

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 22 February 2021

REVENUE BUDGET 2021/22-2025/26

(Appendix 1 – Detailed Council Tax Resolution)

(Appendix 2 – Analysis of Budget by Service Area)

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

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 2021/22-2025/26 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 a freeze in 21/22 and 2% each subsequent year;
- 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 21/22 and will be incorporated into the subsequent Spending Review, and we have therefore assumed this continues throughout the Medium-Term Financial Strategy.

The draft Local Government Settlement showed funding increasing by 0.19%. Until such time as a future Spending Review is announced we have no indications of future funding levels, as such the draft budget allows for a funding increase of 1.5% each year.

Both the council tax base and collection fund, and the business rates collection fund have all been affected by the pandemic.

- The council tax base has fallen by 0.25%, predominantly due to an increase in the Local Council Tax Support Scheme. Hence the Government has allocated additional grant of £0.8m to offset the short-term reduction in the tax base;
- The council tax collection fund is £0.1m in deficit;
- The business rate collection fund is £1.9m in deficit, but this is offset by anticipated additional section 31 grant in respect of new in-year rate reliefs agreed by the Government in response to the pandemic's impact on businesses;
- To offset both the collection fund deficits the Government is allowing any relevant in-year deficits to be spread over 3 years, thus smoothing the impact, and has agreed to provide additional grant equivalent to 75% of the relevant reduction in specific elements of the collection fund deficits. However as billing authorities haven't yet calculated this we have excluded this from our estimates.

In terms of council tax, the referendum limit has been maintained at 2%.

Overall next year's budget shows a funding shortfall of approx. £0.3m, assuming council tax is increased by 2%.

Looking longer term the key variables remain pay awards, pension costs and funding. There is an increase in the funding gap as no allowance has been made for the Local Council Tax Support Scheme continuing, and hence the estimated funding gap increases to approx. £1m.

However, any pay award in 21/22 or further increases in pension costs will add in further financial pressures, as will a reduction in funding as part of the next Spending Review. As such additional scenarios are presented showing the potential impact of these. As always, the longer the forecast the less accurate it will be.

There are too many uncertainties in the budget to produce meaningful longer-term plans, however it is clear that we remain in a strong position to face these challenges, once future funding becomes clearer.

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: -

- Delivering services as outlined in the Risk Management Plan and other plans;
- Continuing to invest in improvements in service delivery;
- Continuing to invest in improving facilities;
- Continuing to deliver efficiencies;
- Setting a robust budget;
- Maintaining an adequate level of reserves
- Maintaining future council tax increases at reasonable levels;

Draft Budget

In order to determine the future budget requirement, the Authority has used the approved 2020/21 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: -

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Preceding Years Draft Net Budget Requirement	57.3	58.5	60.0	61.4	62.6
Add back previous years unidentified savings target	0.5	-	-	-	-
Add back previous years Vacancy Factors	1.3	1.4	1.2	1.1	1.2
Inflation	0.6	1.2	1.4	1.4	1.5
Other Pay Pressures	(0.3)	-	-	-	-

Committed Variations	0.1	0.1	0.1	-	0.2
Growth	0.6	-	(0.2)	(0.1)	0.1
Efficiency Savings	(0.2)	-	-	-	-
Gross Budget Requirement	59.9	61.2	62.5	63.8	65.6
Vacancy Factors	(1.4)	(1.2)	(1.1)	(1.)	(1.3)
Net Budget Requirement	58.5	60.0	61.4	62.6	64.3

Inflation

The following amounts have been added to the budget in respect of inflationary pressures: -

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
A pay freeze in 2021/22 (the increase of £0.2m representing the full year effect of previous pay awards plus the increase of £250 per annum for employees paid less than £24k) followed by 2% for all future pay-awards	0.2	0.8	1.0	1.0	1.0
Non-pay inflation, average of 2.5% each year	0.4	0.4	0.4	0.4	0.5
	0.6	1.2	1.4	1.4	1.5

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 and additional £75k. To give a flavour of the potential impact of significant increases over and above those budgeted for a 2.5% pay award would add in a further £0.9m in year and a recurring additional cost of £1.2m.

