Hereford & Worcester Fire Authority
15 February 2022

Report of the Treasurer and the Chief Fire Officer

Budget and Precept 2022/23 and Medium-Term Financial Plan

Purpose of report

1. To determine the Revenue and Capital Budgets and the Council Tax Requirement for 2022/23
2. To approve the Prudential Indicators and Minimum Revenue Provision (MRP) Statement for 2022/23
3. To approve the Capital, Investment and Reserves Strategies
4. To approve the level of Fees & Charges for chargeable services for 2022/23
5. To identify potential future resources, their consequential impact on future year budgets and the future Council Tax Requirement. (the Medium Term Financial Plan)

Recommendation

It is recommended that:

i) the Capital Strategy (paragraphs 13-27) be approved;

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

iii) the Core Net Revenue Budget of £36,853,000 (Appendix 4) be approved;

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

v) the Authority calculates that under the provisions of the relevant sections of the Local Government Finance Act 1992 (as amended), and, in relation to the year 2022/23 as set out in Appendix 7:

a) the aggregate expenditure it will incur [S42A(2)(a)] will be £36,928,800.00;

b) the aggregate income it will receive [S42A(3)(a)] will be £10,868,536.00;

c) the amount transferred to financial reserves [S42A(2)(c)] will be £0.00;

d) the amount transferred from financial reserves [S42A(3)(b)] will be £238,378.00;

e) the net collection fund surplus [S42A(10)] is £253,207.70;

f) the net amount of its Council Tax Requirement [S42A(4)] will be £25,568,078.30;

g) the basic amount of Council Tax [S42B] will be £89.40 (Band D);

h) the proportional tax-bands [S47] will be:

- *Band A £59.60*
- *Band B £69.53*
- *Band C £79.47*
- *Band D £89.40*
- *Band E £109.27*
- *Band F £129.13*
- *Band G £149.00*
- *Band H £178.80*

i) the precept demands on the individual Billing Authorities [S48] are:

- *Bromsgrove £3,353,491.52*
- *Herefordshire £6,280,582.13*
- *Malvern Hills £2,871,451.56*
- *Redditch £2,373,271.31*
- *Worcester £2,908,024.25*
- *Wychavon £4,721,986.20*
- *Wyre Forest £3,059,271.33*

vi) the Reserves Strategy (paragraphs 69-77 and Appendix 8) be approved;

vii) the Investment Strategy (paragraphs 78-83) be approved;

viii) the fees and charges for 2022/23 (Appendix 9) be approved; the Statement of Prudential Indicators and Minimum Revenue Provision Policy (Appendix 10) be approved and

ix) ***the Authority note the use of estimated Business Rate yields and give the Treasurer delegated authority to adjust budgets and reserve movements to take account of the actual data when received.***

Introduction and Background

6. In February 2021, the Authority agreed a Medium Term Financial Plan (MTFP) for the period from 2021/22 to 2024/25, which was based on a series of assumptions about the uncertain position beyond 2021/22. 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 and three-year settlement then expected for 2022/23.

8. This MTFP was updated in June 2021 to take account of late Business Rate information and other revised projections.

9. It was expected that 2022/23 would be the first year of, the already delayed, CSR period, with a corresponding three-year settlement, and would clarify a number of these future funding assumptions. However, the reality of the position is that 2022/23 has been another single year funding, and provides only outline indications of future intent.

10. The MTFP has again been prepared on the basis of a "steady state" base position 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 2022/23, the absence of any Retained Business Rate information meant that the Policy and Resources Committee meeting in January 2022 had only partial information available

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

    a. the 2022/23 Band D precept annual increase is set at £1.72 (1.96%);

    b. future years' planning should assume an annual precept increase of 1.96% thereafter;

    c. provision be made for future pay awards at 2%; 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

    Underpinning the CRMP are the three core Strategies; Prevention, Protection and Response; and capital resources are invested to support these, either directly or indirectly.

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. Fire Control software, 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. In June 2021 the Fire Authority approved a revised expenditure forecast as set out below (and there are a number of revisions to this.

