

<b>REPORT REFERENCE NO.</b>	<b>DSFRA/20/4</b>
<b>MEETING</b>	<b>DEVON &amp; SOMERSET FIRE &amp; RESCUE AUTHORITY (Budget Meeting)</b>
<b>DATE OF MEETING</b>	<b>18 FEBRUARY 2020</b>
<b>SUBJECT OF REPORT</b>	<b>2020-21 REVENUE BUDGET AND COUNCIL TAX LEVELS</b>
<b>LEAD OFFICER</b>	<b>Director of Finance &amp; Resourcing (Treasurer) and Chief Fire Officer</b>
<b>RECOMMENDATIONS</b>	<p><b>(a). that the Authority considers the contents of this report alongside any recommendations from the Resources Committee (Budget) meeting on 13 February 2020 to determine either that:</b></p> <p><b>(i) the level of council tax in 2020-21 for a Band D property be set at £86.52, as outlined in Option A in this report, representing no increase over 2019-20, and that accordingly a Net Revenue Budget Requirement for 2020-21 of £76,219,700 be approved; OR</b></p> <p><b>(ii) the level of council tax in 2020-21 for a Band D property be set at £88.24, as outlined in Option B in this report, representing a 1.99% increase over 2019-20, and that accordingly a Net Revenue Budget Requirement for 2020-21 of £77,276,000 be approved;</b></p> <p><b>(b). that, as a consequence of the decisions at (a) above:</b></p> <p><b>(i) the tax base for payment purposes and the precept required from each billing authority for payment of total precept of £53,156,102 (Option A) OR £54,212,834 (Option B), as detailed on Page 2 of the respective budget booklet, be approved;</b></p> <p><b>(ii) the council tax for each property bands A to H associated with the total precept as detailed in the respective budget booklet, be approved; and</b></p> <p><b>(iii) that the Treasurer's 'Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserve Balances', as set out at Appendix B to this report, be endorsed.</b></p>
<b>EXECUTIVE SUMMARY</b>	<p>It is a legislative requirement that the Authority sets a level of revenue budget and Council Tax for the forthcoming financial year by the 1 March each year. The Secretary of State has announced that the Council Tax threshold to be applied in 2020-21 that would trigger a requirement to hold a Council Tax referendum is to be 2.0%. This report considers potential options A and B below for Council Tax in 2020-21:</p> <p><b>OPTION A – Freeze Council Tax at 2019-20 level (£86.52 for a Band D Property).</b></p>

	<p><b>OPTION B – Increase Council Tax by 1.99% above 2019-20 (increase of £1.72 pa to £88.24 for Band D Property).</b></p> <p>A budget book for each of these options is enclosed separately with the agenda for this meeting.</p> <p>The Authority is asked to consider the implications associated with each option as set out in this report, alongside any recommendations from the Resources Committee (Budget meeting) on 13 February 2020, in determining the revenue budget and associated council tax levels for 2020-21.</p>
<b>RESOURCE IMPLICATIONS</b>	As indicated in the report.
<b>EQUALITY RISKS AND BENEFITS ANALYSIS (ERBA)</b>	Not applicable.
<b>APPENDICES</b>	<ul style="list-style-type: none"> <li>A. Core Net Revenue Budget Requirement 2020-21.</li> <li>B. Statement of the Robustness of the Budget Estimates and the Adequacy of the Authority Reserves and Balances.</li> <li>C. DSFRA response to the Department of Communities and Local Government consultation document “Local Government Finance Settlement – Technical Consultation Paper”.</li> <li>D. BMG Report on Precept Consultation for 2020-21 Revenue Budget</li> <li>E. Report on Precept Consultation via Social Media</li> </ul>
<b>LIST OF BACKGROUND PAPERS</b>	Nil.