Other Pay Pressure

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
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"> Approx. 25% of personnel are currently paid at development rates of pay, it is assumed that this continues at this level throughout the budget period. (If all personnel were paid at competent rates of pay this would cost an additional £1.0m) Approx. 75% of personnel are currently paid Continuing Professional Development allowance (CPD), it is assumed that this continues at this level throughout the budget period. (if all personnel were paid CPD this would cost an additional £0.1m) Approx. 5% of personnel are currently 'opted out' of the FF pension scheme, it is assumed that this continues at this level throughout the budget period (if all personnel were in the pension scheme this would cost an additional £0.3m) 	(0.3)	-	-	-	-

<ul style="list-style-type: none"> The mix of personnel in the various FF pension schemes reflects the original timing of retirements and/or transfers to the 2015 scheme. Obviously, this will be subject to change as a result of the transitional arrangements however it is assumed that the additional cost of this will be met by additional Govt grant. <p><u>On-Call Pay</u></p> <ul style="list-style-type: none"> Approx. 50% of all on-call personnel are currently paid at development rates of pay, it is assumed that this continues at this level throughout the budget period (if all personnel were paid at competent rates of pay this would cost an additional £0.2m) Approx. 25% of on-call personnel are currently paid either CPD, it is assumed that this continues at this level throughout the budget period (if all personnel were paid CPD this would cost an additional £0.1m) Approx. 25% of personnel are currently 'opted out' of the FF pension scheme, it is assumed that this continues at this level throughout the budget period (if all personnel were in the pension scheme this would cost an additional £0.2m) The mix of personnel in the various FF pension schemes reflects the assumed timing of retirements and/or transfers to the 2015 scheme. Obviously, this will be subject to change as a result of the transitional arrangements however it is assumed that the additional cost of this will be met by additional Govt grant <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 2021. No allowance has been made for future incremental progression or staff turnover where typically new starters commence at the bottom of the pay grade. Approx. 15% of personnel are currently 'opted out' of the LGPS pension scheme, it is assumed that this number remains consistent throughout the budget period (if all personnel were in the pension scheme this would cost an additional £0.1m) 					
	(0.3)	-	-	-	-

Committed Variations

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

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
The Service currently draws down approx. £200k from the apprentice levy and a further £50k from the apprentice reserve previously created in order to support training	-	0.1	0.1	-	-

requirements for apprentice Fire-fighters. This will reduce in future years as the historic surplus on the levy fund runs out and as the reserve is fully utilised.					
Last year's operational equipment budget was increased as a one off reflecting the scale of equipment scheduled for replacement in that year, the adjustments shown reflect current planned expenditure levels in subsequent years	(0.1)	(0.1)	-	-	-
Additional financing cost associated with reduction in cash balances, and interest rates and new borrowing to support the 5-year capital programme, as reported elsewhere on the agenda	0.2	0.1	-	-	0.2
	0.1	0.1	0.1	-	0.2

Growth

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
It is assumed that the Protection Transformation Team continue to be funded from specific additional grant of £300k throughout the duration of the budget plans	-	-	-	-	-
Recruitment of apprentice FFs each year (this is the cost whilst on the recruit's course): - <ul style="list-style-type: none"> • 21/22 – 48 apprentices • 22/23 – 54 apprentices • 23/24 – 24 apprentices • 24/25 – 18 apprentices • 25/26 – 42 apprentices Note these numbers will be subject to change to reflect actual retirements/leavers	0.2	-	(0.2)	(0.1)	0.1
Additional capacity within corporate support functions' such as HR, Procurement and Property, the latter including the cost of a project manager to lead the SHQ relocation project	0.3	-	-	-	-
Additional budget to address maintenance issues relating to drill towers and other facilities	0.1				
	0.6	-	(0.2)	(0.1)	0.1

Efficiency Savings

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Removal of fixed term temporary posts	(0.1)	-	-	-	-
Reduction in Fleet vehicle R&M budget due to management of LCES contract (this offsets part of the increase factored in last year)	(0.1)	-	-	-	-
	(0.2)	-	-	-	-

