2022/2023 and 2023/2024 projections in particular should be considered to be indicative at this stage, and are subject to the uncertainties over funding streams and the delivery of Our Plan (IRMP). Workings reasonably assume that savings identified are secure.

9 Our Plan (IRMP) 2020/2023 Programme and Planned Budget Savings 2020/2021 Onwards

- 9.1 The latest Our Plan (IRMP) can be found on the DFRS website (Development themes for our Plan are shown below):



- 9.2 Ongoing savings of £1.8m are on track to be delivered in the 2019/2020 financial year. Savings of £0.4m ongoing applied to the 2020/2021 Revenue Budget are outlined below.
- 9.3 This brings the total savings achieved by the Service over the period 2011/2012 to 2020/2021 to approximately **£11.5m**.

Planned Budget Savings – 2020/2021 Onwards

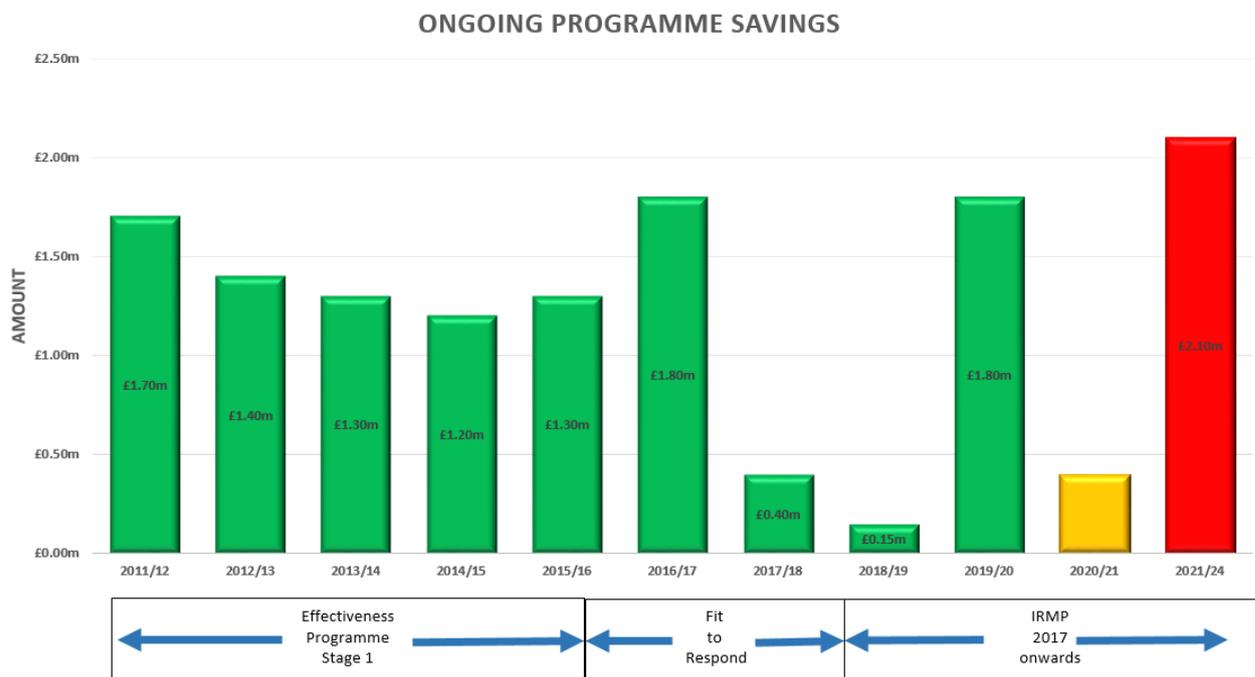
- 9.4 The 2020/2021 budget includes ongoing savings of £0.4m, as outlined below.

Collaboration

- 9.5 **Direct Employee Expenses** - In December 2018 Derbyshire Fire and Rescue Authority approved the business case for a Joint Control Room provision for Nottinghamshire and Derbyshire Fire. Nottinghamshire Fire and Rescue Authority also approved the same business case, with Joint Fire Control planned to be delivered in the 2019/2020 financial year. Part year savings have been secured in the current financial year. Annual savings in the region of £350,000 were initially forecast (2020/2021 onwards), with Members being aware of significant initial set up costs.
- 9.6 Subsequent to WPG approval for 4 additional posts, necessary to bolster the resilience of the Joint Control function, savings in the region of £300,000 will be realised by DFRS in the 2020/2021 financial year. This takes account of a

recharge for the NFRS share of associated running costs such as Business Rates, energy, ICT and telephone charges.