	2022/23	**2023/24**	**2024/25**
	£m	£m	£m
June MTFP Projection	36.618	37.372	38.739
Wyre Forest Hub - delayed disposals	0.050		
Additional Road fuel inflation to 20%	0.055	0.055	0.055
Additional electricity/gas inflation to 50%	0.130	0.130	0.130
P&R Committee Projection	36.853	37.557	38.924
Adjusted Pay Inflation		0.012	0.016
Revised MTFP	36.853	37.569	38.940

30. The MTFP anticipates savings from the sale of surplus buildings following the opening of the Wyre Forest Hub, but continued delays to the physical disposal of these assets may mean the achievement of the costs savings are deferred. The increases in inflation provision are self-explanatory.

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 2021/22 budget to that proposed for 2022/23 and Appendix 4 allocates this proposed budget to the relevant approved budget heads.

Funding Resources Projection

32. As Members will be aware funding comes from three sources; government, council tax-payers and business rate-payers; but there are interconnections between all three, especially as government has supported the impact of Covid on the council tax-payers and other macro- policy decisions around business rates.

33. In an attempt to make this simpler and to allow more realistic year on year comparisons the analysis is split into three broad areas, all of which will include elements of grant. This analysis will be different to that used by other Authorities.

Government Grant Related

34. The provisional local government settlement was issued in late December and is expected to be confirmed in late January. As usual this has been subject to the usual consultation process, but it is unlikely to change. *At the time or writing the settlement had not been confirmed, but the impact if there are any changes will be reported verbally to the Authority meeting.* Key features of this are that there are no grant reductions and government appear to have fulfilled its promise to fund the Employers National Insurance increases.

35. It was originally expected that Department for Levelling Up, Housing and Communities (DLUHC) would implement changes to the local government funding formula this year and it had managed to secure £825m additional funding to smooth this transition. As this change has now been delayed this funding has been distributed this year as a one -off allocation, before moving into the base under the new formula from 2023/24.

36. As the Fire formula will not change for this CSR period the three-year allocation of this money to fire is highly likely to remain unchanged. One general change that will impact on fire is that the revised formula is expected to switch back from using actual to using average Council Tax levels, which could be advantageous to this Authority. No advantage has been assumed in the MTFP.

37. As Fire Revenue grants (for New Dimensions and Firelink) are technically part of central government expenditure (rather than part of the local government settlement) they cannot be announced until late February but all indications are that this will remain unchanged.

38. Pension Grant was expected to move from Home Office (HO) to DLUC this year but legal questions around the distribution mechanism under the local government settlement have seen this revert back to HO. As a consequence, this also cannot be confirmed until late February but again all indications are that this will remain unchanged.

39. It is also helpful to see that the small Rural Services Delivery Grant is to continue.

40. The table below show a comparison between the MTFP assumptions and the provisional settlement with the 2021/22 position shown to provide context.

	2021/22 Actual £m	**2022/23 MTFP £m**	**2022/23 Provisional £m**
Revenue Support Grant	2.081	2.123	2.144
Business Rate Top Up Grant	3.372	3.372	3.372
S31 Grant - Freezing Business Rates	0.176	0.247	0.277
2022/23 Services Grant			0.392
Rural Services Delivery Grant	0.115		0.115
S31: Fire Revenue Grant - New Dims	0.820	0.820	0.820
S31: Fire Revenue Grant - Firelink	0.157	0.182	0.182
Pension Grant	1.568	1.568	1.568
	8.289	**8.312**	**8.870**

41. Even allowing for the fact that the settlement included funding of £0.214m of National Insurance Costs this represents a real £0.344m improvement in the position.

Precept Related

42. Precept income is a combination of the tax-base and the Band D tax-level. The Authority has approved a planning assumption of an annual increase of 1.96% which is continued. The tax-base projections were provided by the Billing Authorities and were cautious when making these projections in the midst of the unknown long term implications of Covid, and an overall increase of only 0.36% was forecast.

43. The Billing Authorities have now confirmed the tax-base information with a significant growth of 1.93%. In addition, there is a, one off net surplus on the Collection Funds of £0.254m.