## **1. FOREWORD AND INTRODUCTION**

- 1.1. The draft budget for 2020-21 provides an opportunity to support reform of Devon and Somerset Fire and Rescue Service (the Service) now and in the future. In January 2020 a number of significant changes to the Service Delivery Operating Model were approved by the Authority which will better align resources to risk. Underpinning the Safer Together programme is the new On Call payment system (Pay for Availability) which is expected to improve recruitment, retention and ultimately the safety of our communities by improving availability of fire engines. The system will be more expensive and therefore this budget includes an investment in the On Call duty system.
- 1.2. Whilst the number of fire engines across the Service will reduce and some savings will be made as a result of the change programme, the investment of £0.850m made in to Prevention and Protection last year will continue, enabling more community and business safety activity.
- 1.3. The way we work is changing as is the way we deliver services to the public. We increasingly use a diverse group of staff to carry out tasks and no longer follow the traditional approach of using uniformed staff on inflexible contracts. We have therefore moved away from defining our staff by the type of contract they hold and have presented this budget according to the type of work done. This change should support the reduction of barriers between staff groups and will also make our purpose clearer by emphasising the importance of prevention and protection work.
- 1.4. It is a legislative requirement that the Devon & Somerset Fire & Rescue Authority (the Authority) sets a level of revenue budget and Council Tax for the forthcoming financial year, before 1 March, in order that it can inform each of the fifteen Council Tax billing authorities within Devon and Somerset of the level of precept required from the Authority for 2020-21. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels of precept for the Authority.
- 1.5. The Localism Act 2011 includes provisions which require a local authority to hold a Council Tax referendum where an authority's Council Tax increase exceeds the Council Tax "excessiveness principles" applied for that year.
- 1.6. On 19 December 2019, the Ministry of Housing, Communities and Local Government (MHCLG) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2020-21. This is to be 2.0% which, if exceeded, would trigger the need to hold a referendum. Given that the administration costs associated with holding a local referendum for the Service for one year are estimated to be in excess of £2.3m, this report does not include any proposals to go beyond the referendum limit.
- 1.7. An earlier version of this report was considered by the Resources Committee (Budget meeting) on 13 February 2020. Any recommendations from that meeting will be reported at this meeting for consideration alongside the contents of this report.

## 2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2020-21

- 2.1. The provisional Local Government Finance Settlement for 2020-21 was announced on 19 December 2019, which provided local authorities with individual settlement funding assessment figures for one year only.
- 2.2. Table 1 below provides details of the Settlement Funding Assessment (SFA) for this Authority which results in an increase in 2020-21 of 1.61% over 2019-20 and an overall reduction of 24.12% since 2015-16:

	<b>SFA</b>	<b>SFA Reduction</b>	
	<b>£m</b>	<b>£m</b>	<b>%</b>
2015-16	29.413		
2016-17	26.873	-2.540	-8.64%
2017-18	23.883	-2.990	-11.13%
2018-19	22.618	-1.265	-5.30%
2019-20	21.961	-0.657	-2.91%
2020-21	22.319	0.358	1.63%
<b>Reduction over 2015-16</b>		<b>-7.094</b>	<b>-24.12%</b>

- 2.3. In addition to the settlement figures reported in Table 1 above, the Authority has been awarded a share of a £81m Rural Services Delivery Grant which is only available to the most sparsely populated rural areas. The award is £424k for 2020-21. This grant will be paid as a Section 31 grant (which means it is not in base funding) and is therefore included as income within the draft budget proposed in this report.

## 3. REQUIREMENT TO HOLD A LOCAL REFERENDUM FOR EXCESSIVE COUNCIL TAX INCREASES

- 3.1. Since 2013-14 there has been a requirement for an authority to hold a local referendum should it propose to increase Council Tax beyond a government set limit (principles), which for this Authority results in estimated referendum costs of £2.3m. The Service has asked MHCLG to consider an alternative set of principles for fire and rescue authorities (most recent letter to MHCLG in October 2019 – copy included at Appendix C to this report) that would apply a cash amount, e.g. £5, rather than applying a percentage increase.
- 3.2. On 19 December 2019, MHCLG announced the referendum threshold to be applied in 2020-21 would reduce to 2.0% from 3.0% in 2019-20. Whilst this is disappointing given that Police and Crime Commissioner areas have been given the flexibility to adopt a £24 threshold in 2020-21 and that the Fire Sector bid for a £5 flexibility, the current referendum limit at least recognises that Fire and Rescue Authorities are facing increasing inflationary pressures.
- 3.3. Due to the high proportion of people costs, pay awards have a significantly higher impact on the Authority's revenue budget than the effect of price rises on goods and services. Each 1% pay award for staff costs the Authority £0.589m and this budget proposal contains provision for a 2% pay award for all staff.