- 9.7 **Other Government Grants and Other Income - Rental Income** – additional income, in the region of £34,500, will be received in 2020/2021 onwards from Blue Light Partners. This is due to the completion of new lease agreements including Shirebrook and Bakewell Fire Stations, as well as the renegotiation of existing leases following building adaptations.
- 9.8 Other smaller savings contained within the proposed 2020/2021 budget include **Minimum Revenue Provision** £42,000 (representing the repayment of borrowing), and **Clothing & Uniform Repairs** £13,300, as a result of the recent purchase of new kit.
- 9.9 Further, in arriving at a balanced budget, a £500,000 managed vacancy (pay budget reduction) has been maintained.
- 9.10 The targeted ongoing budget savings, as shown across the Service Development themes for 2020/2021, are detailed in Appendix 3. Further savings plans are being developed in line with the Our Plan (IRMP) themes to address the budget shortfall in future years.



Other Budget Adjustments – Pensions Related

- 9.11 Members will be aware of the Lord Hutton Independent Public Services Pensions Commission, and more specifically recommendations around Career Average Revalued Earnings (CARE), the new Firefighters’ Pension Scheme 2015, and transitional protections.

- 9.12 The Firefighters 2015 Scheme introduced reduced employer contribution rates, as part of the Government's endeavour to make public sector pensions both affordable for the taxpayer, and sustainable for the long term. A budget adjustment (reduction) of £0.4m reflects reducing employer pension contribution payments, as more DFRS operational employees transition to the 2015 Scheme.
- 9.13 This adjustment should be considered alongside the volatility and uncertainty associated with new and emerging pension transitional protection discrimination claims, future Pensions Grant funding and the continued need for investment in the Pensions Risk Reserve in order to safeguard the financial sustainability of the Service.
- 9.14 A contribution of £200,000, which represents 50% of this budget adjustment, has been made to the Pension Risk Reserve as part of the MTFP. This is due to the volatility of this item, and is in light of ongoing transitional protection claims.

10 Robustness of Estimates and Reserves - Assurance Statement from the Treasurer

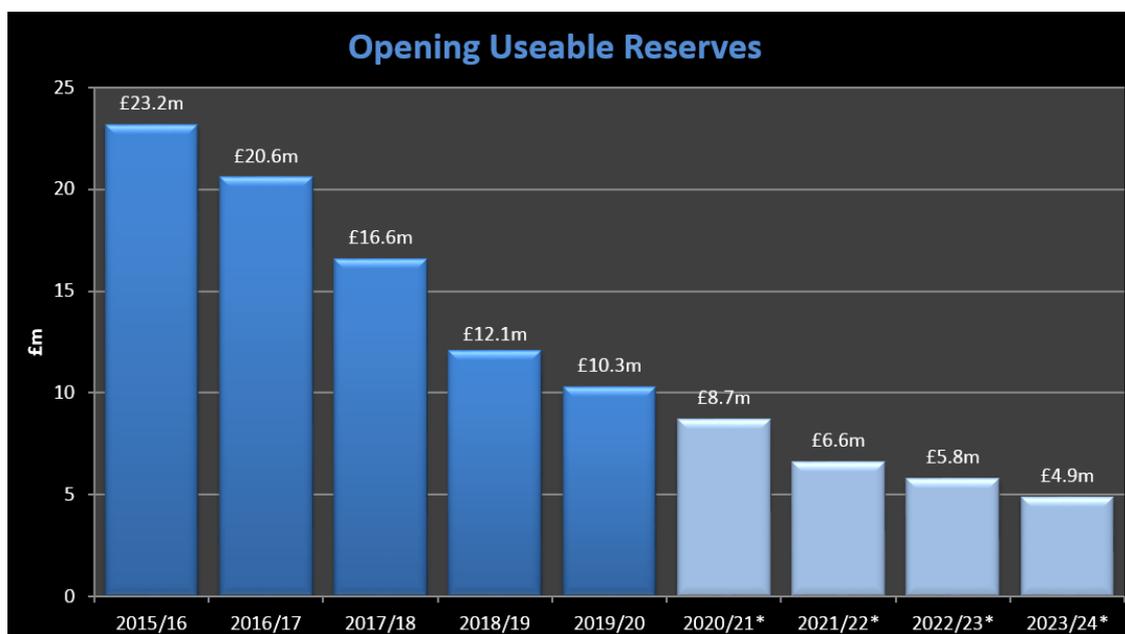
- 10.1 Section 25 of The Local Government Act 2003 requires the Director of Finance/Treasurer to report to Members annually on the robustness of the estimates included in the budget and the adequacy of the proposed financial reserves. The Authority must take these into account when setting a precept.
- 10.2 The process involved in producing the estimates has taken into account all known quantifiable financial impacts on the Authority's budget. Inflation has been added on the basis of best estimates and the budget has been closely scrutinised.
- 10.3 A comprehensive analysis of reserves has been undertaken as part of the 2020/2021 budget setting process in order to identify any reserves that could be set aside to support schemes which will deliver savings and to help fund any short term deficit. To this end the Service has an Invest to Save Reserve for the amount of £0.2m.
- 10.4 Expenditure in 2019/2020 has been subject to close monitoring and control in an attempt to increase the Authority's level of reserves in accordance with agreed policy. The Forecast Outturn Report (February 2020) outlines a managed underspend of £1.4m which reflects strict controls over vacancy management and spend generally throughout the year. The projected 2019/2020 Revenue Budget underspend will be transferred to the **Strategic Risk Reserve** at year end.

