

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 24 February 2020

REVENUE BUDGET 2020/21-2024/25

(Appendices 1 – 4 refer)

(Appendix 1 – Detailed Council Tax Resolution)

(Appendix 2 – Analysis of Budget by Service Area)

(Appendix 3 – Analysis of Budget by Type of Expenditure)

(Appendix 4 – Budget Consultation Response)

Contact for further information: Keith Mattinson - Director of Corporate Services

Telephone Number 01772 866804

Executive Summary

The report sets out the draft revenue budget for 2020/21-2024/25 and the resultant council tax implications.

Budget requirement has been re-assessed taking account of known/anticipated changes, incorporating current year-end forecast projections, and forecast vacancy factors based on anticipated recruitment. The most significant unknowns are:-

- Future pay awards, we have assumed 2% each year
- The additional cost associated with making various allowances pensionable, I have allowed an extra £600k for this
- What impact the McCloud judgement will have on the budget, such as increased employer contributions, transfer of personnel between schemes, retirement profiles and hence vacancy factors, whether a new pension scheme will be introduced and if so what contribution rates will be set. None of these changes have been factored into the budget.
- Section 31 Grant in respect of the additional pension costs has been confirmed for 20/21 and will be incorporated into the subsequent Spending Review, and we have therefore assumed this continues throughout the Medium Term Financial Strategy.

The Local Government Finance Settlement resulted in a funding increase of 1.6% for 2020/21 and a council tax referendum limit of 2%.

Based on this a gross budget of £57.8m is proposed, which results in a funding shortfall of £0.4m. We are therefore proposing either identifying additional in-year savings, or drawing down reserves, to deliver a balanced budget. This gives a net budget of £57.3m, resulting in a council tax of £70.86 per Band D property, an increase of 1.99% (£1.38 per annum, less than 3p per week).

Until such time as the outcome of next year's Spending Review is published it is impossible to provide any meaningful funding forecast, however for the purpose of medium-term financial planning we have assumed that funding is increased by 1.5%, and the 2% council tax referendum principle continues to apply. Based on this the Authority is still faced with a funding gap of up to £0.6m in subsequent years.

Looking at the medium-term plans it is clear that the key variables remain pay awards, pension costs and funding. As such additional scenarios are presented showing the potential impact of these ranging from a £1.4m to a £3.8m loss of funding or a £2.4m increase in costs.

Currently the Authority remains in a good financial position with reserves able to offset the financial challenges next year. The position becomes more challenging thereafter however by that time the Authority should have greater certainty on future funding, pay awards and future referendum limits, which will enable it to deliver more reliable medium term financial plans in order to address any gap that exists.

Recommendation

The Combined Fire Authority is asked to agree the detailed resolutions set out in appendix 1.

Information

In line with the Authority's objective to deliver affordable, value for money services the Authority's Budget Strategy remains one of: -

- Maintaining future council tax increases at reasonable levels, reducing if possible;
- Continuing to deliver efficiencies in line with targets;
- Continuing to invest in improvements in service delivery;
- Continuing to invest in improving facilities;
- Setting a robust budget;
- Maintaining an adequate level of reserves.

Draft Budget

In order to determine the future budget requirement, the Authority has used the approved 2019/20 budget as a starting point, and has uplifted this for inflation and other known changes and pressures, to arrive at a draft budgetary requirement, prior to utilising any reserves, as set out below: -

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Preceding Years Draft Net Budget Requirement	56.0	57.8	59.3	60.5	62.3
Add back previous years unidentified savings target	0.5	-	-	-	-
Add back previous years Vacancy Factors	1.0	1.2	1.2	1.2	1.0
Inflation	1.3	1.4	1.4	1.4	1.4
Other Pay Pressures	0.4	0.2	-	(0.1)	(0.1)
Committed Variations	0.1	-	(0.1)	-	-

Growth	0.4	0.1	(0.1)	0.2	(0.2)
Savings	(0.8)	(0.1)	-	-	-
Gross Budget Requirement	59.0	60.5	61.7	63.3	64.5
Vacancy Factors	(1.2)	(1.2)	(1.2)	(1.0)	(1.1)
Net Budget Requirement	57.8	59.3	60.5	62.3	63.4

Inflation

The following amounts have been added to the budget in respect of inflationary pressures, in line with current estimates:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
A 2% allowance has been built in for all pay-awards	0.9	1.0	1.0	1.0	1.0
Non-pay inflation, average of 2.5% each year	0.4	0.4	0.4	0.4	0.4
	1.3	1.4	1.4	1.4	1.4

Each 1% pay award in excess of the above assumptions equates to an additional cost of £400k per year for grey book personnel, and if this is mirrored for green book personnel an additional £75k. To give a flavour of the potential impact of significant increases over and above those budgeted for a 5% grey book pay award would add in a further £1.2m on an annual basis year.