#### 4. **COUNCIL TAX AND BUDGET REQUIREMENT 2020-21**

##### ***Council Tax***

- 4.1. There is no offer of a Council Tax Freeze Reward Grant to those authorities that freeze or reduce Council Tax in 2020-21. It is, of course, an Authority decision to set a level of Council Tax that is appropriate to its funding position. For 2020-21, this report considers two options A and B as below:
- **OPTION A** – Freeze Council Tax at 2019-20 level (£86.52 for a Band D Property);
  - **OPTION B** – Increase Council Tax by 1.99% above 2019-20 - an increase of £1.72 pa (14p a month) to £88.24 for Band D Property.
- 4.2. The implications of each of these options for funding available in 2020-21 are shown in Table 2 below. The Authority could decide to set any alternative level below 2%. Each 1% increase in Council Tax represents an 86p a year increase for a Band D property, and is equivalent to a £0.532m variation on the revenue budget. In relation to the referendum option, it is the Treasurer's view that given the costs of holding a referendum (circa £2.3m), it is not a viable option for the Authority to consider a Council Tax increase in excess of the 2% threshold.
- 4.3. Due to an inflationary increase on government grant funding and increased Council Tax base, both council tax options would represent an increase to the overall budget.

**TABLE 2 – OPTIONS FOR COUNCIL TAX CHANGE – FUNDING 2020-21**

	<b>OPTION A</b>	<b>OPTION B</b>
	<b>Council Tax Freeze at £86.52</b>	<b>Council Tax Increase of 1.99% to £88.24</b>
	<b>£m</b>	<b>£m</b>
<b>TOTAL FUNDING 2019-20</b>	<b>75.142</b>	<b>75.142</b>
Increase in Formula Funding	0.272	0.272
Decrease in Retained Business Rates from Business Rate Retention System.	0.378	0.378
<u>Changes in Council Tax Precept</u>		
- increase in Council Tax Base	0.602	0.602
- resulting from an increase in Council Tax	-	1.057
- decrease in Share of Billing Authorities Council Tax Collection Funds	<b>(0.174)</b>	<b>(0.174)</b>
<b>Net Change in precept income</b>	<b>0.428</b>	<b>1.485</b>
<b>TOTAL FUNDING AVAILABLE 2020-21</b>	<b>76.220</b>	<b>77.277</b>
<b>NET CHANGE IN FUNDING</b>	<b>1.078</b>	<b>2.135</b>

### **Council Tax Base**

- 4.4. The total increase in government funding of £0.272m is in line with inflation of 1.7% and comes after significant reductions amounting to 24.1% since 2015-16. The Service had anticipated an increase in Council Tax receipts of 1.50% arising from house building in the area, although the actual increase has been lower than forecast at 1.15%. The Authority's share of Council Tax collection fund surplus has decreased by £0.174m which reflects a slight decline in the rate of Council Tax collection by districts.

### **Net Budget Requirement**

- 4.5. Table 3 below provides a summary of the Core Budget Requirement for 2020-21. A breakdown of the more detailed items included in this draft budget is included in Appendix A of this report.

**TABLE 3 – SUMMARY OF CORE REVENUE BUDGET REQUIREMENT 2020-21**

	£m	%
<b>Approved Net Revenue Budget Requirement 2019-20</b>	<b>75.142</b>	
PLUS Provision for pay and price increases (Pay award assumed 2%)	1.442	1.92%
PLUS Inescapable Commitments	0.696	0.93%
PLUS New Investment	3.510	4.67%
MINUS Changes to income	(0.447)	-0.59%
<b>CORE SPENDING REQUIREMENT 2020-21</b>	<b>80.343</b>	
<b>INCREASE IN BUDGET OVER 2019-20 (£m)</b>	<b>5.201</b>	<b>6.92%</b>
Funding adjustments for 2020-21	(1.744)	-2.32%
MINUS Savings	(1.323)	-1.76%

- 4.6. As outlined in the foreword to this paper, this is an investment budget designed to support reform of the Service. £3.510m of new investment opportunities have been identified which will be offset by ongoing savings, reduced capital allocation and a one-off use of reserves:
- £1.144m for Pay for Availability, the new On Call duty system; assuming that the system will be in place mid-way through the year, ongoing investment will be double the amount;
  - £0.872m for additional staff working on prevention and protection, particularly building safety following the report by Her Majesty's Inspectorate (HMICFRS) and the Hackitt review (post Grenfell);
  - £0.322m for operational staff to support prevention capability and the matrix model introduced in 2019-20;
  - £0.930m for professional and technical staff which includes investment in Health and Safety, Organisational Development and Fitness to support improvement against HMICFRS findings; and
  - £0.242m for revenue equipment needed to fit out the new Medium Rescue Pumps per the capital programme.