Gross Budget Requirement

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Draft Gross Budget Requirement	59.9	61.2	62.5	63.8	65.6

Vacancy Factors

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
The vacancy factor for whole-time has also been updated (see appendix 2) and is based on the following: - <ul style="list-style-type: none"> It is assumed that all personnel will retire as soon as they accrue full pension rights There will be 6 'early leavers' in the year, this includes personnel who retire before reaching forecast retirement date or who resign or are dismissed. Recruit numbers are as set out earlier This provides a broadly balanced position each year. However, actual retirements may vary from this due to the impact of either the transitional pension arrangements or making allowances pensionable, which may increase early leavers leading to a higher vacancy factor.	(0.2)	(0.1)	0.1	-	(0.1)
The On-call vacancy factor has been increased marginally to 18% reflecting the current level of staffing, and assuming this remains constant.	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
The support staff vacancy factor has been set at 3.75% in 21/22, which is closer to the average over the last 2 years. However, this is mainly due to one or two problem areas (ICT and Service Development) and has therefore reduced to 2.5% in subsequent years on the assumption that this is a temporary problem.	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
	(1.4)	(1.2)	(1.12)	(1.2)	(1.3)

Net Budget Requirement

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

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Draft Budget Requirement	58.5	60.0	61.4	62.6	64.3
Budget Increase	2.0%	2.6%	2.3%	2.1%	2.7%

Grant Funding

The Government's Budget sets overall total for public sector spending which will be then allocated out to departments as part of the Spending Review, and these are in turn allocated out to individual Authorities as part of the Local Government Finance Settlement.

Due to economic uncertainty the anticipated 4 year Sending Review was reduced to a single year review, covering 2021/22, with a new Spending Review planned for next year. This is anticipated to cover 2022-2025.

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 pandemic and economic uncertainty both of these have been put on hold for at least a further 12 months.

The 2021/22 Local Government Finance Settlement showed an increase in the Government's Settlement Funding Assessment of 0.19%. (The Settlement Funding Assessment comprises: -

• Revenue Support Grant	£8.5m
• Business Rates (from local billing authorities)	£4.4m
• Business Rates Top-Up (from the Government)	£11.3m
	<u>£24.2m</u>

Looking beyond this, it is assumed that this will grow in line with anticipated inflation, and hence we have allowed for 1.5% growth each year. The table below sets out our assumed level of funding (Settlement Funding Assessment) over the next 5 years: -

	2021/22	2022/23	2023/24	2024/25	2025/26
Estimated Settlement Funding Assessment	(£24.2m)	(£24.6m)	(£25.0m)	(£25.4m)	(£25.7m)
Growth	-	1.5%	1.5%	1.5%	1.5%

Business Rates

The actual Business Rates calculated by billing authorities are lower than the Government's estimate allowed for above, £4.3m as opposed to £4.4m.

In addition to the above Business Rates the Authority receives Section 31 grant from the Government to compensate for specific reliefs it has agreed as part of policy decisions, i.e. small business relief etc. This year the anticipated grant remains at £1.3m, the same as last year. We have assumed this increase in line with inflation in future years.

During the year the Government announced additional business rate reliefs, such as retail, nursery and newspaper reliefs, recognising the impact of the pandemic on businesses. The Government provided Section 31 grants direct to billing authorities to offset these new reliefs, however as they have to account for these outside the business rate collection fund, this results in a very large deficit across the collection funds of all authorities. Our share of this deficit is £2.0m. The rate relief grant will eventually feed through to preceptors as part of the business rate year end reconciliation, when billing authorities will be required to repay a proportion of the reliefs provided and when the Govt will make an additional grant to ourselves for our share of these. Until the year end it is impossible to accurately calculate these figures, hence we have used an approximation of the amount due based on the NNDR1 returns already submitted by billing authorities, in line with the latest CIPFA guidance. In our case we anticipate receiving an extra £1.9m grant in respect of this in 21/22. (It is worth emphasising that the actual additional grant in respect of in-year rate reliefs will not be known for some time and may vary from this.)

