

LANCASHIRE COMBINED FIRE AUTHORITY

Meeting to be held on 21 February 2022

REVENUE BUDGET 2022/23-2026/27 (INCORPORATING MEDIUM TERM FINANCIAL STRATEGY)

(Appendix 1 – Detailed Council Tax Resolution)

(Appendix 2 – Budget Scenarios)

(Appendix 3 – Analysis of Budget by Service Area)

(Appendix 4 – Analysis of Budget by Type of Expenditure)

(Appendix 5 – Response to Consultation)

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Table 1 Executive Summary and Recommendations

Executive Summary

The report sets out the draft revenue budget for 2022/23-2026/27 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 resulting in a total requirement of £63.0m.

The Local Government Settlement was not the anticipated multi-year settlement, as it only covered next year. It did however allow for:-

- a 1.1% increase in funding, and we have assumed that this increases by a further 1.0% in subsequent years
- established a new 'Service Grant' our share of which is £1.1m. Whilst this is a one-off grant, we have assumed the element of this which offsets national insurance increases (£0.3m) is provided in some form in future years
- a change to the council tax referendum principles for FRAs for 22/23, allowing those in the bottom quartile to increase council tax by up to £5, whilst all others have a 2% referendum limit set. Lancashire is in the bottom quartile hence is able to take advantage of this flexibility. This increase would generate an additional £1.6m of council tax, over and above a 2% increase, for the Authority (£2.2m as opposed to £0.6m). This is a one-off change and only applies to 2022/23 council tax increases.

This potential increase is a one-off opportunity to address some of the longer-term challenges within the Service, such as:

- Invest in improvements to support our 'road to outstanding' ambition
- Review capacity/resilience and pay structures within support functions
- Outcome of Emergency Cover Review (ECR) mitigating the impact of removing the DCP duty system
- Invest in our asset base/reduce future borrowing
- Provide re-assurance that we are able to meet some of the uncertainties surrounding the current pension situation, in terms of both pensionability of allowances and Immediate Detriment.

We therefore propose utilising this flexibility to increase council tax by £5 (10p per week), to £77.27. At this level we will still be below the anticipated sector average and will still have the 9th lowest cumulative increase over the last 10 years.

Looking longer term the key variables remain future funding levels, pay awards, pension costs and the outcome of the ECR.

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 within the Governments referendum principles.

Draft Budget

In order to determine the future budget requirement, the Authority has used the approved 2021/22 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: -

Table 2 Summary of Budget Changes

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Preceding Years Draft Net Budget Requirement	58.2	63.0	63.4	65.1	66.7
Add back previous years unidentified savings target	0.3	-	-	-	-
Add back previous years Vacancy Factors	1.4	1.9	1.3	1.2	1.0
Inflation	2.0	1.4	1.5	1.5	1.5
Other Pay Pressures	0.1	-	(0.1)	-	-
Committed Variations	(0.1)	0.1	0.3	0.3	0.3
Growth	3.8	(1.8)	-	(0.5)	-
Efficiency Savings	(0.9)	-	-	-	0.2
Gross Budget Requirement	64.9	64.7	66.3	67.7	69.7

Vacancy Factors	(1.9)	(1.3)	(1.2)	(1.0)	(1.3)
Net Budget Requirement	63.0	63.4	65.1	66.7	68.4

Inflation

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

Table 3 Details of Inflation

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
The impact of the unbudgeted pay awards in 2021/22: <ul style="list-style-type: none"> • Grey book (operational staff) at 1.5% from 1 July 2021 onwards • Green book (support staff) estimated at the most recent offer of 1.75% for the full financial year (not yet agreed/implemented, hence there is considerable uncertainty around the eventual scale of this) 	0.7	-	-	-	-
A 2% allowance has been built in for all future pay-awards	0.8	1.0	1.1	1.1	1.1
Non-pay inflation <ul style="list-style-type: none"> • Energy - 25% inflation for 22/23 and subsequently 2.5% thereafter • Fuel - 12.5% inflation for 22/23 and subsequently 2.5% thereafter • Rates – 5% each year • Other - 2.5% each year 	0.5	0.4	0.4	0.4	0.4
	2.0	1.4	1.5	1.5	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 £75k for green book personnel.

Other Pay Pressures

Table4 Details of Other Pay Pressures

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Employers National Insurance increase of 1.25% in relation to the Health and Social Care levy (this is offset by a new Service Grant allocation - see funding section later in the report)	0.3	-	-	-	-
Pay has been re-costed, taking account of changes to personnel, grades etc.	(0.2)	-	(0.1)	-	-

<p>Given this accounts for the majority of the overall budget it is worth highlighting some of the assumptions used: -</p> <p><u>Whole-time Pay</u></p> <ul style="list-style-type: none"> • Approx. 200 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 £1.2m) • Approx. 385 personnel are currently paid 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. 30 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) • The FF pension scheme transitional arrangements are due to be ended, with all FF transferring into the 2015 scheme on 1 April 2022, a reduction of £0.3m. <p><u>On-Call Pay</u></p> <ul style="list-style-type: none"> • Approx. 225 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. 80 on-call personnel are currently paid 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. 80 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 					
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<p>were in the pension scheme this would cost an additional £0.2m)</p> <ul style="list-style-type: none"> The FF pension scheme transitional arrangements are due to be ended, with all on call FF transferring into the 2015 scheme on 1 April 2022, a very small reduction of £6k. <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 2022. 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. 10 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 £30k) 					
	0.1	-	(0.1)	-	-