Other Pay Pressure

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
The budget has been increased by £600k reflecting the potential increase in employer pension contributions associated with making various allowances pensionable. Work is still on-going to finalise the costs and agree a suitable policy with the representative bodies. No allowance has been made for any back-dating	0.6	-	-	-	-
Pay has been re-costed, taking account of changes to personnel, grades etc. Given this accounts for the majority of the overall budget it is worth highlighting some of the assumptions used: - <u>Whole-time Pay</u> <ul style="list-style-type: none"> Approximately 25% of personnel are currently paid at development rates of pay (If all personnel were paid at competent rates of pay this would cost an additional £1.0m). Approximately 75% of personnel are currently paid CPD (if all personnel were 	0.1	0.2	-	(0.1)	(0.1)

<p>paid CPD this would cost an additional £0.1m).</p> <ul style="list-style-type: none"> • Approximately 5% of personnel are currently 'opted out' of the FF pension scheme (if all personnel were in the pension scheme this would cost an additional £0.3m). • The current mix of personnel in the various FF pension schemes is maintained throughout. <p><u>On-Call Pay</u></p> <ul style="list-style-type: none"> • Approximately 50% are currently paid at development rates of pay (if all personnel were paid at competent rates of pay this would cost an additional £0.5m). • Approximately 20% of personnel are currently paid CPD (if all personnel were paid CPD this would cost an additional £0.1m). • Approximately 25% of personnel are currently 'opted out' of the FF pension scheme (if all personnel were in the pension scheme this would cost an additional £0.2m). • The current mix of personnel in the various FF pension schemes is maintained throughout. <p><u>Support Pay</u></p> <ul style="list-style-type: none"> • The budget is based on the assumed scale points of personnel in post at 1 April 2020. No allowance has been made for future incremental progression or staff turnover where typically new starters commence at the bottom of the pay grade. • Approximately 20% of personnel are currently 'opted out' of the LGPS pension scheme (if all personnel were in the pension scheme this would cost an additional £0.1m). 					
<p>The recent actuarial review of the LGPS scheme has resulted in a 2.4% increase in future service contribution rates. The funding position of the scheme has improved since the last review and hence the surplus has increased. This is being recovered over the next 13 years at a rate of £0.8m per year. (It is worth highlighting</p>	(0.3)	-	-	-	-

that this will potentially leave a budget deficit thereafter once the scheme has returned to a balanced position.) Hence net costs charged to the budget have fallen by £0.3m					
	0.4	0.2	-	(0.1)	(0.1)

Committed Variations

Committed variations are those items which are unavoidable, or which arise from previously agreed policy decisions.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
The budget contribution to the Business Rate Pilot Pool growth fund has been removed as the pool only lasted for one year	(0.1)	-	-	-	-
The Clothing & PPE budgets were increased last year reflecting the scheduled replacement of boots and duty rig, this one-off funding has been removed in 2020/21 (these costs were not incurred in year due to projects being delayed however their budget has been transferred to earmarked reserves, to be drawn down in 20/21 as required).	(0.2)	-	-	-	-
Our Microsoft licences are up for renewal in June 2020, and due to changes in the way Microsoft licences are structured we are anticipating an increase in our costs of circa £0.2m	0.2	-	-	-	-
The Fleet vehicle repairs and maintenance budget has been increased to reflect the new on-going hourly rate charges from LCC	0.1	-	-	-	-
The operational equipment budget has been adjusted to reflect the scale of equipment scheduled for replacement in each year	0.1	-	(0.1)	-	-
	0.1	-	(0.1)	-	-

Growth

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Costs are adjusted each year to reflect the number of apprentice FF recruited, as set out below: - <ul style="list-style-type: none"> • 20/21 – 24 apprentices • 21/22 – 42 apprentices • 22/23 – 24 apprentices 	0.1	0.3	(0.1)	0.2	(0.2)