Level of Reserves

- 10.5 Estimated 2020/2021 Opening Reserves assume that 1.4m is transferred to Reserves at year end 2019/2020, reflecting the projected Revenue Budget underspend. The level of Reserves reported provide an update to the Medium Term Financial Strategy 2020/2021 to 2023/2024 as approved by Members in December 2019.

| Estimated Opening Reserves | 2020/2021 £000s |
|--|--------------------|
| Capital Financing Deferral | 1,201 |
| Revenue Earmarked Reserves | 655 |
| General Fund Balance | 1,900 |
| Invest to Save Reserve | 200 |
| Strategic Risk Reserve | 803 |
| Tri Control / ESN Reserve | 1,290 |
| Capital Grants Unapplied | 1,260 |
| Subtotal | 7,309 |
| Revenue Budget underspend 2019/2020 | 1,392 |
| Total | 8,701 |

- 10.6 A statement of estimated reserves 2020/2021 to 2023/2024 is included at Appendix 4.
- 10.7 General Reserves are maintained at 5% of net expenditure which is consistent with published best practice and in line with the financial strategy. Uncommitted or General Reserves are now below average for Fire and Rescue Services.



*Estimate

- 10.8 A risk assessment of key reserves is included in the Medium Term Financial Strategy 2020/2021 to 2023/2024. See link below for a robust and comprehensive analysis, which includes the Service's published Reserves Strategy.

[Medium Term Financial Strategy 2020-2024.pdf](#)

- 10.9 The 2020/2021 Opening Reserves are considered to be of an appropriate level to provide financial resilience in the medium term and will be key to the delivery of planned reform. However, the continuance of significant funding reductions in future years, the withdrawal of on-going capital grant and the need for continued investment in the Service must be considered.
- 10.10 The Authority is mindful of the need to continue to invest in service redesign, collaborative working and to obtain future sustainable savings through the streamlining and continuous review of its services.

11 Legal Considerations

- 11.1 The Authority has a statutory duty to notify its precept to Billing Authorities by 1 March 2019 and has no power to issue a supplementary precept.
- 11.2 Section 114 of the Local Government Finance Act 1988 requires the Treasurer to report to Members and the External Auditor if the Authority or one of its officers has made, or is about to make, a decision that involves incurring unlawful expenditure (not setting a balanced budget would be classed as being unlawful).
- 11.3 The Authority must also comply with the Accounts and Audit Regulations 2011 and ensure that the financial management of the Authority is adequate and effective, and has a Duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

12 Financial Considerations

- 12.1 This report is asking Members to consider the strategic financial direction of the Authority. Members will need to take account of national, local and corporate issues addressed in the report.

13 Inclusion and Equality Considerations

- 13.1 In considering the budget Members are under a legal duty to pay “due regard” to the need to eliminate discrimination and promote equality with regard to race, disability and gender, including gender reassignment, as well as to promote good race relations. From April 2011 this equality duty was extended to cover age, sexual orientation, pregnancy, maternity and religious belief.

This report has been approved by the following officers:

Strategic Leadership Team Meeting 22/01/2020

Contact Officer: Simon Allsop

Contact No: 01773 305410

Background Papers:

Revenue Budget Outturn 2018/2019

Capital Budget Outturn 2018/2019

Revenue Budget Monitoring 2019/2020

Capital Budget Monitoring 2019/2020

Medium Term Financial Strategy 2020/2024