Hereford & Worcester Fire Authority
12 February 2020

Report of the Treasurer and the Chief Fire Officer

Budget and Precept 2020/21 and Medium Term Financial Plan

Purpose of report

1. To determine the Revenue and Capital Budgets and the Council Tax Requirement for 2020/21
2. To approve the Prudential Indicators and Minimum Revenue Provision (MRP) Statement for 2020/21
3. To approve the Capital, Investment and Reserves Strategies
4. To approve the level of Fees & Charges for chargeable services for 2020/21
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 Budget and Programme (Appendix 1) be approved;

ii) the Revenue Budget (Appendix 4b) be approved;

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

iv) the Core Net Revenue Budget of £35,827,000 be approved;

v) the Authority calculates that in relation to the year 2020/21 and set out in Appendix 7:

a) the aggregate expenditure it will incur will be £38,524,200.00;
b) the aggregate income it will receive will be £10,940,461.00;
c) the net amount transferred from financial reserves will be £3,022,000.00;
d) the net collection fund surplus is £255,825.00;
e) the net amount of its Council Tax Requirement will be £24,305,914.00;
f) the basic amount of Council Tax will be £85.99 (Band D);
g) the proportional tax-bands will be:

- ***Band A £57.33***
- ***Band B £66.88***
- ***Band C £76.44***
- ***Band D £85.99***
- ***Band E £105.10***
- ***Band F £124.21***
- ***Band G £143.32***

- ***Band H*** ***£171.98***

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

- ***Bromsgrove*** ***£3,199,579.51***
- ***Herefordshire*** ***£5,998,302.92***
- ***Malvern Hills*** ***£2,699,856.17***
- ***Redditch*** ***£2,259,501.64***
- ***Worcester*** ***£2,772,540.47***
- ***Wychavon*** ***£4,457,221.59***
- ***Wyre Forest*** ***£2,918,911.70***

vi) the Capital Strategy (paragraphs 47-60) be approved;

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

viii) the Reserves Strategy (paragraphs 64-70 and Appendices 8a/8b) be approved;

xi) the fees and charges for 2020/21 (Appendix 9) be approved; and

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

Introduction and Background

6. In June 2019 the Authority agreed a revised Medium Term Financial Plan (MTFP) to 2023/24, which was based on a series of assumptions about the uncertain position beyond 2019/20 and which identified significant underlying budget gaps partially covered (up to 2021/22) by use of the budget reduction reserve as planned.

7. It was expected that 2020/21, being the first year of a new Spending Review period, would clarify a number of these future funding assumptions. However the reality of the position is that 2020/21 has been a “roll-over” year, which has advantages in that previously expected reductions in funding have not yet been realised, but provides less indication of future intent.

8. The parliamentary time-scale has also been challenging and indications are that the final local government settlement from the Ministry of Housing, Communities & Local Government (MHCLG) will not be laid before parliament until 4 or 5 February, with parliamentary approval not expected until 12 February. It is also anticipated that Home Office confirmation of the interim pension grant will be within these dates as well.

9. Under the terms of the Local Government Finance Act 1992, when setting the budget and precept the Authority must calculate income that it expects to receive. In the absence of final settlement data, it would be reasonable to base this on the provisional data issued by government on 9 December 2019, as it is very rare that the final settlement differs materially from the provisional figure.

10. At the time of drafting this report, Business Rate yield data had not been received from Billing Authorities and it has been necessary to make an estimate for the purposes of precept setting. It is inevitable that the final information will differ from this estimate.

11. Even if the final settlement were to be materially different to the provisional, the Authority could not increase its precept more than it currently plans, and the practical impact would be on the amount that is required to be drawn from the budget reduction reserve.

12. It is proposed that any material variation in these items be dealt with as a budget monitoring matter to be brought to the next Policy and Resources Committee, or Full Authority as time-scales dictate.

13. Information is now available on resources for 2020/21 as below:

    a. Confirmed by Billing Authorities:
        i. Council Tax-bases
        ii. Council Tax Collection Fund surpluses
    b. Approved by Fire Authority:
        i. Band D Council Tax levels – approved MTFP Provisional
    c. Set by government (awaiting confirmation):
        i. Grant allocations
        ii. Council Tax increase referendum threshold
    d. Still awaited from Billing Authorities:
        i. Retained Business Rates yield
        ii. Section 31 Grants in relation to Retained Business Rates
        iii. Business Rate Collection Fund surpluses/deficit.

14. Due to the late availability of data, the Policy and Resources Committee did not meet in January 2020 as would be usual, but members were issued with a written briefing based on the available information at that point.

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

    a. the 2020/21 Band D precept increase is set at £1.65 (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.

Review of Available Resources

16. Resources can be split between formula grant (the "settlement"), other grants, Council Tax precept and Retained Business Rates.