The Government also announced proposals to support billing authorities by allowing authorities to spread the remaining in-year deficit over 3 years to smooth the effect of this

and providing additional grant equivalent to 75% of the relevant reduction in collection rates. Billing authorities have provided details of the 3-year spread of the deficit, with the net in-year collection fund deficit of £0.2m being spread £79k each year. However, they are not in a position to calculate the 75% additional grant at the present time and hence for the purpose of budget setting we have ignored this. (It is also worth noting that the relevant reduction in collection rates on which the 75% additional grant is calculated excludes some items and hence this will not cover the full deficit.)

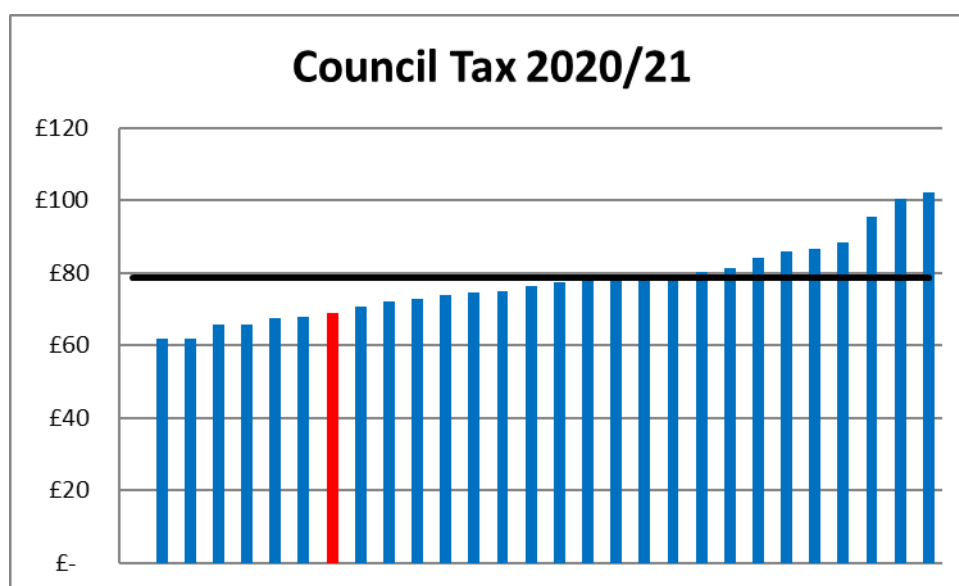
As such the net collection fund position for 21/22 is a marginal surplus of £63k. We have assumed that future collection rates will broadly breakeven and hence the only deficit in future years relates to the 3-year spread set out above.

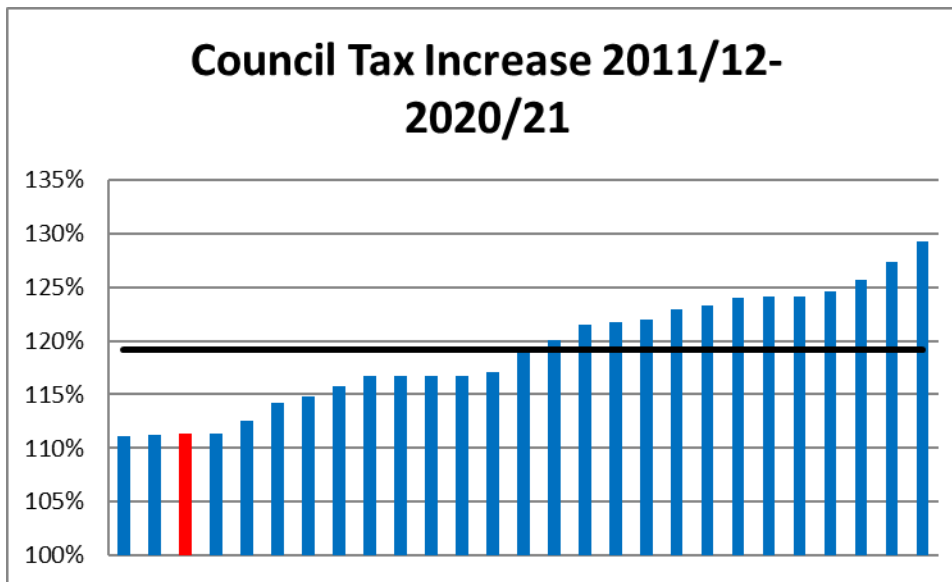
	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Business Rates Adjustment	0.1	0.1	0.1	0.1	0.1
Section 31 Grant – Business Rates Reliefs	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)
Less Business Rates Collection Deficit	2.0	-	-	-	-
Add Outstanding Section 31 Grant new rate reliefs	(1.9)	-	-	-	-
3-year spread of in-year collection fund deficit	(0.2)	0.1	0.1	-	-
Total Business Rates Adjustment	(1.3)	(1.1)	(1.2)	(1.3)	(1.3)

