Hereford & Worcester Fire Authority
24 February 2021

Report of the Treasurer and the Chief Fire Officer

Budget and Precept 2021/22 and Medium Term Financial Plan

Purpose of report

1. To determine the Revenue and Capital Budgets and the Council Tax Requirement for 2021/22
2. To approve the Prudential Indicators and Minimum Revenue Provision (MRP) Statement for 2021/22
3. To approve the Capital, Investment and Reserves Strategies
4. To approve the level of Fees & Charges for chargeable services for 2021/22
5. To identify potential future resources, their consequential impact on future year budgets and the future Council Tax Requirement. (the Medium Term Financial Plan)

Recommendations

It is recommended that:

i) the Capital Strategy (paragraphs 13-26) be approved;

ii) the Capital Budget and Programme (Appendix 1) be approved;

iii) the Core Net Revenue Budget of £35,056,000 (Appendix 4) be approved;

iv) the Medium Term Financial Plan (Appendix 5) be approved;

v) the Authority calculates that in relation to the year 2021/22 and set out in Appendix 7:

a) the aggregate expenditure it will incur will be £35,161,200.00;
b) the aggregate income it will receive will be £10,811,794;
c) the net amount transferred to financial reserves will be £131,000.00;
d) the net collection fund deficit is £119,743.11;
e) the net amount of its Council Tax Requirement will be £24,600,149.01;
f) the basic amount of Council Tax will be £87.68 (Band D);
g) the proportional tax-bands will be:

• Band A	***£58.45***
• Band B	***£68.20***
• Band C	***£77.94***
• Band D	***£87.68***
• Band E	***£107.16***
• Band F	***£126.65***
• Band G	***£146.13***
• Band H	***£175.36***

h) the precept demands on the individual Billing Authorities are:

- ***Bromsgrove £3,260,346.04***
- ***Herefordshire £5,993,071.97***
- ***Malvern Hills £2,741,798.95***
- ***Redditch £2,293,424.78***
- ***Worcester £2,816,300.76***
- ***Wychavon £4,533,534.15***
- ***Wyre Forest £2,961,675.36***

vi) the Reserves Strategy (paragraphs 66-74 and Appendix 8) be approved;

vii) the Investment Strategy (paragraphs 75-80) be approved;

viii) the fees and charges for 2021/22 (Appendix 9) be approved; and

ix) the Statement of Prudential Indicators and Minimum Revenue Provision Policy (Appendix 10) be approved.

Introduction and Background

6. In February 2020 the Authority agreed a Medium Term Financial Plan (MTFP) to 2024/25, which was based on a series of assumptions about the uncertain position beyond 2020/21. The base position identified structural budget gaps which could be covered by use of the budget reduction reserve as planned.

7. Although this still left a residual gap in 2024/25, the uncertainty over the delayed Comprehensive Spending Review (CSR), with potential for further grant cuts, meant that it was a reasonable position pending the CSR outcomes then expected in 2021/22.

8. 2020/21 has been an exceptional year in many ways, but specifically in relation to Authority finances; it has seen spending delays and a significant impact on council tax and business rates. Although these impacts have been mitigated in year by government grant support, there is a longer term impact. In September 2020 the Authority received a report outlining what these impacts might be, but noting that detail information was lacking.

9. It was expected that 2021/22 would be the first year of, the already delayed, CSR period, and would clarify a number of these future funding assumptions. However, the reality of the position is that 2021/22 has been another “roll-over” year, and provides no clear indication of future intent.

10. The MTFP has again been prepared on the basis of a “steady state” base positon with the impact of various grant scenarios modelled separately. There is no information available to estimate which of these scenarios is most probable.

11. Although information is now available on resources for 2021/22, the later receipt of this information, and its variance this year, meant that the Policy and Resources Committee did not meet in January 2021 as would be usual.; however Group Leaders and the Chair and Vice-Chair of Policy and Resources received verbal briefings based on available information.