Committed Variations

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

Table 5 Details of Committed Variations

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
The budget reflects the additional drawdown against the apprentice levy, net of our 5% co-investment cost. The increase arising from the government funding of 95% of any levy account shortfall, The extent of the levy drawdown depends on the number and timing of WT recruits in training, hence the reductions in future years reflect the reduction in recruit numbers.	(0.3)	-	0.2	0.1	0.1
Interest receivable has increased in 22/23, reflecting the change in bank base rates. The increased capital financing charge in 25/26 and 26/27 reflects borrowing requirements associated	(0.1)	-	-	0.2	0.2

with the capital programme (as referred to in the Capital budget report elsewhere on the agenda)					
Other	0.3	0.1	0.1	-	-
	(0.1)	0.1	0.3	0.3	0.3

Growth

Table 6 Details of Growth

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
<p>The number and timing, and hence cost, of recruit Fire-fighters is affected by:</p> <ul style="list-style-type: none"> • Changes in establishment, we have built in agreed changes to this. However, the cessation of DCP and the outcome of the ECR will affect establishment levels in the future but as yet these are unknown and hence have been excluded. • Retirements/leavers, we have incorporated anticipated retirements and an assumed level of early leavers into our forecasts. However, the on-going uncertainty surrounding pensions may have an impact on these, and whilst we have increased our allowance for this there is no guarantee that this will be accurate (further details are set out later in the report). <p>As such the budget allows for the following recruits/apprentice FFs each year:-</p> <ul style="list-style-type: none"> • 22/23 – 87 apprentices/inter-service and On-call transfers • 23/24 – 24 apprentices • 24/25 – 24 apprentices • 25/26 – 24 apprentices • 26/27 – 24 apprentices <p>This results in the Service recruiting in advance of need, 36 over establishment by December 22, which reflects the uncertain timing of leavers, and the uncertainty surrounding the outcome of the Emergency Cover Review. Staffing numbers will be monitored throughout the period and recruitment requirements updated on a regular basis.</p>	0.3	(0.5)	-	-	-

The WT overtime budget is 'flexed' to take account of the costs of covering vacancies during the year. As there are a significant level of operational vacancies next year the overtime budget has been increased, with a reduction in 2023/24 reflecting the reduction in forecast vacancies	-	-	-	-	-
Establishment at Training Centre has been increased to reflect the additional recruit courses required next year, as well as the increasing demands on training requirements in general	0.2	(0.1)	-	-	
The increase in budget reflects the temporary requirement to enhance the delivery of protection services, and to better integrate this with crews/operational response	0.2	-	(0.2)	-	-
The capital budget, reported elsewhere on the agenda, identifies a £47m programme over the next 5 years. Based on our current level of revenue contribution, and existing capital reserves and receipts, we would need to borrow £12m in order to deliver against this programme. This would impact on the revenue budget in the form of £0.5m of capital financing charges in future years. In order to minimise the need for future borrowing the budget proposes increasing the Revenue Contribution to Capital Outlay (RCCO) to £4.0m in 22/23, reducing to £3.2m in 23/24 and then to £2.7m in 25/26 and 26/27. This reduces borrowing requirement by £4.5m, which in turn reduces the future capital financing charges by £0.3m per annum over 20 years. It is worth highlighting that even after allowing for this we will still drawdown over £3m of capital reserves next year, and will still need to borrow in 24/25.	1.7	(0.8)	-	(0.5)	-
Capacity within support functions has been a major challenge for a number of years, however, demands placed on these departments has grown significantly in recent years and will continue to do so. As such we need to invest in these departments, not only to meet current	1.0	-	-	-	-

<p>requirements but also to enhance the service in areas such as</p> <ul style="list-style-type: none"> • On-Call • ICT and Digital • Climate change • Training • Resilience <p>Without investing sufficiently, we will simply standstill and will be unable to deliver against our 'road to outstanding' ambitions (this will be developed following the outcome of the current HMICFRS Inspection)</p> <p>As highlighted later in the report recruitment into several departments has been problematic for a number of years, with the situation becoming significantly worse in the last 12 months. We are now carrying over 20 vacant support posts (over 10%), and the most often cited reason for struggling to recruit is comparability of salary. Whilst market supplements have been applied to some posts this is not considered a long-term solution.</p> <p>As such we propose undertaking a review of requirements at the start of the new year and have therefore built an allowance into the budget to meet these costs and to put support functions on a sustainable long-term footing. This allowance is included to aid financial planning at this stage, as the actual requirements will not be known until the review is undertaken. Note as cost and timing of outcomes is uncertain, we propose transferring any unused funds arising from this into the Capital Funding Reserve, to further reduce the need to borrow in later years.</p>					
<p>Members have agreed that the Authority will undertake an Emergency Cover Review (ECR) in 22/23, incorporating the withdrawal of the DCP duty system. It is worth highlighting that converting a DCP station back to the 2-2-4 duty system costs approx. £0.5m, per station, a total of £5.5m across the 11 DCP stations.</p>	-	-	-	-	-