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 £70.86 is still below the national average of £78.56, and our increase of just 11.3% since 2010/11 compares with an average increase of 19.1% over the same period and is the third lowest of any Fire Authority.





The Spending Review confirmed that the Government would retain the council tax referendum threshold at 2%.

Council Tax-Base

Billing authorities have confirmed a council tax base of 442,730 a 0.25% reduction on last year's position. This compares to historic position which has seen a year on year growth averaging approx. 1.7%. A significant proportion of this is due to the increase in the Local Council Tax Support Scheme, whereby discounts are provided to council tax payers recognising their personnel circumstances. The take up of this has increased in year therefore eroding the tax base. In order to offset the impact next year, the Government has allocated £670m of Local Council Tax Support Grant to councils, of which our share is £0.8m. If we allow for this the net impact on our tax base is an increase of 2.2%. There is no indication whether this will be one off funding or whether it will be maintained in future years, hence for the purpose of medium term planning we have assumed that it is a one-off grant, and that the tax base in future years grows by 1% per annum.

In terms of the council tax collection fund this has historically generated a surplus of approx. £0.4m per year. The billing authorities have now confirmed that this has moved into a deficit position, with our share standing at £0.4m. We have assumed this gradually returns to a £300k surplus over the following 3 years.

The Government also announced proposals to support billing authorities by allowing authorities to spread the in-year deficit over 3 years to smooth the effect of this and providing additional grant equivalent to 75% of the relevant reduction in collection rates. Billing authorities have provided details of the 3-year spread of the deficit, with the net in-year collection fund deficit of £0.4m being spread £121k each year. However, they are not in a position to calculate the 75% additional grant at the present time, and hence for the purpose of budget setting we have ignored this. (It is also worth noting that the relevant reduction in collection rates on which the 75% additional grant is calculated excludes bad debt provision, which will account for the majority of the in-year deficit.)

In terms of medium-term financial planning we have allowed for the 3-year spread as set out by billing authorities and have assumed that excluding this the collection fund would be in a breakeven position in subsequent years.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Local Council Tax Support Grant	(0.8)	-	-	-	-
Less Council Tax Collection Deficit/(Surplus)	0.4	(0.1)	(0.2)	(0.3)	(0.3)
3-year spread of in-year collection fund deficit	(0.2)	0.1	0.1	-	-
	(0.6)	-	(0.1)	(0.3)	(0.3)

Draft Council Tax Requirements

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Draft Budget Requirement	58.5	60.0	61.4	62.6	64.3
Less Settlement Funding Assessment	(24.2)	(24.6)	(25.0)	(25.4)	(25.7)
Net Business Rates Adjustment	(1.3)	(1.1)	(1.2)	(1.3)	(1.3)
Net Local Council Tax Adjustment	(0.6)	-	(0.1)	(0.3)	(0.3)
Equals Precept	32.3	34.3	35.1	35.7	37.0
Estimated Number of Band D equivalent properties	442,730	447,158	451,629	456,146	460,707
Equates to Council Tax Band D Property	£72.97	£76.60	£77.78	£78.31	£80.30
Increase in Council Tax	3.0%	5.0%	1.5%	0.7%	2.5%

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

As can be seen the increase in 21/22 is above the referendum limit. Subsequent years vary with 22/23 seeing a large increase significantly above the referendum limit, due to the removal of the additional Government Grant in respect of the Local Council Tax Support Scheme. It is worth re-iterating that 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: -

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
2% increase in council tax each year	(0.3)	(1.3)	(1.2)	(0.7)	(1.0)
1% increase in council tax each year	(0.6)	(1.89)	(2.2)	(2.1)	(2.7)
Council tax freeze each year	(0.9)	(2.6)	(3.1)	(3.4)	(4.3)

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 £3.5m. As at 31 March 2021 we anticipate holding £6.0m, providing scope to utilise approx. £2.5m of reserves.