12. In preparing the budget and MTFP, the existing approved approach of the Fire Authority has been continued i.e.:

    a. the 2021/22 Band D precept annual increase is set at £1.69 (1.97%);
    b. future years' planning should assume an annual precept increase of 1.96% thereafter;
    c. provision be made for future pay awards at 2%, with a pay pause in 2021/22 in line with government policy; and
    d. the Reserves Strategy is reconfirmed including their appropriate use to smooth the budget gap in transition to planned efficiency savings, and retention of current levels until there is more certainty about future years.

Capital Strategy

13. As part of its wider treasury management objectives, the Authority must have regard to the Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

14. Its latest revision states that an Authority must produce a capital strategy, which shows how the Authority sets out its priorities for capital investment, including links to existing plans and strategy documents. It also considers the way in which capital expenditure may be financed.

15. The main elements of the capital strategy are to support a capital programme that:

    a. Ensures that Authority assets are used to support the delivery of the Community Risk Management Plan (CRMP) and associated priorities;
    b. Is affordable, financially prudent and sustainable;
    c. Ensures the most cost effective use of existing assets and new capital investment; and
    d. Supports the other key strategies of the Authority.

16. The Capital Programme forms part of the Medium Term Financial Plan (MTFP) which is an integrated part of the Authority's strategic direction and will be considered alongside the CRMP.

17. The **CRMP** establishes the means by which the Authority identifies, and intends to meet, the risks within the community. The plan will determine, within the financial resources available:

    a. the number, type and location of operational properties and fire appliances
    b. the services and capability to be provided from them, including the necessary supporting infrastructure

18. The **MTFP** is designed to demonstrate that the Authority has considered the funding streams available into future years and has plans in place to deliver the priorities identified by its CRMP, within the available resources.

19. The **Asset Management Plan** considers the existing property base in relation to location, condition and suitability, and proposes relevant action to optimise need and provision. In this it is supported by the Strategic Property Liaison Group.

20. The **Fleet Strategy** performs the same function in relation to the operational and non-operational vehicle fleets.

21. The **ICT Strategy** provides a comprehensive picture of how the Service will use ICT to support the service it provides.

22. Consideration, approval and monitoring of the capital programme takes place as part of the Authority's strategic planning timetable.

    a. Property, fleet and ICT requirements are incorporated into the capital programme based on the priorities identified in the respective strategies.
    b. The Vehicle Strategy is approved by the Policy and Resources Committee on a two–yearly cycle. The Asset Strategy, due to its longer term nature, is approved as and when required.
    c. The Authority has allocated an annual sum for minor capital schemes, which is delegated to the Service's Senior Management Board (SMB) to allocate. The majority of this allocation is on ICT schemes (as included in the ICT Strategy) or Minor Building works, arising from the condition survey supporting the Asset Strategy. Other potential schemes are supported by an appropriate business case.
    d. Prudential indicators, including the Capital Financing Requirement (CFR), are calculated, based on the proposed programme, to demonstrate that the programme is affordable, sustainable and prudent. These are detailed in Appendix 10 (Prudential Code Indicators).
    e. The capital strategy and capital programme, are approved by the Fire Authority in February as part of the budget and precept setting process.
    f. Particularly in respect of property schemes, but in all practical cases, the Authority will adopt a collaborative approach with suitable partners wherever appropriate.
    g. The Authority will not incur expenditure on additional property solely to generate investment income. However, if an existing property becomes vacant, and rental delivers a more advantageous return for the Authority, appropriate expenditure may be incurred

23. Spend on individual schemes within the capital programme is monitored by officers on a continuous basis and reviewed by SMB on a quarterly basis. Information is provided to the Policy and Resources Committee as part of the quarterly budget monitoring reports.

24. Overall funding for capital schemes will be identified prior to the capital programme being put forward for consideration and approval. It should be clear to those charged with governance that the programme is affordable, sustainable and prudent, prior to approval. However, it is the programme as a whole that is financed, and not individual schemes and funding arrangements may be adapted to meet changing circumstances as projects progress.