<p>Clearly this is unaffordable and hence we will need to look for alternative solutions. At this stage it is impossible to forecast the outcome of this review. and hence we have assumed it will be cost neutral from a budget perspective.</p> <p>If this is not the case then future years budgets will come under increasing pressure and it will become more difficult to set a long-term balanced budget.</p>					
<p>Pension costs, as members are aware we have previously set aside over £2m to meet backdated employer contributions associated with changes to pensionability of allowances. It has always been assumed that the Government would meet the cost of any backdating, net of both employee and employer contributions, via the pensions holding account that we report each year.</p> <p>On a similar basis we have assumed that the Government would meet all costs, including backdated employer contributions, associated with the McCloud judgement and the introduction of Immediate Detriment. We have not built any allowance into the budget for any of these costs, however if any such one-off costs are incurred, we may be able to meet these from existing reserves.</p> <p>The 2020 valuation exercise on the Fire Fighters pension is on-going, with any changes arising from this due to be implemented in 2024. It is not clear what impact changes outlined above will have on this, other than that costs will have increased. As a result we are likely to see an increase in employer contribution rates, but the scale of this is as yet unknown. Therefor we have not allowed for this in the budget, pending further clarification.</p>	-	-	-	-	-
Other	0.4	(0.4)	0.2	-	-
	3.8	(1.8)	-	(0.5)	-

Efficiency Savings

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

Table 7 Details of Efficiency Savings

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
We have top sliced the majority of non-pay budgets by 2.5%	(0.2)	-	-	-	-
Adjust pooled PPE budget to reflect lifecycle replacement requirement	(0.2)	-	-	-	0.2
Reduction in car users/mileage budgets across all budgets, reflecting alternative ways of future working	(0.2)	-	-	-	-
Other	(0.3)				
	(0.9)	-	-	-	0.2

Gross Budget Requirement

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

Table 8 Gross Budget Requirement

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Draft Gross Budget Requirement	64.9	64.7	66.3	67.7	69.7

Vacancy Factors

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

Table 9 Details of Vacancy Factors

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
The vacancy/over establishment factor for whole-time has also been updated and is based on the following: - <ul style="list-style-type: none"> Each year a number of personnel who have reached full pension benefits delay their retirement. Whilst this varies each year it averages out at approx. 7 personnel at any point in time. As such we have assumed that all bar 7 personnel who can retire do so immediately. An updated early leavers profile, i.e., personnel who retire before reaching forecast retirement date or who resign or are dismissed, of:- 	0.1	0.3	0.2	0.5	0.2

<ul style="list-style-type: none"> ➤ 17 in 22/23 ➤ 12 in 23/24 ➤ 9 in 24/25 ➤ 6 in subsequent years <ul style="list-style-type: none"> • Recruit numbers are as set out earlier and we assume that all recruits successfully complete the course. <p>It is still not clear what further impact either the transitional pension arrangements or making allowances pensionable will have on the retirement profile, or what impact the ECR will have on this.</p> <p>Overall, this results in a net over establishment position each year, reflecting the uncertainty surrounding some of the assumptions and the long lead time for recruitment.</p>					
On Call vacancy factors has been increased from 18% to 21% reflecting the current level of staffing, and assuming this remains constant.	(1.2)	(1.2)	(1.3)	(1.3)	(1.3)
Support staff vacancy factor has been increased from 3.75% to 10.0%, broadly reflecting the current level of vacancies. It must also be recognised that the review of capacity in support functions may lead to a temporary increase in vacancies, pending successful recruitment. This has been reduced back to 5% in 23/24 and 2.5% in subsequent years.	(0.8)	(0.4)	(0.2)	(0.2)	(0.2)
	(1.9)	(1.3)	(1.2)	(1.0)	(1.3)

Net Budget Requirement

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

Table 10 Net Budget Requirement

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Draft Budget Requirement	63.0	63.4	65.1	66.7	68.4
Budget Increase	8.3%	0.6%	2.7%	2.4%	2.6%

Grant Funding

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

Due to economic uncertainty the anticipated multi-year settlement has been postponed again, hence the draft settlement only covers 22/23.

Similarly, the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a revised Business Rates Retention Scheme, have both been put on hold for at least a further 12 months.

The 2022/23 Local Government Finance Settlement showed an increase in the Government's Settlement Funding Assessment of 1.08%. The Settlement Funding Assessment comprises:-

Table 11 Details of Settlement Funding Assessment 2022/23

• Revenue Support Grant (from the Government)	£8.8m
• Business Rates (from local billing authorities)	£11.3m
• Business Rates Top-Up (from the Government)	£4.4m
	£24.5m

Looking beyond 22/23, it is assumed that this will grow in line with this increase and hence we have allowed for 1.0% growth each year. The table below sets out our assumed level of funding (Settlement Funding Assessment) over the next 5 years: -

Table 12 Forecast Settlement Funding Assessment 2022/23-2026/27

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Estimated Settlement Funding Assessment	24.5	24.8	25.0	25.2	25.5
Growth	1.1%	1.0%	1.0%	1.0%	1.0%

Service Grant

A new one-off grant has been introduced in 2022/23, Services Grant, worth £822 million to local government. This grant allocation is for 2022/23 only, but the Government has confirmed it will work with the sector on how to distribute this funding from 2023/24 onwards. As the grant includes funding for the increase in employer National Insurance Contributions it is assumed that this element will recur in subsequent years, but it may be under a different heading. We have not built in any allowance for the balance of this grant in future years.