<ul style="list-style-type: none"> • 23/24 – 42 apprentices • 24/25 – 18 apprentices 					
The Wholetime overtime budget has been increased to reflect the increased use of overtime during 2019/20, including the costs of covering On-Call stations.	0.1	-	-	-	-
As reported in the capital budget elsewhere on the agenda, an additional one-off Revenue Contribution to Capital Outlay (RCCO) of £0.2m is required to balance the three-year capital programme.	0.2	(0.2)			
	0.4	0.1	(0.1)	0.2	(0.2)

Savings

The Authority has a good track record of delivering savings, with the following savings identified below:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
The budget allows for the drawdown of the apprentice levy against costs for training etc.	(0.2)	-	-	-	-
Removal of temporary posts impacting on the budget	(0.1)	(0.1)	-	-	-
Removal of recurring Reserve built into the revenue budget. This means any in-year pressures will need to be met from within the agreed budget via virements or underspends or by a drawdown on reserves	(0.1)	-	-	-	-
Various Non-Pay savings	(0.4)	-	-	-	-
	(0.8)	(0.1)	-	-	-

Gross Budget Requirement

As set out above the overall gross budget requirement for each year is as follows:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Gross Budget Requirement	59.1	60.5	61.6	63.2	64.4

Vacancy Factors

The budget needs to take account of forecast vacancy factors arising from retirement and recruitment profiles:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
The vacancy factor for whole-time has also been updated and is based on the following: -	-	(0.1)	-	0.2	0.1

<ul style="list-style-type: none"> All bar 6 personnel will retire as soon as they are eligible (this broadly reflects previous trends), this ignores any remedy from the McCloud judgement, and hence is broadly reflective of personnel retiring once they have 30 years of service and attained the age of 55. There will be 12 'early leavers' in the year, this includes personnel who retire early or resign or are dismissed. Recruit numbers are as shown <p>This shows a very marginal under provision in 20/21, 21/22 and 22/23, with 23/24 onwards showing a more marked over-provision.</p>					
On-Call vacancy factor has been reduced to 17% reflecting the current level of staffing, and assuming this remains constant.	(0.9)	(0.9)	(0.9)	(1.0)	(1.0)
Support staff vacancy factor has increased to 3.75% in 20/21, which is closer to the average over the last 2 years, however it is assumed that this returns to 2.5% in subsequent years.	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
	(1.2)	(1.2)	(1.2)	(1.0)	(1.1)

The most significant impact on the whole budget in 20/21 will be the outcome of the Pension remedy hearing, which may result in a significant increase in the number of personnel retiring over this period, resulting in an increase in the quoted vacancy factors.

Net Budget Requirement

As set out above the overall net budget requirement for each year is as follows:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Draft Budget Requirement	57.8	59.3	60.5	62.3	63.4
Budget Increase	3.1%	2.6%	2.1%	2.9%	1.8%

Grant Funding

2019/20 was the last year of the four year settlement. The anticipated 4 year Sending Review actually only covered 2020/21, with a 4 year Review now planned for next year. The Local Government Finance Settlement included a 1.6% increase in the Authority's Settlement Funding Assessment. This year should have seen the outcome of the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a 75% Business Rates Retention Scheme, however given current economic uncertainty both of these have been put on hold for at least 12 months.

In terms of 2021/22 and beyond this will be determined by the Governments overall budget and the subsequent Spending Review. The Budget will set overall total for public sector spending which will then be allocated out to departments as part of the Spending Review. Until such time as the outcome of this is known it is impossible to accurately predict future funding levels, however for the purposes of planning we have assumed the trajectory outlined in this year's settlement is maintained, i.e. increases in line with current inflation of 1.5%.

The table below sets out our assumed level of funding (Settlement Funding Assessment) over the next 5 years:-