### **Budget Savings**

- 4.7. As is indicated in Table 3, the Core Budget Requirement for 2020-21 (which includes provision for pay and inflation, inescapable commitments and new investment) has been assessed as £80.343m. This is more than the amount of funding available under Options A or B and therefore budget savings need to be identified in order that a balanced budget can be set. Table 4 below provides an analysis of on-going savings identified to be delivered in 2020-21.

**TABLE 4 – BUDGET SAVINGS 2020-21**

<b>REVENUE BUDGET SAVINGS</b>	<b>£m</b>
<b>Budget Management Savings</b> – As in previous years the budget setting process has included the requirement for budget managers to scrutinise non-operational budget heads with a view to the identification of recurring savings. This process and challenge by managers has identified £0.118m of recurring savings relating to training following implementation of T4C and other minor variances	<b>(0.106)</b>
<b>Authority Pensions</b> – This budget line is subject to fluctuation in the number of Injury and Ill Health retirees anticipated during the year	<b>(0.217)</b>
<b>Vacancy Margins</b> – As a result of the current strategy to hold vacancies during phased implementation of the Safer Together plan	<b>(1.000)</b>
<b>BUDGET SAVINGS (£m)</b>	<b>(1.323)</b>

- 4.8. Whilst the Service is confident that savings of £1.323m can be delivered, under both Council Tax scenarios there will be a budget shortfall in the coming year. The recommendation is to utilise reserves to fund the gap in the short term until the Safer Together programme benefits are better understood. If Council Tax is frozen, the funding shortfall will increase from £1.743 to £2.800m. The shortfall is outlined in Table 5.

**TABLE 5 – BUDGET SHORTFALL 2020-21**

<b>SUMMARY OF ADDITIONAL SAVINGS REQUIREMENT</b>	<b>OPTION A</b>	<b>OPTION B</b>
Net change in funding over 2019-20	1.078	2.135
Increase in spending requirement since 2019-20	5.201	5.201
Savings requirement 2020-21	<b>(4.123)</b>	<b>(3.066)</b>
Less Budget savings already achieved	<b>(1.323)</b>	<b>(1.323)</b>
<b>FUNDS REQUIRED TO BALANCE BUDGET</b>	<b>(2.800)</b>	<b>(1.743)</b>

- 4.9. It is proposed that the Revenue Contribution to Capital is reduced if Council Tax is frozen, which will enable the Authority to set a balanced budget whilst the Safer Together programme is further refined to deliver additional savings over the medium term. However, there are implications for the long term affordability of the Capital Programme.
- 4.10. Elsewhere on this agenda is the Capital Programme for 2020-21 which also gives an indication of the proposed programme and sources of funding over the next five years. The Authority has a long term strategy to reduce reliance on borrowing and therefore it is essential that a healthy level of Revenue Contribution to Capital is maintained to fund investment in asset infrastructure.
- 4.11. In the event of a 1.99% increase to Council Tax (Option B), the revenue contribution to capital expenditure will need to be reduced by £0.0577m in order to balance the budget, reducing the funding available to £2.037m.

- 4.12. Table 6 below outlines the requirement under each scenario to reduce the revenue contribution to capital and draw on the Budget Smoothing reserve in order to fund the Pay for Availability model – it must be noted that reserves can only be used once and so this is not a sustainable funding option.