Table 13 Forecast Service Grant

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Service Grant	1.1	0.3	0.3	0.3	0.3

Business Rates Adjustments

We have now received final details of our Business Rates from billing authorities. These are £0.5m lower than the Governments estimate of £4.4m, as set out above.

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 has increased significantly to

£2.6m, reflecting the higher Government multiplier being applied this year. We have assumed this increases in line with inflation in future years.

Members will recall that last year the Government agreed to smooth any collection fund deficits over a 3-year period, hence we are carrying a £80k deficit into this year's budget.

This year the Government has again provided 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 £0.8m. 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. Billing authorities have calculated our share of this at £1.1m. (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.)

We have assumed that the collection fund is in a balanced position in future years, with any deficit netting off against any additional reliefs.

Table 14 Forecast Business Rates Adjustments

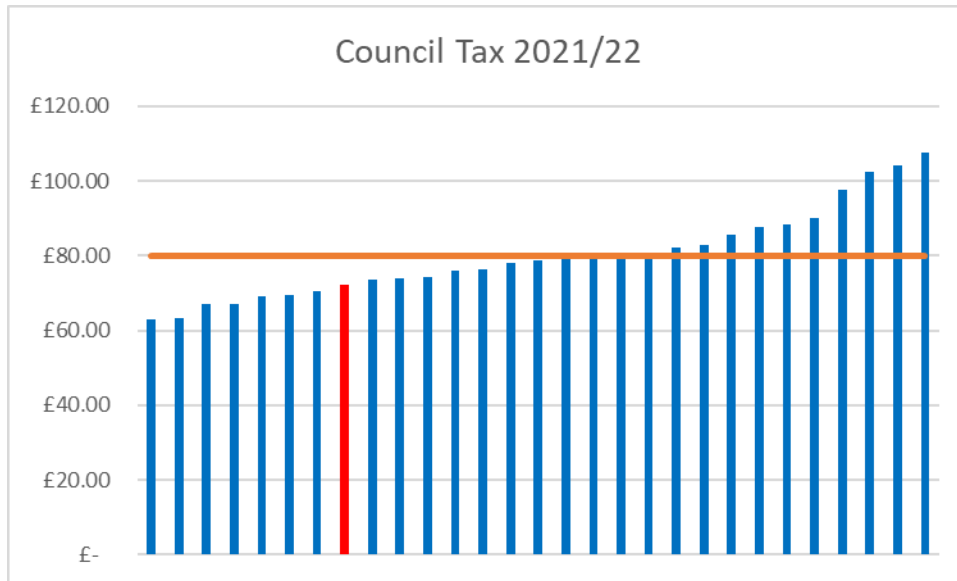
	2022/23	2023/24	2024/25	2025/26	2026/27
Local Business Rates Adjustment, confirmed by Billing Authorities	£0.5m	£0.5m	£0.5m	£0.5m	£0.5m
Section 31 Grant – Business Rates Reliefs	(£2.6m)	(£2.7m)	(£2.7m)	(£2.7m)	(£2.7m)
Business Rates Collection Fund Deficit c/fwd from 21/22	£0.1m	£0.1m	-	-	-
Business Rates Collection Deficit in year	£0.8m	-	-	-	-
Additional Section 31 Grant – Business Rates Reliefs Adjustment	(£1.1m)	-	-	-	-
Total Business Rates Adjustment	(£2.3m)	(£2.1m)	(£2.2m)	(£2.2m)	(£2.2m)

Council Tax

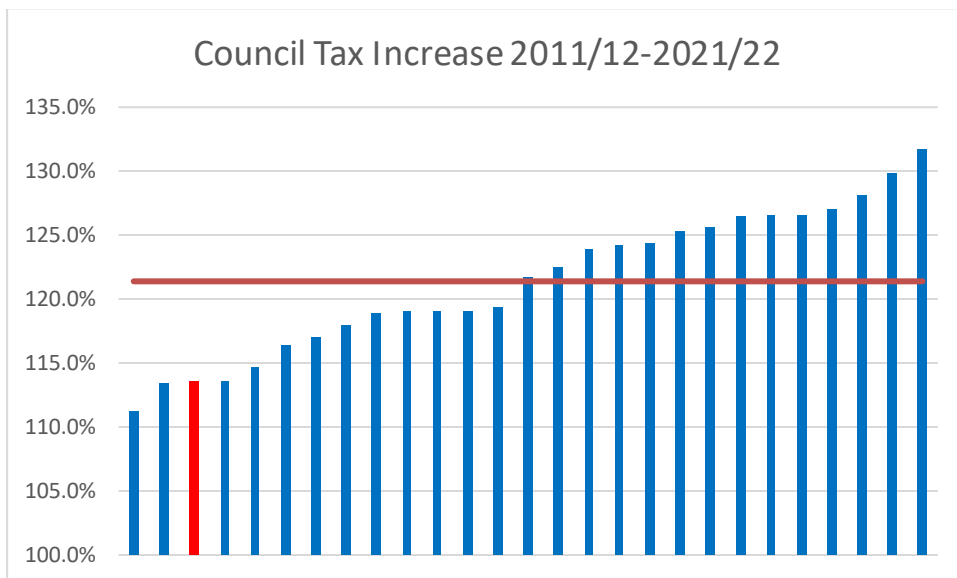
In setting the council tax, the Authority aims to balance the public's requirement for our services with the cost of providing this. As such the underlying principle of any increase in council tax is that this must be seen as reasonable within the context of service provision.