The potential drawdown of £0.3m required to deliver balanced budget in 21/22 would reduce the general balance to £5.7m, still within our target range. 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 2021/22.

Summary Council Tax options 2021/22

Based on the scenarios outlined the council tax options for 2021/22 are as follows: -

	2%	1%	Freeze
	£m	£m	£m
Gross Budget Requirement	58.5	58.5	58.5
Utilisation of reserves/additional savings	(0.3)	(0.6)	(0.9)
Final Budget Requirement	58.2	57.9	57.6
Less Settlement Funding Assessment	(24.2)	(24.2)	(24.2)
Net Business Rates Adjustment	(1.3)	(1.3)	(1.3)
Net Local Council Tax Adjustment	(0.6)	(0.6)	(0.6)
Equals Precept	32.0	31.7	31.4
Estimated Number of Band D equivalent properties	442,730	442,730	442,730
Equates to Council Tax Band D Property	£72.27	£71.56	£70.86
Increase in Council Tax	1.99%	0.99%	Freeze

The increases equate to: -

- 2% is £1.41 per annum, £0.03 per week;
- 1% is £0.70 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 associated with the capital programme as we are still finalising this);
- The allowances included for inflation and pay awards represent a best estimate of the likely cost of this, at:

	2021/22	Subsequent Years
Uniformed Pay Award	-	2.0%
Non-Uniformed Pay Award	-	2.0%
Non-Pay Inflation	2.5%	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 and the longer-term impact of the pandemic on business rates and council tax 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 collection rates, 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;
 - 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;
 - Inadequacy of insurance arrangements.

Summary and Conclusions

The pandemic has had an impact on council tax base, local business rates and on the collection funds for both of these. Comparing the current year projections for these with those that based on last year's budget shows a loss of income of £0.25m in 21/22.

As a result, and despite the budget not providing for any increase in pay costs there is still funding shortfall of £0.3m. Therefore, in order to deliver a balanced budget based on a 2% increase in council tax the Service needs to either deliver additional savings or draw down general reserves to offset the shortfall: -

	2020/21
	£m
Gross Budget Requirement	58.5
Utilisation of reserves/additional savings	(0.3)
Final Budget Requirement	58.2
Less Settlement Funding Assessment	(24.2)
Business Rates Adjustment	0.1
Section 31 Grant – Business Rates Reliefs	(1.3)
Add Business Rates Collection Deficit	2.0
Less Outstanding Section 31 Grant new rate reliefs	(1.9)
Less 3-year spread of in-year business rate collection fund deficit	(0.2)
Less Local Council Tax Support Grant	(0.8)
Add Council Tax Collection Deficit	0.4
Less 3-year spread of in-year council tax collection fund deficit	(0.2)
Equals Precept	32.0
Estimated Number of Band D equivalent properties	442,730
Equates to Council Tax Band D Property	£72.27
Increase in Council Tax	1.99%

The council tax of £72.27, represents a 1.99% increase (£1.41 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 2020/21 funding with the proposed funding set out above: -

	2020/21	2021/22	% Change
	£m	£m	
Settlement Funding Assessment (Grant)			
• Revenue Support Grant, direct from the Government	8.5	8.5	
• Individual Authority Business Rates Baseline	4.4	4.4	
• Business Rates Top-Up, from the Government	11.3	11.3	
	24.2	24.2	-
Other Business Rates			
• Section 31 Grant - Business Rates Reliefs	1.3	3.3	
• Business Rates collection fund surplus/(deficit)	0.1	(1.9)	
• Other Business Rate adjustments	(0.1)	(0.1)	
	1.3	1.3	-
Council Tax			
• Council Tax	31.4	32.0	
• Local Council Tax Support Grant	-	0.8	
• Council Tax collection fund surplus/(deficit)	0.4	(0.1)	
	31.8	32.7	2.8%
Total Funding	57.3	58.2	1.6%