25. The Authority has a number of funding sources that can be used to finance capital expenditure:

   a. **Reserves** are set aside from revenue resources and earmarked for particular expenditure which qualifies as capital spend, e.g. cutting gear, breathing apparatus etc. This use of reserves is consistent with the Reserves Strategy.

   b. **Capital Receipts** of £10,000 or more may only be used to fund new capital expenditure or the repayment of existing debt.

   c. **Leasing** can also be used to acquire capital assets, and should be considered alongside other sources of funding.

   d. **Revenue funding** can also be used to fund capital expenditure (but capital funds cannot normally be used to fund revenue). This source of financing is used to deal with underspending within the capital financing budget that arises from slippage in the capital programme. It will be used in a cost effective way to maintain future financial sustainability.

   e. Capital projects that cannot be funded from any other source can be funded from external **borrowing**. The Authority is able to borrow money from the Public Works Loan Board (PWLB) to fund its capital programmes, and will need to fund a repayment provision and interest costs from its revenue budget.

      i. The Authority must ensure that its borrowing is affordable, sustainable and prudent, and this is demonstrated through its approval of Prudential Indicators.

      ii. 'Internal borrowing' occurs when the Authority will use its cash balances to fund capital schemes rather than taking out long term loans with PWLB. This is managed as part of the Treasury Management process.

26. As well as funding the asset in a capital scheme, the Authority must also consider and take account of the ongoing implications of the scheme on the revenue budget.

   a. If the scheme is to be funded from prudential borrowing, there will be an interest charge and a provision towards loan repayment.

   b. The asset may have running costs (such as a maintenance charge or support agreement) or generate efficiencies, which are also incorporated in the revenue budget

Capital Programme

27. The Capital Programme, using prudent financing assumptions and based on the agreed Asset Management Plan and Fleet Strategy, and with the usual annual

provision of £0.600m for minor buildings and IT schemes etc. is included as Appendix 1. The revenue consequences of the schemes, including financing costs, are included in the revenue budget projections in Appendices 3 to 6, and the Statement of Prudential Code Indicators and Minimum Revenue Provision Policy at Appendix 10.

28. Although budget provision has been given for specific schemes within the proposed Future Buildings Provision block, as individual contracts are still subject to tender etc., individual allocations are not shown in order that the information does not compromise the Authority's negotiating position.

Expenditure Requirement

29. The expenditure requirement set out in the previous MTFP was based on a series of key assumptions around pay, inflation and interest rates and other factors. These have now been reviewed and there are significant savings as illustrated below:

	2021/22	**2022/23**	**2023/24**	**2024/25**
	£m	**£m**	**£m**	**£m**
Feb-20	36.080	36.870	37.651	38.532
change	(1.024)	(0.403)	(0.434)	(0.352)
Feb-21	35.056	36.467	37.217	38.180

30. The detail year on year changes are shown in Appendix 3, but the variation is due to three key changes which are outlined below:

   a. Members have already been advised that the core budget had made provision for additional pension contributions arising from the McCloud/Sargeant settlement, but that during 2020/21 government made it clear that the impact would not be felt until the April 2022 contribution rate change. This gives a short term saving, as previously reported.
   b. Provision had been made for annual pay awards at 2%, however in response to significant additional public spending to deal with Covid-19 issues, the Chancellor announced a pay "pause" for public sector workers in 2021/22. Whilst government are not a party in Firefighter or Support staff pay negotiations it is considered prudent to follow the government lead regarding this. This has a long term base budget impact.
   c. As a result of continued slippage to major capital schemes (notably Hereford and Redditch Fire stations and the North Herefordshire training facility), Members will have noticed than in each of the last few years a significant capital financing underspend has been identified at the first quarter. The budget has therefore been adjusted to eliminate this, but to ensure there are sufficient resources to meet the likely progress on these schemes.

31. In accordance with previous practice, and to provide a continuous record of year on year budget changes, Appendix 3 tracks the changes from the approved 2020/21 budget to that proposed for 2021/22 and Appendix 4 allocates this proposed budget to the relevant approved budget heads.

Review of Available Resources

32. Resources can be split between Grant which can be split into formula grant (the “settlement”) and other grants: Council Tax precept and Retained Business Rates.