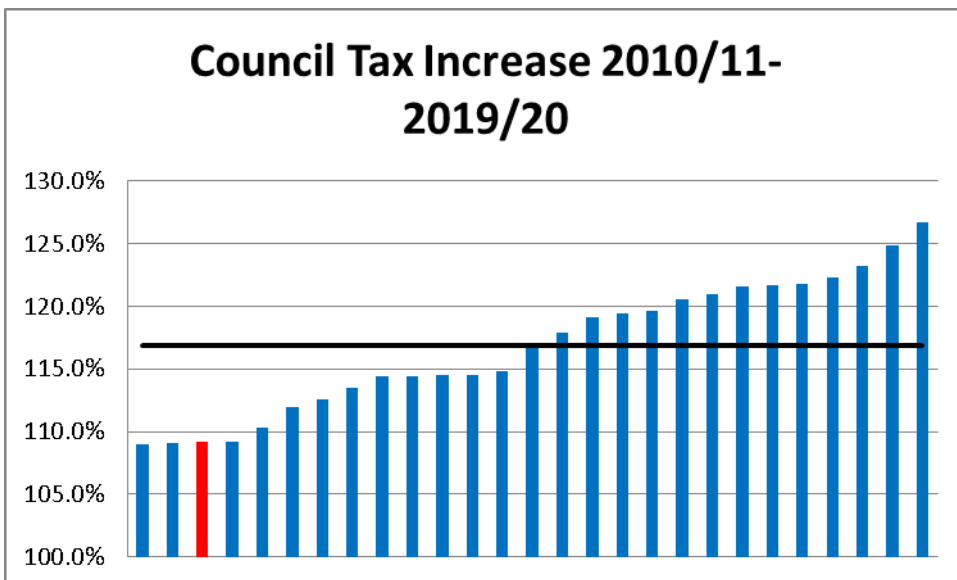
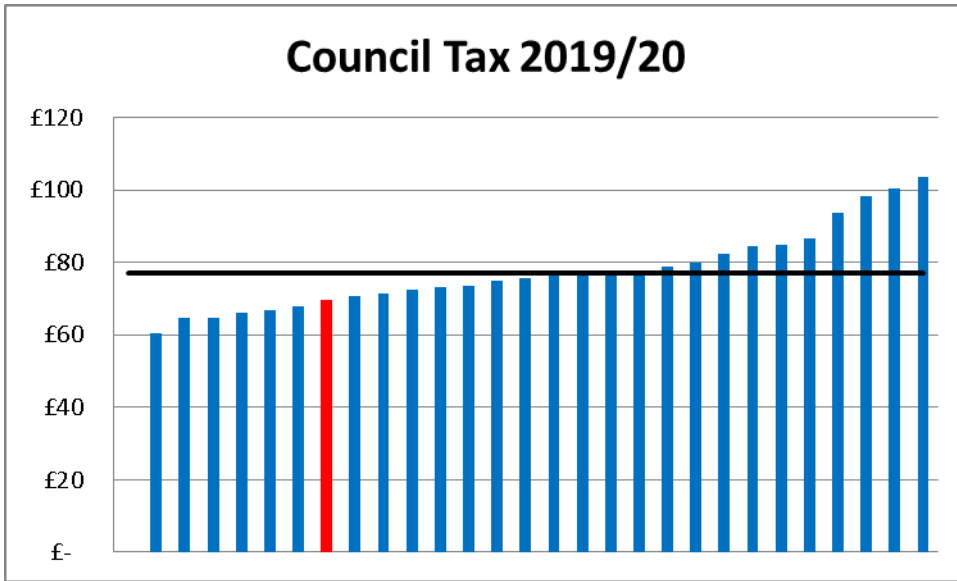
		Increase	
2019/20	£23.8m		
2020/21	£24.2m	£0.4m	1.6%
2021/22	£24.6m	£0.4m	1.5%
2022/23	£25.0m	£0.4m	1.5%
2023/24	£25.3m	£0.3m	1.5%
2024/25	£25.7m	£0.4m	1.5%

Section 31 Grant in respect of Business Rates Capping has been updated to reflect the District Councils NNDR1's submitted as part of the budget setting process giving a revised total of £1.1m. The Business Rates collection fund balance has also been updated to reflect a surplus of £0.1m.

Council Tax

In setting the council tax, the Authority aims to balance the public's requirement for our services with the cost of providing this. As such the underlying principle of any increase in council tax is that this must be seen as reasonable within the context of service provision.

The Authority became a precepting authority on 1 April 2004. Since this our council tax increases have been limited by either capping or the current referendum thresholds set by the Government. As such our council tax increases and hence budget increases have been constrained by these and our desire to deliver value for money services. Our council tax of £69.48 is still below the national average of £77.04, and our increase of just 9.2% since 2010/11 compares with an average increase of 16.8% over the same period and is the third lowest of any Fire Authority.



The Local Government Finance Settlement confirmed that the council tax referendum threshold would reduce to 2%.

We have assumed that the council tax base continues to grow at the rate of 1.3% per year, which is in line with the projections for 2020/21.

The Council Tax collection fund balance has also been updated to reflect a surplus of £0.4m.