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 in the region of £1.0m 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 below showing the potential impact of a 2% pay award in 21/22, a funding freeze in 2022/23 and beyond, a 10% reduction in funding in 2022/23 and beyond, and a potential 5% increase in employer pension contributions as a result of the McCloud pension judgement. As can be seen all of these have a significant impact on the remainder of the medium-term strategy ranging up to a £4.0m loss of funding or a £1.5m increase in costs.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Current Budget Gap	(0.3)	(1.3)	(1.2)	(0.7)	(1.0)
Revised Gap - 2% Pay award in 21/22 (2% is already allowed for in subsequent years)	(1.1)	(2.3)	(2.2)	(1.7)	(2.0)
Revised Gap - Funding Freeze 2022/23-2025/26	(0.3)	(1.7)	(1.9)	(1.9)	(2.5)
Revised Gap - 10% Funding Reduction 2022/23-2025/26	(0.3)	(2.3)	(3.2)	(3.8)	(5.0)
Revised Gap – Increased Pension costs	(0.3)	(1.3)	(2.7)	(2.2)	(2.5)

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.

Resolution based on a council tax increase of 1.99%, £1.41, resulting in a council tax of £72.27

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 £58.175m for 2021/22
4. note the level of Revenue Support Grant Funding £8.570m
5. note the level of Business Rates Retention Top Up Funding £11.295m
6. note the level of Local Business Rates Retention Funding £4.279m
7. note the section 31 grant of £1.320m due in respect of the business rate reliefs
8. note the business rate tax collection fund deficit of £1.862m, after allowing for the 3-year spread
9. note the section 31 grant of £1.925m due in respect of the additional in-year business rate reliefs for 2020/21
10. note the Local Council Tax Support Grant of £0.789m
11. note the net council tax collection fund deficit of £0.137m after allowing for the 3-year spread
12. agree the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £31.996m
13. note the council tax base of 442,730 determined for the purposes of Section 42B of the Local Government Finance Act 1992
14. agree a council tax band D equivalent of £72.27, an increase of £1.41 (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	£48.18
Band B	£56.21
Band C	£64.24
Band D	£72.27
Band E	£88.33
Band F	£104.39
Band G	£120.45
Band H	£144.54

15. agree, based on each district and unitary councils share of the total band D equivalent tax base of 442,730, the share of the total LCFA precept of £31.996m levied on each council as follows:

Blackburn With Darwen Borough Council	£2,524,981
Blackpool Borough Council	£2,663,367
Burnley Borough Council	£1,681,579
Chorley Borough Council	£2,708,405
Fylde Borough Council	£2,238,564
Hyndburn Borough Council	£1,462,673
Lancaster City Council	£2,999,205
Pendle Borough Council	£1,727,109
Preston City Council	£2,834,574
Ribble Valley Borough Council	£1,734,986
Rosendale Borough Council	£1,472,863
South Ribble Borough Council	£2,617,577
West Lancashire District Council	£2,657,662
Wyre Borough Council	£2,672,593
TOTAL	£31,996,138

Analysis of Budget by Service Area

	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Central Admin Hub	0.807	0.828	0.855	0.872	0.889	0.907
Control	1.251	1.298	1.363	1.431	1.502	1.577
Corporate Communications	0.314	0.361	0.348	0.333	0.340	0.347
Executive Board	1.058	1.039	1.063	1.085	1.107	1.129
Finance	0.142	0.148	0.153	0.156	0.159	0.162
Fleet Services	2.822	2.724	2.708	2.780	2.872	2.940
Health & Safety	0.234	0.242	0.250	0.255	0.261	0.267
Human Resources	0.651	0.731	0.754	0.724	0.739	0.754
ICT	2.817	2.710	2.800	2.807	2.886	2.968
Occupational Health	0.241	0.244	0.251	0.257	0.263	0.269
Procurement	0.892	0.959	0.985	1.008	1.032	1.056
Property	1.353	1.586	1.630	1.671	1.714	1.708
Areas	34.970	35.261	36.029	36.914	37.623	38.366
Service Development	4.351	4.569	4.650	4.714	4.810	4.908
Special Projects	0.035	0.035	0.035	0.035	0.036	0.036
Training	4.130	4.443	4.495	4.425	4.449	4.743
Pensions Expenditure	1.309	1.287	1.326	1.355	1.394	1.434
Other Non-DFM Expenditure	0.404	0.020	0.308	0.541	0.576	0.754
Gross Budget Requirement	57.779	58.484	60.001	61.363	62.651	64.326
Unidentified Savings/Use of Reserves	(0.440)	(0.309)				
Net Budget Requirement	57.339	58.175	60.001	61.363	62.651	64.326