Formula Grant

33. As referred to above the expected CSR and four year settlement has been deferred by another year and there has been another one year “roll-over” of the 2020/21 figures.

34. This has resulted in a further delay to the expected reductions in grant and an inflationary increase (albeit of only 0.55%) being made instead. In addition the expected changes from the implementation of a Business Rate Reset have not occurred as forecast.

Other Grants

35. Furthermore, the Rural Services Delivery Grant has been continued for a further year and the Home Office has now confirmed that the Firelink grant will continue to be paid until the replacement (ESN) is available rather than only to the point the delayed project was scheduled to be on-line.

36. Finally, the one-off 2019/20 pension grant (repeated in 2020/21) has now been conformed as part of the base, although allocations are to be frozen in cash terms.

Grant Summary

37. As a consequence 2021/22 grant resources are significantly greater than forecast in the existing MTFP.

38. It is now anticipated that there will be a Comprehensive Spending Review to support a longer term settlement from 2022/23 onwards. How this will impact is unknown, because in addition to the existing uncertainties:

    a. the relative needs within local government e.g. Fire against Police/Social Care etc.
    b. the distribution of the fire share between individual authorities

    there is now further uncertainty around the Retained Business Rate scheme, and Business Rates as a tax, and the unknown impact of committed and future public spending on combating Covid-19.

39. As a result of this compounded uncertainty the base MTFP assumes that current funding levels continue, and the potential for changes to this shown as variations to the base.

40. It is anticipated that indicative grant information for 2022/23 will not be available until early November 2021.

Precept Assumptions

41. The level of income from precept is determined by the Band D tax and the total council tax-base.

42. Although the Authority is free to increase the precept by any level it feels is appropriate, any increase above the threshold set by government requires the Authority to hold a referendum on the increase. The Authority has previously concluded that a referendum is not preferable given the percentage increase necessary merely to fund the cost of the referendum, without delivering additional resources to fund services.

43. Government has, however, announced that (subject to formal confirmation) the limit for standalone Fire Authorities, for 2021/22 will be “less than 2.00%, and the Authority has approved a planning assumption of 1.96%.

44. This figure will not require the Authority to conduct a referendum on the level of increase in 2021/22.

45. The Medium Term Financial Plan continues to assume further annual increases of 1.96% from 2022/23.

46. The tax-base however, been impacted by the economic effects of the Covid crisis in two main ways:

    a. A lack of progress on new house completions and;
    b. Significant increases in the costs of the Local Council Tax Support Schemes (LCTSS).

47. The result is that the tax-base has actually fallen by 0.74% this year (compared to an increases of 1.11% assumed in the last MTFP) with recovery being much slower and forecast growth of only 0.36% in 2022/23, all subject to the uncertainties about the long term economic impact of Covid-19. The consequence of this is a continued lower yield from Council Tax.

48. Furthermore the same issues have had an impact in 2020/21 resulting in a small Collection Fund loss, which in accordance with government regulations is now spread over the next three years.

49. However, to compensate for this government is making an additional LCTSS grant available in 2021/22 and a grant to cover 75% of the exceptional 2020/21 collection fund losses. The net position compared to the previous MTFP is shown below:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Tax-base Loss	0.458	0.690	0.685	0.699
Collection Fund error in previous MTFP	0.120	0.088	0.088	(0.319)
	0.578	**0.778**	**0.773**	**0.380**
LCTSS Grant	(0.372)			
Collection Fund Grant	(0.066)	(0.066)	(0.066)	
	0.140	**0.712**	**0.707**	**0.380**

Retained Business Rates

50. Each year the Billing Authorities provide an estimate (the NNDR1) of the amount of Business Rate they believe is collectable. This also includes estimates of any Section 31 grant payable by government to compensate for some nationally determined rate reliefs.

51. Together with the Section 31 grant payable directly by MHCLG – this is an estimate of the total resources available.

52. Business Rate yield has also been affected by the economic impacts of Covid-19 and there is a significant collection fund loss. Whilst this is also compensated for by government, the definition of what is exceptional is different and it is expected that grant payable is significantly less.