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 £72.27 is still below the national average of £80.06, and our increase of just 13.5% since 2010/11 compares with an average increase of 21.4% over the same period and is the third lowest of any Fire Authority.

Graph 1 Comparative Council Tax 2021/22



Graph 2 Comparative Council Tax Cumulative Increase 2011-2022



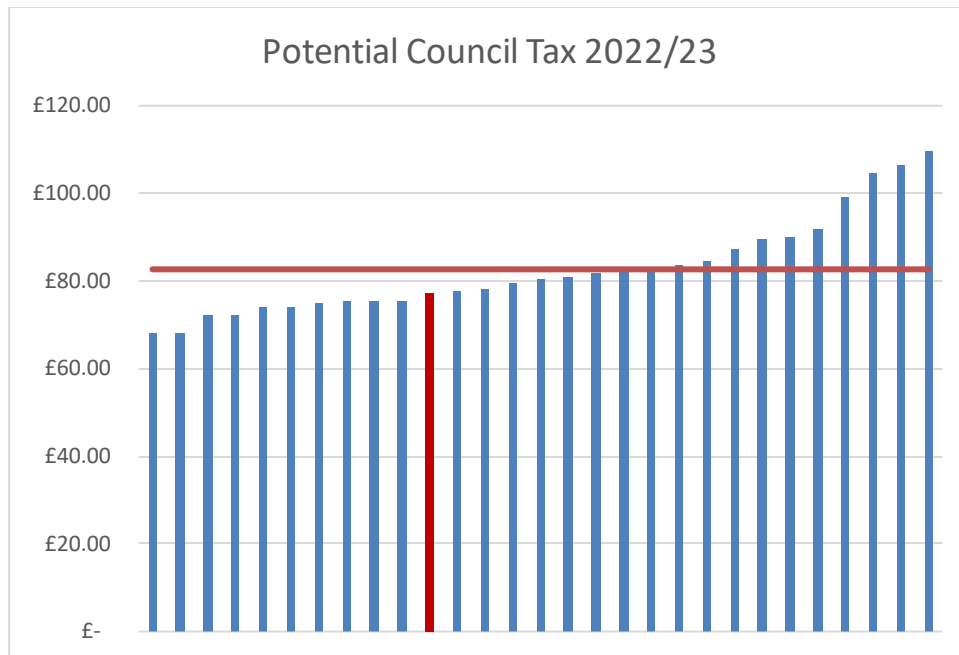
The Local Government Settlement confirmed that “the Government is proposing a 2% core referendum threshold and is consulting on proposals to allow the 8 FRAs with the lowest precept levels to increase council tax by £5 for one year only in 2022/3. This is to assist those FRAs in addressing immediate pressures and to maintain a sustainable income baseline for future years”. It is worth highlighting that this flexibility was last allowed in 2013/14, and that the sector as a whole has been lobbying for re-introduction of this flexibility for all Authorities since this date, hence this a major shift in the Government’s stance, but one which is very unlikely to be repeated in future years.

Lancashire are in the bottom quartile for council tax levels and hence, if the flexibility is supported following the consultation exercise, this will apply to ourselves. Based on our estimated tax base this will generate £2.25m of funding compared with £650k from a 2% increase, an additional £1.6m. Furthermore, it should be emphasised that this additional funding will set a new council tax baseline and hence becomes a recurring increase.

Assuming all Authorities increase by the maximum amount permissible (£5 or 2% depending in which quartile they are in) our council tax of £77.27 would still be below the

national average of £82.66, and our increase of 21.4% since 2010/11 would compare with an average increase of 25.5% over the same period and will still be the joint seventh lowest of any Fire Authority.

Graph 3 Forecast Comparative Council Tax 2022/23



Graph 4 Forecast Comparative Council Tax Cumulative Increase 2011-2023



Council Tax-Base

The Authorities council tax-base has increased by 1.6%. For the purpose of medium term forecasting we have assumed that the taxbase increases by 1.5% in subsequent years in line with historic averages.

Table 15 Forecast Council Tax-Base

	2022/23	2023/24	2024/25	2025/26	2026/27
Estimated Number of Band D equivalent properties	449,778	456,525	463,373	470,323	477,378

Last year the Government allocated an additional £670m of Local Council Tax Support Grant to councils, of which our share was £0.8m, to offset the reduction in tax base during the pandemic. It is assumed that this was a one-off allocation, and hence this has not been allowed for in this year's budget.