44. Billing Authority projections for future tax-base growth are also now at 1.1%/1.2% per year more robust in the absence of information on future tax-base changes the current assumption is for an annual 0.8% increase, which is a reasonable historical average for planning purposes.

45. In summary the position is as set out below, and again this represents a significant improvement on the MTFP position:

	2021/22 Actual £m	2022/23 MTFP £m	2022/23 Provisional £m
Council Tax Precept	24.601	25.175	25.568
Council Tax Collection Fund	(0.032)		0.341
Council Tax Collection Fund Spread	(0.088)	(0.088)	(0.088)
LCTSS Grant	0.372		
	24.853	**25.087**	**25.821**

46. This represents a base level improvement of £0.393m over the previous MTFP with a further one off gain of £0.341m in 2022/23.

Business Rate Related

47. In principle Business Rates are relatively straightforward, but in practice they are the area of most complication and uncertainty. The statutory deadline for Billing Authorities to provide this information to Preceptors for budget setting purposes is 31st January. However, at the time of writing this report (3rd February) information had not been received from Bromsgrove or Redditch councils.

48. In setting the Precept under the provisions of the Local Government Finance Act 1992 (as amended); Section 42A (3)(a) requires the Authority to make an estimate of income for the relevant year. This income includes yield from retained business rates, and it is therefore necessary to make an estimate of the figures for Bromsgrove & Redditch. There is no simple way to do this and this estimate will be wrong but it is the best estimate that can be made under the circumstances.

49. If information is provided by the time of the meeting the impact will be reported verbally, if not it is suggested that the Treasurer be given delegated authority to adjust the budget, including transfers from reserves to take account of the final figures when they are received

50. In practice the position has historically been recorded as the baseline position (i.e. the yield the government is assuming for settlement purposes) and a plus/minus adjustment to the bring this to the actual level the Billing Authorities are projecting. There is then an adjustment for the Collection Fund deficit or surplus.

51. In recent years there has been an added complication that government has provided a Section 31 grant to compensate for the impact of national decisions to restrict the annual rise in the Business Rate below that allowed for in the legislation. An estimate of this figure will be given by the Billing Authorities in January, but is also estimated by government as part of its "Spending Power" calculations in the financial settlement.

52. In addition to this government has also implemented a system of business-rate tax-relief at a national level and compensated for this locally by a further Section 31 grant.

53. The third element of uncertainty is around the Collection Fund position. The deficit in 2020/21 (which formed part of the 2021/22 funding) substantial at over £1m representing over 40% of the gross yield. Whilst this might have been expected as a result of Covid, only a very small proportion £0.067m qualifies as exceptional and is being spread over three years. For MTFP purpose this deficit was assumed to be abnormal and a return to normality was forecast for 2022/23 and beyond.

54. However, the reality of this is that there are again significant collection fund deficits in 2022/23 (with the caveat that Bromsgrove and Redditch figures are estimated) and the income is significantly lower than the MTFP forecast.

55. The position can be summarised as below:

	2021/22 Actual £m	**2022/23 MTFP £m**	**2022/23 Provisional £m**
Base-line	(2.315)	(2.315)	(2.315)
NNDR Forecasts	(0.064)	(0.064)	0.251
S31 – non-indexation (RBR)	(0.124)	(0.179)	(0.190)
S31 Reliefs	(0.261)	(0.261)	(0.471)
Coll Fund – 20/21 Spread	0.067	0.067	0.067
Coll Fund Other	0.938	0.080	0.735
	(1.759)	(2.672)	(1.923)

56. This represents a significant £0.749m worsening over the previous MTFP assumptions. Gross business rate yield

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 2021/22 are set out in Appendix 9.