Formula Grant

17. As a consequence of the lack of parliamentary time, the expected four year settlement was replaced with a one year “roll-over” of the 2019/20 figures.

18. This has resulted in the expected reductions in grant being paused and an inflationary increase (albeit of only 1.6%) being made instead, and 2020/21 resources are significantly greater than anticipated in the existing MTFP.

19. It is now anticipated that there will be a Comprehensive Spending Review this year to support a longer term settlement from 2021/22 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.

20. The previous government had intended to move to a 100% retention scheme, but was unable to move to this as it could not guarantee the parliamentary time or majority to do so and settled for the 75% scheme which could be achieved within existing legislation. The forced delay and changed majority may mean a return to a 100% scheme.

21. There has been some discussion regarding a complete review of the system of Business Rates as a form of taxation, and this might delay implementation of a change anyway. In addition there have been calls from some parts of the local government sector for the wholescale withdrawal of the Retained Business Rate system as being overly complicated and ineffective.

22. Whilst the previous government appeared to have accepted that Fire will continue to be part of the rates retention scheme, there have been calls for it to be replaced by a Home Office grant akin to Police Grant. There is now the parliamentary capacity to deliver this if government is so minded.

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

24. It is anticipated that indicative grant information for 2021/22 will not be available until early November 2020.

Other Grants

25. The Authority receives grant in respect of national New Dimensions functions and the Firelink radio scheme. Although grant for the former has not yet been formally confirmed the MTFP therefore assumes the continuation of 2019/20 levels.

26. Additionally (although still to be formally confirmed), the Authority will receive £1.568m in grant to support the increased employer contribution rates for the

Firefighters Pension Scheme in 2020/21. It was previously assumed that this grant would be payable in 2019/20 only, but there is sufficient evidence to assume this will continue in some form into the future.

Precept Assumptions

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

28. The 2020/21 tax-base has risen by 1.47%; which is above the 1.12% forecast but below the average of 1.6% over the last six years.

29. More significantly the Billing Authorities are planning for future council tax-base increases to average 1.16% compared to the 1.25% in the previous MTFP forecasts. However, combined with the higher than expected increase this year this leaves the estimated yield over the period broadly consistent with the existing MTFP.

30. There is also a one off £0.255m surplus on the Collection Fund. Since 2004/05 the annual net Collection Fund out-turn has ranged from a net deficit of £0.002m to a net surplus of £0.286m, and there have been significant annual variations, both surplus and deficit, from individual Authorities. It would be imprudent to fund core expenditure from this source and the Collection Fund is therefore assumed to be neutral in future years.

31. 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.

32. Government has, however, announced that (subject to formal confirmation) the limit for standalone Fire Authorities, for 2020/21 will be 1.99%, and the Authority has approved a planning assumption of a 1.96%.

33. This figure will not require the Authority to conduct a referendum on the level of increase in 2020/21.

34. The Medium Term Financial Plan continues to assume further annual increases of 1.96% from 2021/22.

Retained Business Rates

35. 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.

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

37. 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.

38. 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.

39. 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 Collection Fund is assumed to be neutral.

Expenditure Requirement

40. The expenditure requirement has continued to be refined and the key assumptions around pay, inflation and interest rates are outlined in the table below.

	2018/19	2019/20	2020/21	2021/22
Pay Awards	2.0%	2.0%	2.0%	2.0%
General Inflation	2.5%	2.5%	2.5%	2.5%
Long Term Borrowing Rates	3.0%	3.0%	3.0%	3.0%

41. There are a number of material changes to the expenditure requirement assumed in the previous MTFP.

42. Pay award inflation assumptions have been adjusted to include the cost of the April 2019 pension contribution rates, which had previously been omitted in error.

43. The Authority sources its borrowing for capital investment via the Public Works Loans Board (PWLB). In response to perceived issues with some Authorities use of low cost borrowing, government have now added a 1% premium to all PWLB rates, this will have an impact on the future cost of capital financing.

44. Provision had been made within the MTFP for the triennial LGPS revaluation, and it is positive that the planning assumption was not materially different to the results of the core valuation. However, as a result of the McCloud/Sargeant decision and its impact on all public sector schemes, the actuary has made an estimate of the financial impact and this is now incorporated into the cost base.

45. As would be expected, the McCloud/Sargeant decision has a much bigger impact with respect to the FFPS and this has 3 elements:

   a. The previous MTFP assumed savings as all existing staff transferred into the 2015 scheme by 2022. These savings have now been removed.

b. Whilst the outcome of the discussions regarding remedy for the FFPS are not confirmed, indications are that 1992 scheme members will be allowed to return to that scheme (at least in the short term) and provision has been made for the higher employers contributions required.
c. If this solution is adopted there may be a requirement to meet the additional contributions for the period 2015 to 2020. This is not confirmed and so cannot be calculated properly, although as a rough estimate the one off cost to this authority could be in the region of £1.6m-£1.8m. Similar costs would be faced by all Fire Authorities and it is highly likely that government would have give grant assistance for these costs, particularly as grant was in the past specifically reduced because of the lower cost of the new scheme. These costs are not included in the MTFP.