Draft Council Tax Requirements

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Draft Budget Requirement	57.8	59.3	60.5	62.3	63.4
Less Total Grant	(24.2)	(24.6)	(24.9)	(25.3)	(25.7)
Less Business Rates Adjustment	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Less Council Tax Collection Surplus	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Equals Precept	31.9	33.1	34.0	35.3	36.0
Estimated Number of Band D equivalent properties	443,827	449,590	455,427	461,341	467,331
Equates to Council Tax Band D Property	£71.85	£73.61	£74.56	£76.51	£77.10
Increase in Council Tax	3.41%	2.45%	1.29%	2.62%	0.77%

(For information, a 1% change to the council tax equates to £0.3m.)

As can be seen the increases in 20/21 and 21/22 are above the referendum limit, along with 23/24. The other two years are below this, although clearly there is a great deal of uncertainty about future funding.

As in previous years we have modelled different scenarios based on council tax increases:-

- 2% increase in council tax each year
- 1% increase in council tax each year
- Council tax freeze each year

The following table sets out the funding gap/surplus based on these:-

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
2% increase in council tax each year	(0.4)	(0.6)	(0.4)	(0.6)	(0.2)
1% increase in council tax each year	(0.7)	(1.2)	(1.4)	(2.0)	(1.9)
Council tax freeze each year	(1.1)	(1.9)	(2.3)	(3.2)	(3.6)

As can be seen whichever level of council tax is agreed our current budget requirement will exceed funding each year.

Reserves

As set out on the Reserves and Balances Policy, reported elsewhere on this agenda, a reasonable level of reserves is needed to provide an overall safety net against unforeseen circumstances, such as levels of inflation/pay awards in excess of budget provision, unanticipated expenditure on major incidents, and other “demand led” pressures, such as increased pension costs, additional costs associated with national projects, etc. which cannot be contained within the base budget. In addition, they also enable the Authority to provide for expenditure, which was not planned at the time the budget was approved, but which the Authority now wishes to implement.

As such a review of the strategic, operational and financial risk facing the Authority is undertaken each year to identify an appropriate level of reserves to hold, this incorporates issues such as higher than anticipated pay awards, increased number of ill health

retirements, etc. This has identified a minimum requirement of £3.2m. As at 31 March 2020 we anticipate holding £8.2m, providing scope to utilise approx. £5.0m of reserves. The proposed drawdown of £0.4m in 20/21 would reduce the general balance to £7.8m. Discussions are on-going both locally and nationally in respect of Fire-fighter pensions and until such time as these conclude it is not clear whether any backdating costs will be incurred, hence at the present time no allowance has been made for these.

It should be noted that reserves are being used to fund recurring expenditure and hence this can only be a short term solution, with recurring savings being required to offset the shortfall. However having reviewed the level of general reserves required and the anticipated utilisation of these, the Treasurer considers these are at an appropriate level to meet future expenditure requirements in 2020/21. The level of these will be reviewed again as part of the year end outturn process and reported on to the Resources Committee.

In addition to the general reserves the Authority also holds earmarked reserves, created for specific purposes to meet known or anticipated future liabilities, capital reserves and receipts, to provide additional funding to support the capital programme in future years, and provisions for outstanding insurance claims and potential business rate appeals. Further details relating to these are included in the reserves policy and based on the professional opinion of the Treasurer these are adequate to meet future requirements in the medium term.

Summary Council Tax options 2020/21

Based on the scenarios outlined the council tax options for 2020/21 are as follows:-

	2%	1%	Freeze
	£m	£m	£m
Gross Budget Requirement	57.8	57.8	57.8
Utilisation of reserves/additional savings	(0.4)	(0.7)	(1.1)
Final Budget Requirement	57.3	57.0	56.7
Less Total Grant	(24.2)	(24.2)	(24.2)
Less Business Rates Adjustment	(1.3)	(1.3)	(1.3)
Less Council Tax Collection Surplus	(0.4)	(0.4)	(0.4)
Equals Precept	31.4	31.1	30.8
Estimated Number of Band D equivalent properties	443,827	443,827	443,827
Equates to Council Tax Band D Property	£70.86	£70.17	£69.48
Increase in Council Tax	1.99%	0.99%	Freeze

The increases equate to:-

- 2% is £1.38 per annum, £0.03 per week
- 1% is £0.69 per annum, £0.01 per week

Robustness of the Revenue Budget 2020/21

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to make a statement about the robustness of the budget.