**TABLE 6**

<b>PROPOSALS TO BALANCE THE REVENUE BUDGET</b>	<b>OPTION A</b>	<b>OPTION B</b>
<b>Revenue Contribution to Capital</b> – Reducing the budget for Revenue contribution to capital is considered within the context of the MTFP and Capital Affordability	(1.634)	(0.577)
<b>Transfer from Reserves</b> – in order to fund the Payment for Availability system for On Call Staff, the Budget Smoothing Reserve is utilised	(1.167)	(1.167)
<b>TOTAL BUDGET SAVINGS (£m)</b>	<b>(4.124)</b>	<b>(3.067)</b>

**5. MEDIUM TERM FINANCIAL PLAN**

- 5.1. Given that the 2020/21 provisional Local Government Settlement is a one year settlement, the future funding position is less certain. Additionally, a new pensions burden has arisen from the Government Actuarial Department (GAD) valuation of the Firefighter Pension Schemes, which may result in a £4.1m cost for this Authority. The Government is indicating it will meet the pensions cost beyond 2020-21 and so the Medium Term Financial Plan (MTFP) assumes this will be funded. The approach taken to developing the plans and underlying assumptions are outlined in the MTFP document, which is elsewhere on the agenda.

- 5.2. The MTFP financial modelling tool has assessed a likely ‘base case’ scenario in terms of savings required over the period 2020-21 to 2023-24. Chart 1 provides an analysis of those forecast savings required in each year.

**CHART 1 – FORECAST BUDGET SAVINGS REQUIREMENT (CUMULATIVE) 2020 TO 2024 (BASE CASE) - £MILLIONS**





- 5.3. Chart 1 on the previous page illustrates that further savings will be required beyond 2020-21 to plan for a balanced budget over the next three years to 2023-24. Should the Authority decide to freeze Council Tax in 2020-21 (Option A) and the following three years then the MTFP forecasts that further savings of up to £7.8m need to be planned for.

#### ***Authority Plan 2020 onwards***

- 5.4. This budget report proposes a balanced budget for the next financial year 2020-21 including proposals as to how budget savings can be achieved.
- 5.5. Looking beyond 2020-21 it is clear that the Authority needs to plan for the delivery of further recurring savings to ensure that balanced budgets can be set in each year of the Spending Review period. The strategic approach to deliver the required savings is being developed following approval of the Service Delivery Operating model by the Authority.

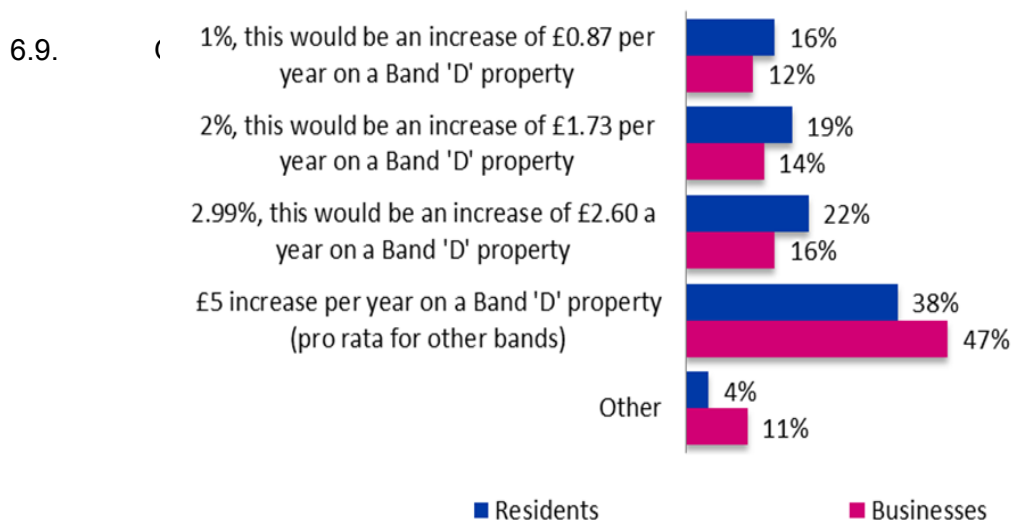
### **6. PRECEPT CONSULTATION 2020-21**

- 6.1. Section 65 of the Local Government Finance Act 1992 requires precepting authorities to consult non-domestic ratepayers on proposals for expenditure.
- 6.2. In addition to the statutory requirement, members of the public have in previous years also been consulted as it was deemed appropriate to include the public's views on the option of increasing Council Tax at a time of economic difficulty.
- 6.3. The consultation process ran throughout November and December 2019 and involved:
- 6.3.1 A telephone survey of 400 business and 400 residents;
  - 6.3.2 Use of an online survey promoted via social media and other DSFRS communication channels
- 6.4. The full results of the telephone survey and online survey can be found in Appendices D and E.