46. 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 2019/20 budget to that proposed for 2020/21. Appendices 4a and 4b allocate this proposed budget to the relevant approved budget heads, including the anticpated use of reserves.

Capital Strategy

47. 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).

48. 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.

49. 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.

50. 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.

51. 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

52. 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.

53. 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.

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

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

56. 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 Capital Financing Requirement, are calculated, based on the proposed programme, to demonstrate that the programme is affordable, sustainable and prudent. These are detailed in Appendix 9 (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

57. 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.

58. 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. Funding arrangements may, however, adapt to meet changing circumstances as projects progress.

59. 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.

60. 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

61. 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.

62. Although budget provision has been given for specific schemes within the proposed Major Buildings 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.

Fees and Charges

63. 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.

Reserves Strategy

64. 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"

65. 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 tri-service 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 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.

66. 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 2019 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.

67. 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 2019/20 general balances are expected to stand at £1.538m or 4.3% of 2020/21 Core Budget.

68. 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.

69. 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.

70. The planned use of ear-marked balances in the MTFP period is set out in a summary of the Reserves Strategy at Appendices 8a and 8b, and is now more fully integrated into other appendices.

2020/21 Budget and Precept and Future Years

71. The Authority is required to set a budget and precept for 2020/21, but has to give consideration to the impact on future affordability through a MTFP.

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

73. The position is summarised in the following table:

	2020/21 Budget £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Core Budget	35.827	36.080	36.870	37.651	38.532
Projected Resources	(35.397)	(35.428)	(36.395)	(37.370)	(38.064)
Structural Gap	**0.430**	**0.652**	**0.475**	**0.281**	**0.468**
Budget Reduction Reserves	(0.430)	(0.652)	(0.475)	(0.281)	(0.468)
Residual Gap	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**

74. This would leave £1.275m of budget reduction reserves available to meet the uncertainty over future positions, but also means that the Authority would have to identify future annual savings of £0.3m to £0.4m by 2023/24.

Budget Risks

75. To exemplify the uncertainty over the MTFP assumption, Appendix 6 sets out the impact of a number of alternative planning assumptions which are explained below:
    a) Pension Grant – whilst there is now more evidence that Home Office support towards the additional cost of pensions is likely to continue (either as separate grant or part of the settlement) it is not clear that the total or current distribution will remain the same. To illustrate the potential impact, the total cessation of grant after 2020/21 is shown.
    b) Financial provision has been made for an annual 2% increase in pay budgets; a pay award at a higher figure would give additional cost pressure. The illustration is that of an annual 3% pay award.
    c) The Authority receives significant grant for the provision of a national Urban Search and Rescue (USAR) capability, which is integrated with Droitwich Fire Station. Should government choose to reduce the number or funding of such units there would be a net loss of resource.
    d) Since 2011/12 government has reduced grant annually by varying amounts and a infinite number of different reduction scenarios could be envisaged but an annual reduction of 5% is illustrated.
    e) To offset this government might offer additional "precept flexibility" and the impact of the referendum limit being increased to 3% is shown.

76. Officers will continue to work on identifying new savings, over and above those already in hand, to close the remaining budget gaps as set out in paragraph 73.

77. Based on the above recommended strategies the formal precept calculation for 2020/21 is set out in Appendix 7. The Band D precept will rise by £1.65 (or just over 3 pence per week) to £85.99.

Investment Strategy

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

79. 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.

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

81. The Authority will not invest in property or other assets with the intention of generating income, other than as outlined at paragraph 56g above.

82. 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.

83. 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

84. 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).

85. 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.

86. 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.

87. 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).

88. 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.

89. 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.

90. 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.

91. 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)

92. 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.

93. 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.

94. 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

95. 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.

96. 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.

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 2019/20 to 2020/21
Appendix 4a/4b	Revenue Budget Allocation 2020/21
Appendix 5	Medium Term Financial Forecasts 2020/21 to 2024/25
Appendix 6	Medium Term Financial Forecasts - Budget Risks
Appendix 7	Council Tax Requirement Calculation 2020/21
Appendix 8a/8b	Reserves Strategy Summary
Appendix 9	Fees & Charges 2020/21
Appendix 10	Statement of Prudential Code Indicators and Minimum Revenue Provision Policy.

Background Papers

- Fire Authority, 15 October 2019: MTFP Interim Update
- Fire Authority, 12 June 2019: Provisional Financial Out-turn 2019/20
- Fire Authority, 11 February 2019: Budget & Precept 2019/20 and MTFP