Analysis of Budget by Type of Expenditure

	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m
Employee						
Uniformed	39.329	39.155	39.874	40.557	41.202	42.148
Support staff	6.542	7.033	7.223	7.361	7.507	7.606
Pensions	1.302	1.280	1.318	1.347	1.387	1.427
Other Employee Related Exp	0.056	0.058	0.059	0.061	0.062	0.064
	47.230	47.526	48.475	49.326	50.158	51.245
Premises						
R&M	0.898	1.023	1.048	1.074	1.101	1.129
Utilities	0.583	0.598	0.613	0.628	0.643	0.660
Cleaning	0.276	0.282	0.289	0.296	0.304	0.311
PFI	0.690	0.707	0.725	0.743	0.761	0.780
Other	0.037	0.038	0.039	0.040	0.041	0.042
Rent/Rates	1.329	1.395	1.464	1.537	1.613	1.692
	3.813	4.043	4.178	4.317	4.463	4.613
Transport						
Repairs	0.825	0.778	0.798	0.818	0.838	0.859
Running Costs	0.475	0.435	0.446	0.457	0.468	0.479
Travel costs	0.640	0.666	0.683	0.700	0.718	0.735
insurance	0.182	0.198	0.203	0.208	0.213	0.219
Other	0.005	0.005	0.005	0.005	0.006	0.006
	2.127	2.083	2.135	2.188	2.243	2.298
Supplies & Services						
Hydrants	0.114	0.075	0.076	0.078	0.080	0.082
Operational equipment	0.738	0.684	0.614	0.660	0.702	0.720
Clothing & Uniform	0.598	0.615	0.629	0.644	0.660	0.675
Printing, stationery, postage	0.183	0.188	0.192	0.197	0.201	0.206
Comms-Network Costs	1.021	1.046	1.072	1.099	1.127	1.155
Telephony	0.195	0.199	0.204	0.209	0.214	0.219
Computers	1.319	1.349	1.383	1.417	1.452	1.489
Subsistence	0.093	0.096	0.098	0.100	0.103	0.105
Fire Safety Expenses	0.295	0.302	0.310	0.317	0.325	0.333
Training Expenses	0.448	0.459	0.471	0.482	0.494	0.507
insurance	0.299	0.309	0.315	0.322	0.329	0.336
Members Expenses	0.166	0.175	0.179	0.184	0.189	0.193
Misc Equipment	0.087	0.090	0.092	0.094	0.096	0.098
Other	1.295	1.547	1.744	1.880	1.969	2.062
Catering	0.084	0.086	0.088	0.090	0.092	0.095
PTV Residential	0.095	0.098	0.100	0.103	0.105	0.108
	7.029	7.316	7.567	7.876	8.138	8.382
Other						
Contracted Services	0.793	0.875	0.897	0.920	0.943	0.967
Other	0.004	0.004	0.004	0.004	0.004	0.004
	0.796	0.879	0.901	0.924	0.947	0.971
Capital Financing Costs						
Capital Financing Costs	2.250	2.350	2.350	2.350	2.350	2.493
	2.250	2.350	2.350	2.350	2.350	2.493
Income						
Income	(5.465)	(5.713)	(5.606)	(5.619)	(5.647)	(5.677)
	(5.465)	(5.713)	(5.606)	(5.619)	(5.647)	(5.677)
Gross Budget Requirement	57.779	58.484	60.001	61.363	62.651	64.326
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