2022/23 Budget and Precept and Future Years

57. The Authority is required to set a budget and precept for 2022/23, but has to consider 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:

	2022/23	2023/24	2024/25
	£m	£m	£m
Expenditure Forecast	36.853	37.569	38.940
Funding Forecast	(36.615)	(37.436)	(38.538)
TIG Grant Reserve	(0.049)	(0.049)	
	0.189	0.084	0.402

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

	2022/23	2023/24	2024/25
	£m	£m	£m
MTFP - Jun 2021	0.498	0.266	0.687
Expenditure Changes	0.235	0.197	0.201)
Grant Changes	(0.558)	(0.553)	(0.534)
Council Tax Changes	(0.735)	(0.392)	(0.372)
Business Rate Changes	0.749	0.566	0.420
MTFP - Feb 2022	0.189	0.084	0.402

61. With the uncertainty around future funding remaining, and the fact that business rate projections are even more speculative, it is not unreasonable for these gaps to be covered by the budget reduction reserve. Indeed this would be in accordance with the agreed Reserves Strategy.

62. The bigger gap in 2024/25 arises from the estimate of increased employer contribution rates for fire-fighter pensions. At the last revision government provide additional funding, none is yet assumed although closer to 2024/25 there will be a better indication of this cost, and any funding. In addition there are indications that the new radio scheme to be introduced from 2024/25 will have lower costs, and again this is not yet factored into the MTFP. The reaming gaps are within normal estimation tolerances and do not represent a significant risk at present.

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 the future and these are set out below:

- Freezing of Council tax in 2022/23
- Improvement in Business Rate Collection Funds
- 5% cut per year in Settlement Funding Assessment (SFA)
- 25% cut per year in Revenue Support Grant (RSG)
- 10% cut per year in SFA
- 15% cut per year in SFA
- Additional 1% Pay award
- Additional annual growth in the council tax-base of 0.1%

64. Indications are that the Fire funding formula will not be changed when the general local government formula is amended from 2023/24, but it is not possible to confirm that this will not produce a change in funding. Additionally, although the three-year CSR indications show no further growth in local government funding over the latter two years they do not show any significant reductions, but the distribution may not remain the same.

65. 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.

66. Based on the above recommended strategies the formal precept calculation for 2022/23 is set out in Appendix 7. The Band D precept will rise by £1.72 a year (or just over 3 pence per week) to £89.40.

Reserves Strategy

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

a. Future Expenditure Reserves: 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. Other Specific Reserves: held to cover the costs of known events where timing is uncertain

c. Budget Reduction Reserves: monies to be used to smooth the transition of significant efficiency measures

d. General Reserve: unallocated and held to meet the "unknown unknowns"

68. 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 two of the major projects are not within the total control of the Authority.

- ESMCP – this national Blue Light 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.

- Breathing Apparatus replacement – the existing kit was purchased in collaboration with 4 of the other 5 services in the region and the replacement is intended to involve all 5 and will have to meet the timing requirements of all partners.

69. Funding these two, and other, projects from reserves saves the equivalent of £0.9m in annual capital financing charges which would otherwise have to be added to the expenditure requirement, and hence to the structural budget gap.

70. 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.

71. 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 2021 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.

72. 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 2021/22 general balances are expected to stand at £1.538m or 4.2% of the 2022/23 Core Budget.

73. 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.

74. 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.

75. 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

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

77. 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.

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

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

80. 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.

81. 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

82. 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).

83. 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.

84. 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.

85. To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out indicators that must be used and the factors that must be considered. 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).

86. 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.

87. 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.

88. 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.

89. 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)

90. 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.

91. 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.

92. 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

93. 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.

94. 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

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Conclusion

95. Sound financial planning means that the Authority is in a good position and although there are small budget gaps going forward, these are not unreasonable given the uncertainties inherent in any future projections.

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
Data Protection Impact Assessment (where personal data is processed a DPIA must be completed to ensure compliant handling)	

Supporting Information

Appendix 1	Capital Programme
Appendix 2	Personnel Budget
Appendix 3	Revenue Budget Changes 2021/22 to 2022/23
Appendix 4	Revenue Budget Allocation 2022/23
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 2022/23
Appendix 8	Reserves Strategy Summary
Appendix 9	Fees & Charges 2022/23
Appendix 10	Statement of Prudential Code Indicators and Minimum Revenue Provision Policy.

Background Papers

- Fire Authority, 16 Dec 2021: MTFP Update
- Policy & Resources Committee, 26 January 2022: Budget 2022/23 and MTFP