Last year the Government agreed to smooth any collection fund deficits over a 3-year period, hence we are carrying a £121k deficit into this year's budget. Billing Authorities have now confirmed that the in-year collection fund surplus is £478k. We have assumed a surplus in future years of £400k, in line with historic averages:-

Table 16 Forecast Council Tax Collection Fund

	2022/23	2023/24	2024/25	2025/26	2026/27
Council Tax Collection Fund Deficit c/fwd from 21/22	£0.1m	£0.1m	-	-	-
Council Tax Collection Surplus in year	(£0.5m)	(£0.4m)	(£0.4m)	(£0.4m)	(£0.4m)
Net Collection Fund Surplus	(£0.4m)	(£0.3m)	(£0.4m)	(£0.4m)	(£0.4m)

Draft Council Tax Requirements

Table 17 Forecast Council Tax Requirements

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Draft Budget Requirement	63.0	63.4	65.1	66.7	68.4
Less Settlement Funding Assessment	(24.5)	(24.7)	(25.0)	(25.2)	(25.5)
Less Service Grant	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)
Less Business Rates Adjustment	(2.3)	(2.1)	(2.2)	(2.2)	(2.2)
Less Council Tax Collection Deficit/(Surplus)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)
Equals Precept	34.7	36.0	37.2	38.6	39.9
Estimated Number of Band D equivalent properties	449,778	456,525	463,373	470,323	477,378
Equates to Council Tax Band D Property	£77.27	£78.81	£80.38	£81.98	£83.61
Increase in Council Tax	£5.00	2.0%	2.0%	2.0%	2.0%

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

As can be seen the increase in 22/23 is in line with the additional flexibility allowed for in the settlement. Increases in subsequent years are in line with the anticipated 2% referendum limit.

Reserves

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. The most significant change is the increased risks associated with pension costs arising from the review of pensionability of allowances and the Immediate Detriment position. As such the minimum requirement has increased to £4.0m. As at 31 March 2022 we anticipate holding £6.0m, providing scope to utilise approx. £2.0m of reserves.

Therefore, the Treasurer considers this reserve is at an appropriate level.

Response to Consultation

Attached as appendix 5 is the response from the Fire Brigades Union to the consultation exercise. There were no other responses received at the time of writing the report.

Summary Council Tax 2022/23

We are recommending a £5.00 increase in council tax for an average band D property:-

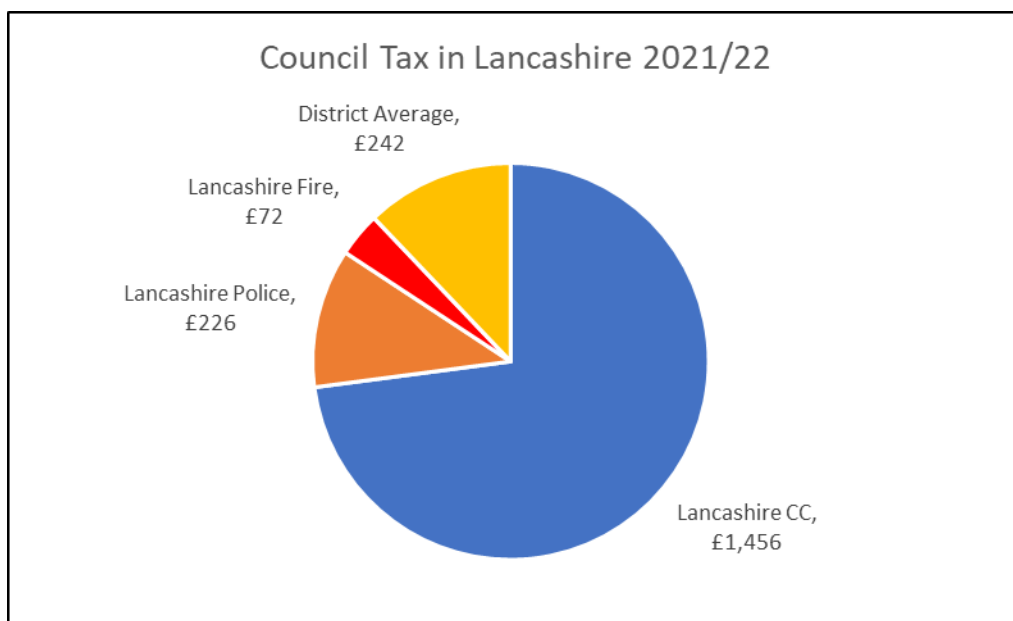
Table 18 Detailed Council Tax Requirement 2022/23

	£m
Gross Budget Requirement	63.0
Less Settlement Funding Assessment	(24.5)
Less Service Grant	(1.1)
Less Business Rates Adjustment	(2.3)
Less Council Tax Collection Surplus	(0.4)
Equals Precept	34.7
Estimated Number of Band D equivalent properties	449,778
Equates to Council Tax Band D Property	£77.27
Increase in Council Tax	£5.00

The increase of £5.00 per annum equating to 10p per week for an average band D property.

It is also worth highlighting that Fire accounts for a very small proportion of the total council tax bill, with the 2021/22 average band D bill in Lancashire being £1,996, of which 'Fire' accounts for £72, less than 4%

Graph 5 Council Tax in Lancashire 2021/22



Robustness of the Revenue Budget 2022/23

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

Table 19 Inflationary Allowance Included in Budget

	2022/23
Uniformed Pay Award	2.0%
Non-Uniformed Pay Award	2.0%
Non-Pay Inflation (Additional inflation has been allowed for in 22/23 in respect of energy and fuel)	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

A number of alternative budget scenarios are shown in appendix 2.