53. At the time of publication NNDR1 information had not been received from any of the Billing Authorities, so the position is based on a best estimate. If materially different then these figure will be updated at the Authority meeting, but any variation will be dealt with as a budget monitoring issue for 2020/21.

54. The potential position regarding 75% Business Rate Retention has been outlined, but indications were that government was intending to leave the fire share at 1%. It is expected that the planned baseline reset will take place from 2021/22, which effectively means that any growth in the local tax-base is lost and re-allocated. It is not clear how this will be calculated (particularly with the other potential changes to business rates) but an estimate has been made for inclusion in the MTFP.

55. Given the uncertainty over the future of the Retained Business Rate system, for planning purposes it is then assumed that the core yield (and grants) will rise at least as much as the government's inflation target (i.e. 2% per year), but that there is small annual Collection Fund loss. The net impact on Business Rate income is shown in the table below:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Net Loss of Yield	0.236	0.240	0.243	0.251
Collection Fund	0.581	0.056	0.056	
	0.817	**0.296**	**0.299**	**0.251**
Collection Fund Grant	(0.042)	(0.042)	(0.042)	
	0.775	**0.254**	**0.257**	**0.251**

Fees and Charges

56. The Authority sets a scale of fees for chargeable services and these are now reviewed annually. It has been determined that the fee payable should be a rounded sum so it may not be necessary to apply an increase each year. The proposed charges for 2020/21 are set out in Appendix 9.

2021/22 Budget and Precept and Future Years

57. The Authority is required to set a budget and precept for 2021/22, but has to give consideration to the impact on future affordability through a MTFP.

58. The increased uncertainty about future planning has already been set out, and the base MTFP is based on a continuation of the current position and is set out in detail in Appendix 5.

59. The position is summarised in the following table:

	2021/22 Budget £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Expenditure Forecast	35.056	36.467	37.217	38.180
Funding Forecast	(35.187)	(35.994)	(36.977)	(37.825)
Structural Gap	(0.131)	0.473	0.240	0.355

60. Compared to the previous MTFP the core changes are:

	2021/22 Budget £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Structural Gap : Feb 2020	**0.562**	**0.385**	**0.191**	**0.373**
Expenditure Changes	(1.024)	(0.403)	(0.434)	(0.352)
Grant Changes	(0.584)	(0.475)	(0.481)	(0.297)
Council Tax Changes	0.140	0.712	0.707	0.380
Business Rate Changes	0.775	0.254	0.257	0.251
Structural Gap : Feb 2021	**(0.131)**	**0.473**	**0.240**	**0.355**

61. Whilst, in accordance with the agreed Reserves Strategy, this gap could be covered by the use of the budget reduction reserves; it is not a long term solution and means that the Authority would have to identify future annual savings of £0.3m to £0.4m by 2024/25.

62. In other circumstances, with all other things being stable, this gap might be covered by marginally higher than forecast increases in council tax-base, but this cannot be relied on at this stage.

63. To exemplify the uncertainty over the MTFP assumption, Appendix 6 sets out the impact of a number of alternative planning assumptions in relation to future grant cuts.

64. In accordance with the Reserves Strategy (see below) reserves can be used to smooth the impact of any grant reductions, but they would still require long-term savings in core for the Authority to remain sustainable.

65. Based on the above recommended strategies the formal precept calculation for 2021/22 is set out in Appendix 7. The Band D precept will rise by £1.69 a year (or just over 3 pence per week) to £87.68.

Reserves Strategy

66. The Authority holds reserves for a number of reasons and these can be summarised as:

   a. <u>Future Expenditure Reserves</u>: monies set aside to fund long life equipment (e.g. cutting gear, breathing apparatus, fire control etc.) which negates the need for capital financing costs in the medium term
   b. <u>Other Specific Reserves</u>: held to cover the costs of known events where timing is uncertain
   c. <u>Budget Reduction Reserves</u>: monies to be used to smooth the transition of significant efficiency measures
   d. <u>General Reserve</u>: unallocated and held to meet the "unknown unknowns"

67. Future Expenditure Reserves will be spent as necessary to meet the costs of the agreed items as they are procured, and an anticipated expenditure profile is included in the relevant budget appendices. It should be noted however, that timing of three of the major projects is not within the total control of the Authority.