The professional opinion of the Treasurer is that the budget has been prepared on a robust basis for the following reasons:

- The budget is reflective of existing service plans;
- The budget takes account of the anticipated on-going revenue impact of current and future capital programmes (no allowance has been made for any potential borrowing in 23/24 or 24/25 and this will be re-assessed as part of any future funding settlement);
- The allowances included for inflation and pay awards represent a best estimate of the likely cost of this, at

Uniformed Pay Award	2.0%
Non-Uniformed Pay Award	2.0%
Non-Pay Inflation	2.5%

- As part of the budget setting process all estimates, including savings and income forecast, are assessed for reasonableness;
- The situation in respect of future funding, and in particular the outcome of next year's Spending Review will be kept under review and reported to the Authority in due course.
- The level of and appropriateness of reserves has been reviewed by the Treasurer, based on the potential risks faced by the Authority;
- The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates presented or within the level of reserves currently held:-
 - Reductions in funding levels over and above those forecast;
 - Reduction in funding via Business Rates retention scheme;
 - Reduction in council tax funding due to changes in localisation of council tax support, reducing tax base and/or council tax referendum limits;
 - Higher than anticipated inflation;
 - Larger increases in future pension costs/contributions, and potential backdating;
 - Significant changes in retirement profiles;
 - Increase in costs arising from demand led pressures, i.e. increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;
 - Increased cost of partnership arrangements;
 - Inadequacy of insurance arrangements

Comments on the Draft Budget

The Fire Brigades Union response is attached as Appendix 5, no other responses have been received.

Summary and Conclusions

In considering its council tax requirements for 2020/21 the Authority aims to balance the public's requirement for and expectations of our services with the cost of providing this. As such the revenue budget focuses on the need to:-

- deliver services as outlined in the Risk Management Plan and other plans;
- maintain future council tax increases at reasonable levels;
- continue to deliver efficiencies in line with targets;
- continue to invest in improvements in service delivery and facilities;
- set a robust budget that takes account of known and anticipated pressures;
- maintain an adequate level of reserves.

The draft budget as set out in this report achieves these objectives, but shows a budget reduction required of £0.4m in order to deliver a balanced budget based on a 2% increase in council tax. This can be achieved by delivering additional savings or by drawing down general reserves to offset the shortfall in 20/21:-

	2020/21
	£m
Gross Budget Requirement	57.8
Utilisation of reserves/additional savings	(0.4)
Final Budget Requirement	57.3
Less Total Grant	(24.2)
Less Business Rates Adjustment	(1.3)
Less Council Tax Collection Surplus	(0.4)
Equals Precept	31.4
Estimated Number of Band D equivalent properties	443,827
Equates to Council Tax Band D Property	£70.86
Increase in Council Tax	1.99%

The council tax of £70.86, represents a 1.99% increase (£1.38 per annum, 3p per week).

If any of the assumptions outlined in the report prove to be inaccurate further review will be required, which may include both the use of reserves and the identification of additional savings in order to deliver a sustainable budget.

The following table compares 2019/20 funding with the proposed funding set out above:-

	2019/20	2020/21
	£m	£m
Settlement Funding Assessment (Grant)		
• Revenue Support Grant, direct from the Government	-	8.5
• Individual Authority Business Rates Baseline	6.2	4.4
• Business Rates Top-Up, from the Government	17.6	11.3
	23.8	24.2
Other Business Rates		
• Business Rates collection fund surplus/(deficit)	-	0.1
• Section 31 Grant - Business Rates Capping	1.5	1.2
	1.5	1.3
Council Tax		
• Council Tax	30.4	31.4
• Council Tax collection fund surplus/(deficit)	0.3	0.4
	30.7	31.8
Total Funding	56.0	57.3

(Note the 75% Business Rate Pilot Pool that applied in 19/20 resulted in a significant shift between RSG and Business Rate funding between the two years.)

Until such time as the outcome of next year's Spending Review is published it is impossible to provide any meaningful funding forecast, however for the purpose of medium term financial planning we have assumed that funding is increased by 1.5% in subsequent years, based on this, and assuming council tax is increased in line with 2% council tax increase referendum principles in future years the Authority is still faced with a funding gap of up to £0.6m in subsequent years (or higher if council tax is not increased by the maximum amount permissible).