#### ***Results from the Telephone Survey***

- 6.5. Over three in five (62%) businesses agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2020/21, while a fifth (19%) disagreed that it is reasonable for them to do so, resulting in a net agreement of +43%.
- 6.6. Agreement was consistent by Local Authority District (LAD), industry sector and gender. However, by LAD, agreement was significantly higher than average amongst businesses in Devon (68%) and significantly lower amongst businesses in Somerset (54%).
- 6.7. Over three in five (68%) residents agreed that it is reasonable for the Authority to consider increasing its Council Tax charge for 2020/21, while 16% disagreed, giving a net agreement of +52%.
- 6.8. Agreement was consistent by LAD, gender and age. Those respondents who had used a service in the last 12 months were more likely to agree than those who had not (80% cf. 64% who have not used a service).

Chart 1: Level of increase that would be reasonable (Those respondents agreeing that it is reasonable for DSFRS to consider increasing its Council Tax charge for 2020/21)



f those respondents who agreed that a Council Tax increase would be reasonable 63% of businesses and 60% residents would support an increase of 2.99% or above.

6.10. 78% of businesses and 84% residents felt that the Service provides value for money.

6.11. Additional questions were included to determine satisfaction levels; overall 70% of businesses and 66% of residents said they were satisfied with the Service. Levels of satisfaction significantly increased amongst those who had used a service from 70% amongst those who have not used a service to 95%.

**Results from the Online Survey**

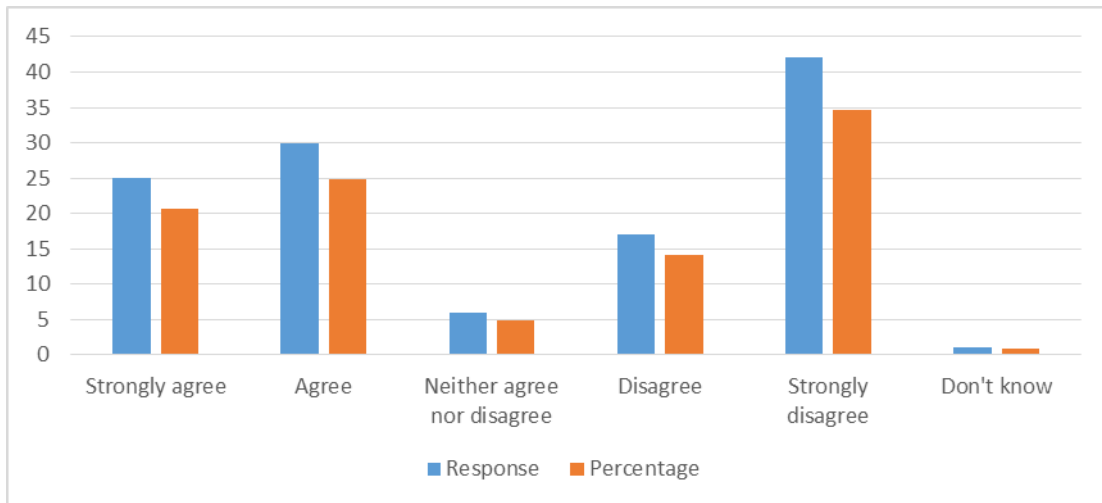
6.12. The online survey was available from 31 October -21 December 2019. The consultation was promoted through our website, press releases and adverts on Facebook and Twitter.

6.13. In that period, a total of 155 responses were received. 121 fully completed the questionnaire and 34 partially completed it. As only five of these responses represented the business sector, the results have not been separated.

6.14. This year's consultation exercise follows an earlier 3 month large scale public consultation process, which the Service undertook in the summer to gauge views on the proposed new Service Delivery Operating Model. It is important to note that the range of responses received through this earlier consultation, have influenced a number of respondents' viewpoints when compared to last year's responses.