   - ESMCP – this national bluelight project is managed centrally and has been subject to a number of programme delays and uncertainty regarding what additional elements individual Authorities may need to fund.
   - Fire Control System replacement – 8 years into an expected 10 year life future replacement need to meet the requirements of the Kerslake and Grenfell reports, build on the current co-location with West Mercia Police and take account of the alliance with Shropshire Fire.
   - Breathing Apparatus replacement – the existing kit was purchased in collaboration with 3 of the other 4 services in the region and the

replacement will involve all 4 and will have to meet the timing requirements of all 5 partners.

68. Funding these three projects from reserves saves the equivalent of £0.5m of capital financing charges which would otherwise have to be added to the expenditure requirement, and hence to the structural budget gap.

69. It is appropriate that the level of these reserves is reviewed to ensure that they are appropriate, and a report will be brought to a future Policy and Resources Committee meeting to review current levels and propose any changes including, if appropriate, re-investment in other priorities.

70. In approving the strategy in relation to reserves in February 2017, the Authority has confirmed that the Budget Reduction Reserve is used to close the budget gaps in the MTFP period, until major efficiencies come fully on-line. This strategy was re-approved in February 2020 and is proposed to be extended and modified to the extent that any unallocated part of the reserves will be held until there is some certainty over future funding.

71. Although there is no guidance as to the exact level of balances that an Authority should hold, the Home Office has now asked Authorities to explain any general balances above 5% of budget. At the end of 2020/21 general balances are expected to stand at £1.538m or 4.4% of the 2021/22 Core Budget.

72. The Authority has to be mindful of the opportunity to quickly replenish balances if they are called upon and this becomes much harder in a financial regime where central government controls grant, business rate levels and council tax levels.

73. Whilst this level of balances is desirable, there is an opportunity cost of holding balances. They could be used to finance one off expenditure or temporarily reduce the Council Tax precept, which itself will have an impact on the long term financial position. The risk of using up balances is, however, that any unforeseen expenditure could not be met.

74. The planned use of ear-marked balances in the MTFP period is set out in a summary of the Reserves Strategy at Appendix 8.

Investment Strategy

75. In accordance with the Authority's Treasury Management Strategy, surplus funds are invested by Worcestershire County Council alongside their own funds.

76. Since October 2008 the Authority has adopted a policy of avoiding new long term borrowing, where working capital balances permit. The Authority will only extend long term borrowing when cash-flow requirements dictate that it is necessary, and only to finance long term assets.

77. The Authority will not borrow to invest and will only invest funds arising from cash-flows.

78. The Authority will not invest in property or other assets with the intention of generating income, other than as outlined at paragraph 22g above.

79. Investment of funds will be via the existing Treasury Management arrangement with Worcestershire County Council, and will be restricted to the agreed financial loans to approved counter-parties.

80. Given the continuing uncertainty in financial markets, the Treasurer advises that investment should continue to be focussed on security. Primary consideration will be given to Security, Liquidity and Yield (SLY) in that order. As a consequence surplus funds continue to generate low returns which are factored into the budget.

Prudential Code Indicators

81. Since 1 April 2004, the Local Authority capital finance system has been one of self-regulation based on a Prudential Code drawn up by the Chartered Institute of Public Finance and Accountancy (CIPFA).

82. The key objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of Local Authorities are affordable, prudent and sustainable or, in exceptional cases, to demonstrate that there is a danger of not ensuring this, so that the Local Authority concerned can take timely remedial action.

83. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code also has the objective of being consistent with, and supporting, local strategic planning, local asset management planning and proper option appraisal.