Looking at the medium-term plans it is clear that the key variables remain pay awards, pension costs and funding. As such additional scenarios are presented below showing the potential impact of a future funding freeze, a 10% reduction in future funding, increased pay awards and the loss of Pensions Grant. As can be seen all of these have a significant impact on the remainder of the medium term strategy ranging from a £1.4m to a £3.8m loss of funding or a £2.4m increase in costs.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Current Budget Gap	(£440)	(£603)	(£386)	(£614)	(£197)
Revised Gap - Funding Freeze 2021/22-2024/25	(£440)	(£966)	(£1,118)	(£1,719)	(£1,683)
Revised Gap - 10% Funding Reduction 2021/22-2024/25	(£440)	(£1,571)	(£2,313)	(£3,489)	(£4,014)
Revised Gap - Extra 1% Payaward each year	(£803)	(£1,448)	(£1,734)	(£2,483)	(£2,611)
Revised Gap - Loss of Pension Grant	(£3,538)	(£3,701)	(£3,484)	(£3,712)	(£3,295)

Currently the Authority remains in a good financial position with reserves able to offset the financial challenges next year. The position becomes more challenging thereafter however by that time the Authority should have greater certainty on future funding, pay awards and future referendum limits, which will enable it to deliver more reliable medium term financial plans in order to address any gap that exists.

Financial Implications

As outlined in the report.

Human Resource Implications

None

Equality & Diversity Resource Implications

The budget as set should enable the Authority to continue to make progress against its equality and diversity targets.

Environmental Implications

The budget as set takes account of the need to invest in environmental issues.

Business Risk

The final approved budget forms a key element of the Authority's risk management process, as it is designed to minimise any financial risks, which the Authority may face.

The Treasurer feels that the budget has been prepared in a robust manner and that the level of reserves held is sufficient to meet any potential risks.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact
Local Government Finance Settlement	February 2020	Keith Mattinson
Reason for inclusion in Part II, if appropriate:		

Resolution based on a council tax increase of 1.99%, £1.38, resulting in a council tax of £70.86

The Combined Fire Authority is requested to: -

1. note the Treasurer's advice on the robustness of the budget
2. note the Treasurer's advice on the appropriate level of reserves/balances
3. agree the revised budget requirement of £57.339m for 2020/21
4. note the section 31 grant of £1.246m due in respect of the business rate reliefs
5. note the level of Business Rates Retention Top Up Funding £11.295m
6. note the level of Local Business Rates Retention Funding £4.340m
7. note the business rate tax collection fund surplus of £0.122m
8. note the council tax collection fund surplus of £0.363m
9. agree the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £31.450m
10. note the council tax base of 443,827 determined for the purposes of Section 42B of the Local Government Finance Act 1992
11. agree a council tax band D equivalent of £70.86, an increase of £1.38 (1.99%), calculated by the Authority under Section 42B of the Local Government Finance Act 1992 agree, on the basis of the fixed ratios between valuation bands set by the Government, council tax for each band as follows:

Band A	£47.24
Band B	£55.11
Band C	£62.99
Band D	£70.86
Band E	£86.61
Band F	£102.35
Band G	£118.10
Band H	£141.72

12. agree, based on each district and unitary councils share of the total band D equivalent tax base of 443,827, the share of the total LCFA precept of £31.450m levied on each council as follows:

Blackburn With Darwen Borough Council	£2,521,025
Blackpool Borough Council	£2,632,946
Burnley Borough Council	£1,656,991
Chorley Borough Council	£2,652,894
Fylde Borough Council	£2,171,080
Hyndburn Borough Council	£1,484,376
Lancaster City Council	£2,954,862
Pendle Borough Council	£1,718,894
Preston City Council	£2,771,619
Ribble Valley Borough Council	£1,673,926
Rossendale Borough Council	£1,462,197
South Ribble Borough Council	£2,556,183
West Lancashire District Council	£2,549,467
Wyre Borough Council	£2,643,111
TOTAL	£31,449,571

Appendix 2

Analysis of Budget by Service Area

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
	£m	£m	£m	£m	£m	£m
Central Admin Hub	0.789	0.807	0.834	0.851	0.868	0.885
Control	1.191	1.251	1.313	1.379	1.448	1.520
Corporate Communications	0.310	0.314	0.323	0.330	0.337	0.344
Executive Board	1.103	1.058	1.085	1.107	1.130	1.153
Finance	0.140	0.142	0.149	0.155	0.158	0.161
Fleet Services	2.603	2.822	2.826	2.825	2.892	2.961
Health & Safety	0.196	0.234	0.241	0.247	0.252	0.257
Human Resources	0.674	0.651	0.662	0.667	0.681	0.695
ICT	2.560	2.817	2.899	2.974	3.051	3.129
Occupational Health	0.268	0.241	0.248	0.253	0.259	0.264
Procurement	0.893	0.892	0.918	0.942	0.965	0.987
Property	1.339	1.353	1.390	1.426	1.463	1.501
Areas	34.486	34.970	35.925	36.780	37.760	38.482
Service Development	4.190	4.351	4.315	4.403	4.493	4.584
Special Projects	0.035	0.035	0.035	0.035	0.035	0.036
Training	3.910	4.130	4.391	4.325	4.591	4.467
Pensions Expenditure	1.323	1.309	1.322	1.361	1.391	1.432
Other Non-DFM Expenditure	0.536	0.404	0.409	0.475	0.496	0.544
Gross Budget Requirement	56.546	57.779	59.284	60.533	62.268	63.402
Unidentified Savings/Use of Reserves	(0.495)	(0.440)				
Net Budget Requirement	56.051	57.339	59.284	60.533	62.268	63.402