Summary and Conclusions

The lack of a multi-year settlement makes longer term planning more difficult as there can be no certainty around future funding forecasts. Offsetting this is the opportunity provided by the £5 council tax flexibility allowed this year. The Home Office have clearly stated that this flexibility is only for this year, and it is hard to see a situation where that does not prove to be the case in the medium term.

Raising council tax by the maximum permissible still only increases the overall council tax bill by £5 but generates £2.25m of funding for the Authority. This increase provides an opportunity to address some of the capacity and pay issues within support functions, supporting the delivery of further efficiencies, as well as reduce the pressure on the ECR delivering sufficient change to offset the cessation of DCP and meet future budget pressures. It gives greater long term funding certainty which will form the basis of our future investment requirements, which are essential if we are to hit our 'road to outstanding' ambition and be the best equipped, best trained and best accommodated Service.

Resolution based on a council tax increase of £5.00, resulting in a council tax of £77.27

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 £63.017m for 2022/23
4. note the level of Revenue Support Grant Funding £8.832m
5. note the level of Business Rates Retention Top Up Funding £11.295m
6. note the level of Local Business Rates Retention Funding £3.900m
7. note the section 31 grant of £2.590m due in respect of the business rate reliefs
8. note the business rate tax collection fund deficit of £0.894m, after allowing for the 3-year spread from 2021/22
9. note the section 31 grant of £0.948m due in respect of the additional in-year business rate reliefs for 2021/22
10. note the Covid Additional Relief Fund grant of £0.153m due in respect of 2021/22
11. note the level of Service Grant Funding £1.081m
12. note the net council tax collection fund surplus of £0.357m after allowing for the 3-year spread from 2021/22
13. agree the council tax requirement, calculated in accordance with Section 42A(4) of the Localism Act of £34.754m
14. note the council tax base of 449,778 determined for the purposes of Section 42B of the Local Government Finance Act 1992
15. agree a council tax band D equivalent of £77.27, an increase of £5.00, 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:

Table 20 Council Tax by Band

Band A	£51.51
Band B	£60.10
Band C	£68.68
Band D	£77.27
Band E	£94.44
Band F	£111.61
Band G	£128.78
Band H	£154.54

16. agree, based on each district and unitary councils share of the total band D equivalent tax base of 449,778, the share of the total LCFA precept of £34.754m levied on each council as follows:

Table 21 Precept by Billing Authority

Blackburn With Darwen Borough Council	£2,738,395
Blackpool Borough Council	£2,869,808
Burnley Borough Council	£1,814,841
Chorley Borough Council	£2,944,606
Fylde Borough Council	£2,425,660
Hyndburn Borough Council	£1,626,534
Lancaster City Council	£3,249,977
Pendle Borough Council	£1,849,891
Preston City Council	£3,072,951
Ribble Valley Borough Council	£1,897,211

Rossendale Borough Council	£1,590,217
South Ribble Borough Council	£2,826,916
West Lancashire District Council	£2,910,739
Wyre Borough Council	£2,936,605
TOTAL	£34,754,351

Budget Scenarios

Without a multi-year settlement is very hard to provide any meaningful funding forecast, however for the purpose of medium-term financial planning we have assumed that funding is increased by 1.0% in subsequent years. Allowing for a £5 increase in council tax in 22/23 and a 2% council tax increase in future years, in line with the likely referendum principles, the Authority is able to set a balanced budget throughout the 5-year plan.

Looking at the medium-term plans it is clear that the key variables remain future funding levels, pay awards, pension costs and the outcome of the ECR.

As such additional scenarios are presented below showing the potential impact of:-

- a funding freeze in future years
- a 10% reduction in funding over the next 4 years
- a 3% pay award each year (2% is already allowed for in the budget)
- a potential 5% increase in employer pension contributions in 24/25, as a result of the McCloud pension judgement
- an increased cost of £5.5m arising from the ECR and the cessation of DCP
- an increased cost of £1.0m arising from the ECR and the cessation of DCP

As can be seen all of these have a significant impact on the remainder of the medium-term strategy ranging up to a £3.8m loss of funding or a £5.5m increase in costs. Although it must be recognised that there may be opportunities to deliver future savings to offset some of these.