84. To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out indicators that must be used and the factors that must be taken into account. The Code does not include suggested indicative limits or ratios. These are for a Local Authority to set itself, subject only to any controls under Section 4 of the Local Government Act 2003 (Government Reserve Powers).

85. The prudential indicators required by the Code are designed to support and record local decision making. They are not designed to be comparative performance indicators and use of them in this way would likely to be misleading and counter-productive. In particular, Local Authorities had widely differing debt positions at the start of the prudential system and the differences are likely to increase over time as a result of the exercise of local choices. The system is specifically designed to support such local decision making in a manner that is publicly accountable.

86. Recent revisions to the Code have reduced the number of mandatory indicators, but the Treasurer believes that they continue to provide useful information to the Authority so they continue to be included.

87. In setting or revising the prudential indicators, the Authority is required to have regard to the following matters:

- affordability, e.g. implications for Council Tax;
- prudence and sustainability, e.g. implications for external borrowing;
- value for money, e.g. options appraisal;
- stewardship of assets, e.g. asset management planning;
- service objectives, e.g. strategic planning for the Authority; and
- practicality, e.g. achievability of the forward plan.

88. The Treasurer has prepared the prudential indicators having considered the matters above, and they are set out in detail in Appendix 10.

Minimum Revenue Provision (MRP)

89. Minimum Revenue Provision is the amount set aside in the revenue budget to meet the future repayment of borrowing incurred to pay for capital investment.

90. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require that an Authority sets its own prudent level of MRP, by adopting a policy in advance of the year to which it relates.

91. For ease of reference the policy, which is unchanged from previous years, is set out in Appendix 10.

Budget Calculations: Personal Assurance Statement by the Treasurer

92. Section 25 of the Local Government Act 2003 requires the Treasurer to report to the Authority when it is setting the budget and precept (Council Tax). The Authority is required to take this report into account when making its budget and precept (Council Tax) decision. The report of the Treasurer must deal with the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.

93. The Treasurer states that, to the best of his knowledge and belief, these budget calculations are robust and have full regard to:

- the Fire Authority budget policy;
- the need to protect the Fire Authority's financial standing and to manage risk;
- the current year's financial performance;
- the financial policies of the Government;
- the Fire Authority's Medium Term Financial Plan and Planning framework;
- capital programme obligations;
- Treasury Management best practice;
- the strengths of the Fire Authority's financial control procedures including audit consideration;
- the extent of the Authority's balances and reserves; and
- the prevailing economic climate and future prospects.

Conclusion

94. Whilst there have been a number of significant impacts on both expenditure and income, sound financial planning has meant that the base position for the new

MTFP is very similar to that previously adopted and therefore present no more difficulties than previously recognised. The uncertainty about the impact of the CSR remains, however, even if deferred for a further year.

Corporate Considerations

Resource Implications (identify any financial, legal, property or human resources issues)	Yes – whole report
Strategic Policy Links (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Yes – Resourcing for the Future
Risk Management / Health & Safety (identify any risks, the proposed control measures and risk evaluation scores).	No
Consultation (identify any public or other consultation that has been carried out on this matter)	Yes – consultation with Business Rate-Payers as required by legislation
Equalities (has an Equalities Impact Assessment been completed? If not, why not?)	No

Supporting Information

Appendix 1	Capital Programme
Appendix 2	Personnel Budget
Appendix 3	Revenue Budget Changes 2020/21 to 2021/22
Appendix 4	Revenue Budget Allocation 2021/22
Appendix 5	Medium Term Financial Forecasts 2021/22 to 2024/25
Appendix 6	Medium Term Financial Forecasts - Budget Risks
Appendix 7	Council Tax Requirement Calculation 2021/22
Appendix 8	Reserves Strategy Summary
Appendix 9	Fees & Charges 2021/22
Appendix 10	Statement of Prudential Code Indicators and Minimum Revenue Provision Policy

Background Papers

- Fire Authority, 14 October 2019: MTFP Update
- Fire Authority, 10 June 2020: Provisional Financial Out-turn 2019/20
- Fire Authority, 12 February 2020: Budget & Precept 2020/21 and MTFP