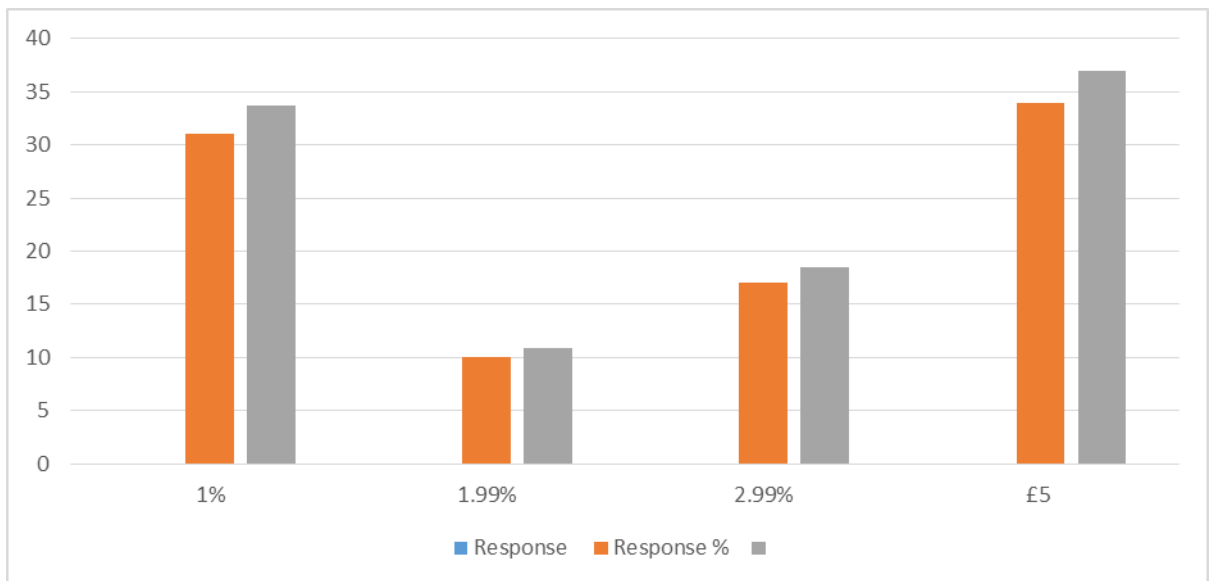
6.15. The results outlined in Chart 2 overleaf indicate that almost 35% of respondents strongly disagree that the Authority should consider increasing its charges, as opposed to approximately 21% who strongly agree. This is a significant change to last year's response where 70% of respondents agreed the Authority should consider increasing its charges.

**Chart 2: Question 1 Results of agreement to consider increasing the precept**



6.16. The results, outlined in Chart 3 below, indicate that 37% of respondents are in support of a £5 increase and that in total, 55% of respondents support an increase of 2.99% or above.

**Chart 3: Question 2 Results of options to increase the precept**



6.17.

he results indicate that over half of respondents (56%) agree that the Service provides value for money.

6.18. Additional questions were asked to ascertain whether respondents had interacted with the Service. The results indicate that 56% of respondents had not interacted with the Service in the last 12 months, however, (22%) had attended community events and almost a third of respondents (27%) had attended a public consultation event for the Safer Together programme.

6.19. In contrast with the phone survey, only 47% of respondents said they were satisfied or very satisfied with the service provided.

### ***Survey Conclusion***

- 6.20. The results of the consultation indicate that the majority of respondents feel it would be reasonable for the Authority to consider increasing its precept for 2020-21. Those who agreed that it would be reasonable to consider an increase in the Council Tax precept were predominantly in favour of an increase of 2.99% or above.
- 6.21. Both businesses and residents agree that the Service provides value for money and were satisfied with the service provided.

### **7. STATEMENT ON ROBUSTNESS OF BUDGET ESTIMATES AND THE ADEQUACY OF THE LEVELS OF RESERVES AND BALANCES**

- 7.1. It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the 'Chief Finance Officer' to the Authority reports on the robustness of the budget estimates and the adequacy of the level of reserves. The Act requires the Authority to have regard to the report in making its decisions. This statement is included as Appendix B to this report.

### **8. SUMMARY**

- 8.1. The Authority is required to set its level of revenue budget and Council Tax for 2020-21 by 1 March so that it can meet its statutory obligation to advise each of the fifteen billing authorities in Devon and Somerset of the required level of precept. The Authority is asked to consider this report and determine the budget and associated Council Tax levels for 2020-21.

**AMY WEBB**  
**Director of Finance & Resourcing (Treasurer)**

**LEE HOWELL**  
**Chief Fire Officer**