Table 22 Budget Scenarios

	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Current Budget Gap	-	-	-	-	-
Revised Gap - Funding Freeze 2023/24-2026/27	-	(0.3)	(0.5)	(0.8)	(1.2)
Revised Gap - 10% Funding Reduction 2023/24-2026/27	-	(0.9)	(1.9)	(2.8)	(3.8)
Revised Gap - 3% Pay award each year (2% is already allowed for)	(0.4)	(0.9)	(1.4)	(2.0)	(2.6)
Revised Gap – 5% increase in employer pension costs in 24/25	-	-	(1.5)	(1.5)	(1.5)
Revised Gap – £5.5m increase from ECR	-	(1.8)	(3.6)	(5.5)	(5.5)
Revised Gap – £1.0m increase from ECR	-	(0.3)	(0.6)	(1.0)	(1.0)

Analysis of Budget by Service Area

Table 23 Budget by Service Area

	2022/23 Budget	2023/24 Budget	2024/25 Budget	2025/26 Budget	2026/27 Budget
	£m	£m	£m	£m	£m
Central Admin Hub	0.834	0.896	0.937	0.956	0.976
Control	1.346	1.396	1.449	1.503	1.559
Corporate Communications	0.328	0.350	0.341	0.348	0.356
Executive Board	1.059	1.101	1.135	1.158	1.181
Finance	0.145	0.156	0.164	0.167	0.170
Fleet Services	2.683	2.791	2.874	2.943	3.013
Health & Safety	0.233	0.247	0.257	0.262	0.268
Human Resources	0.844	0.886	0.828	0.845	0.862
ICT	3.203	3.326	3.317	3.378	3.465
Occupational Health	0.241	0.253	0.262	0.268	0.274
Procurement	0.848	0.885	0.956	1.001	1.194
Property	1.605	1.657	1.705	1.749	1.794
Service Delivery	36.577	37.385	38.024	39.153	39.788
Prevention and Protection	2.893	2.954	3.035	3.102	3.170
Service Development	1.466	1.522	1.546	1.579	1.612
Special Projects	0.035	0.035	0.035	0.036	0.036
Training	5.093	4.596	4.876	4.820	4.929
Pensions Expenditure	1.351	1.368	1.431	1.435	1.505
Other Non-DFM Expenditure	2.232	1.579	1.930	1.997	2.275
Gross Budget Requirement	63.017	63.382	65.101	66.697	68.426

Analysis of Budget by Type of Expenditure

Table 24 Budget by Type of Expenditure

	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m
Employee					
Uniformed	41.261	41.257	41.883	43.030	43.683
Support staff	7.205	7.764	8.065	8.231	8.412
Pensions	1.344	1.361	1.424	1.428	1.498
Other Employee Related Exp	0.058	0.059	0.061	0.062	0.064
	<u>49.868</u>	<u>50.441</u>	<u>51.433</u>	<u>52.751</u>	<u>53.657</u>
Premises					
R&M	1.022	1.048	1.074	1.101	1.128
Utilities	0.691	0.708	0.726	0.744	0.763
Cleaning	0.380	0.389	0.399	0.409	0.419
PFI	0.751	0.770	0.789	0.809	0.829
Other	0.038	0.039	0.040	0.041	0.042
Rent/Rates	1.352	1.419	1.490	1.564	1.641
	<u>4.235</u>	<u>4.373</u>	<u>4.517</u>	<u>4.667</u>	<u>4.821</u>
Transport					
Repairs	0.797	0.817	0.838	0.859	0.880
Running Costs	0.482	0.494	0.506	0.518	0.531
Travel costs	0.442	0.453	0.464	0.475	0.487
insurance	0.222	0.227	0.233	0.239	0.244
Other	0.005	0.005	0.005	0.006	0.006
	<u>1.948</u>	<u>1.996</u>	<u>2.046</u>	<u>2.096</u>	<u>2.148</u>
Supplies & Services					
Hydrants	0.075	0.076	0.078	0.080	0.082
Operational equipment	0.599	0.645	0.686	0.704	0.721
Clothing & Uniform	0.415	0.424	0.476	0.510	0.692
Printing, stationery, postage	0.154	0.158	0.162	0.165	0.169
Comms-Network Costs	1.071	1.098	1.125	1.154	1.182
Telephony	0.201	0.206	0.211	0.217	0.222
Computers	1.431	1.467	1.504	1.541	1.580
Subsistence	0.096	0.098	0.100	0.103	0.105
Fire Safety Expenses	0.302	0.310	0.317	0.325	0.333
Training Expenses	0.459	0.470	0.482	0.494	0.506
insurance	0.259	0.264	0.269	0.275	0.280
Members Expenses	0.175	0.179	0.184	0.188	0.193
Misc Equipment	0.090	0.092	0.094	0.096	0.098
Other	2.087	2.260	2.324	2.662	2.735
Catering	0.086	0.088	0.090	0.092	0.095
PTV Residential	0.098	0.100	0.103	0.105	0.108
	<u>7.597</u>	<u>7.935</u>	<u>8.204</u>	<u>8.710</u>	<u>9.101</u>
Other					
Contracted Services	1.106	1.101	1.290	1.156	1.185
Other	0.004	0.004	0.004	0.004	0.004
	<u>1.109</u>	<u>1.105</u>	<u>1.294</u>	<u>1.160</u>	<u>1.189</u>
Capital Financing Costs					
Capital Financing Costs	4.100	3.300	3.300	3.025	3.250
	<u>4.100</u>	<u>3.300</u>	<u>3.300</u>	<u>3.025</u>	<u>3.250</u>
Income					
Income	(5.839)	(5.768)	(5.693)	(5.711)	(5.741)
	<u>(5.839)</u>	<u>(5.768)</u>	<u>(5.693)</u>	<u>(5.711)</u>	<u>(5.741)</u>
Gross Budget Requirement	63.017	63.382	65.101	66.697	68.426