Appendix 3

Analysis of Budget by Type of Expenditure

	2019/20 Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
	£m	£m	£m	£m	£m	£m
Employee						
Uniformed	37.713	39.329	40.221	40.941	42.116	42.637
Support staff	6.863	6.542	6.756	6.911	7.049	7.190
Pensions	1.323	1.302	1.314	1.354	1.384	1.424
Other Employee Related Exp	0.121	0.089	0.091	0.094	0.096	0.099
	46.020	47.262	48.382	49.299	50.645	51.350
Premises						
R&M	0.876	0.898	0.920	0.943	0.967	0.991
Utilities	0.590	0.583	0.598	0.613	0.628	0.643
Cleaning	0.268	0.276	0.282	0.289	0.296	0.304
PFI	0.683	0.690	0.707	0.725	0.743	0.761
Other	0.053	0.037	0.038	0.039	0.040	0.041
Rent/Rates	1.311	1.329	1.395	1.464	1.537	1.613
	3.781	3.813	3.940	4.073	4.210	4.352
Transport						
Repairs	0.675	0.825	0.846	0.867	0.889	0.911
Running Costs	0.401	0.475	0.486	0.498	0.511	0.523
Travel costs	0.655	0.640	0.656	0.672	0.689	0.706
insurance	0.178	0.182	0.186	0.191	0.196	0.201
Other	0.005	0.005	0.005	0.005	0.005	0.006
	1.913	2.127	2.180	2.234	2.289	2.346
Supplies & Services						
Hydrants	0.111	0.114	0.117	0.120	0.123	0.126
Operational equipment	0.588	0.738	0.694	0.656	0.672	0.689
Clothing & Uniform	0.891	0.598	0.612	0.626	0.641	0.656
Printing, stationery, postage	0.151	0.151	0.154	0.158	0.162	0.165
Comms-Network Costs	0.996	1.021	1.046	1.072	1.099	1.127
Telephony	0.190	0.195	0.199	0.204	0.209	0.214
Computers	1.079	1.319	1.351	1.385	1.420	1.455
Subsistence	0.072	0.073	0.075	0.076	0.078	0.080
Fire Safet Expenses	0.320	0.295	0.302	0.310	0.317	0.325
Training Expenses	0.457	0.468	0.480	0.492	0.504	0.517
insurance	0.282	0.299	0.305	0.312	0.318	0.325
Members Expenses	0.164	0.166	0.170	0.174	0.178	0.183
Misc Equipment	0.096	0.087	0.090	0.092	0.094	0.096
Other	1.876	1.295	1.617	1.699	1.785	1.875
Catering	0.082	0.084	0.086	0.088	0.090	0.092
PTV Residential	0.093	0.095	0.098	0.100	0.103	0.105
	7.446	6.996	7.396	7.563	7.792	8.029
Other						
Contracted Services	0.767	0.793	0.813	0.833	0.854	0.876
Other	0.004	0.004	0.004	0.004	0.004	0.004
	0.770	0.796	0.817	0.837	0.858	0.880
Capital Financing Costs						
Capital Financing Costs	2.100	2.250	2.100	2.100	2.100	2.100
	2.100	2.250	2.100	2.100	2.100	2.100
Income						
Income	(5.485)	(5.465)	(5.531)	(5.573)	(5.626)	(5.656)
	(5.485)	(5.465)	(5.531)	(5.573)	(5.626)	(5.656)
Gross Budget Requirement	56.546	57.779	59.284	60.533	62.268	63.402
Unidentified Savings/Use of Reserves	(0.495)	(0.440)				
Net Budget Requirement	56.051	57.339	59.284	60.533	62.268	63.402