

ESSEX POLICE, FIRE AND CRIME COMMISSIONER
FIRE & RESCUE AUTHORITY
Essex County Fire & Rescue Service



Meeting	Strategic Board	Agenda Item	
Meeting Date	10 th December 2019	Report Number	
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Presented By	Glenn McGuinness		
Subject	Draft - Budget 2020-21		
Type of Report:	Discussion / Decision		

RECOMMENDATIONS

1 a. The Police, Fire and Crime Commissioner proposes a precept increase of 1.99% equivalent to an increase of £1.44 a year from £72.45 to £73.89 for a band D council tax property raising £935k of additional council tax receipts. Total council tax funding has increased by £1,618k with the remaining £683k resulting from tax base growth.

1 b. The budget for 2020-21 is drawn up on the basis that existing reserves of £1,618k are utilised in the year.

1 c. To note the impact of the continuing relaxation of public sector pay restraint on the budget and precept of the Authority. In this context, the Authority has provided for 2% across the board pay inflation at a cost of c. £1,126k in 2020-21.

1 d. The budget is prepared on the basis that the medium term financial and action plan to 31st March 2024 ensures that a balanced budget without using reserves is achieved for the 2021-22 financial year.

BACKGROUND

2. This budget has been prepared taking into account the work currently being undertaken to achieve a balanced budget, without the need to use reserves by 2021-22.
The budget below shows that reserves of £1,618k will need to be utilised in 2020-21 to meet the business as usual resource needs of the Service. The main reasons for this are:
 - a. Increased pay inflation following a relaxation of public sector pay policy, the 2020-21 budget includes 2% across the board pay inflation a cost of c. £1,126k.
 - b. The Authority plans to covert 4 day crewed appliances to crewing using an on-call shift pattern. One appliance is scheduled to convert in 2020.

The impact of this is that anticipated savings of £330k for 6 firefighters have been realised in the budget for 2020-21.

The budget shows that, it will be necessary to utilise reserves of £1,618k to meet the business as usual resource needs of the service in 2020-21. Additional transformational and spend to save projects will be funded from reserves.

On this basis the budget will need to be approved on condition that the medium term efficiency plan covering the period to 31st March 2024 contains robust measures to ensure that a balanced budget is achieved, without the need to use reserves, by no later than the 2021-22 financial year.

3. The government has previously announced a programme of reforms to the local government finance system. These reforms include a review of the business rates retention system and of the funding formula that determines the annual local government finance settlement.

A further factor is that a comprehensive spending review is also planned in time for 2021-22 financial year.

These reforms are fundamental, it is therefore essential that enough time is set aside to properly consult with local authorities.

The government plans to carry out a multi-year spending review once the reforms to local government financing and the spending review are completed.

To reflect on the foregoing the government is proposing a one year “roll forward” settlement for 2020-21 to provide immediate stability. This settlement is to be on a flat cash basis plus an inflationary increase of 1.6%

4. Following the budget shaping exercise the budget process has involved departmental managers working with finance colleagues to determine the staffing and resource requirements for 2020-21.
5. In particular, there continues to be a close relationship between the whole-time firefighter headcount budget for 2020-21 and the agreement around crewing levels in the Dispute Resolution Agreement (2017) with the FBU. Any move away from the agreed crewing levels would be seen as a breach of that agreement and could potentially lead to a new dispute being raised by the FBU.
6. The Chief Finance Officers report on the budget as required under section 25 of the Local Government Act 2003 is attached at Appendix 1.

RISK IMPLICATIONS

7. The main risk areas associated with the budget are summarised below:

NATIONAL PAY SETTLEMENTS

The representatives for the employers and employees on the National Joint Council are continuing to negotiate Firefighter Pay Rates. An increase in firefighters pay of 2% was agreed from 1st July 2019, in this context the FBU have lodged a pay claim of 17% and negotiations are continuing regarding a longer term settlement.

It seems likely that public sector pay increases will continue as we move into 2021, but for Essex this is not currently an affordable medium term position.

This budget has been prepared including an across the board 2% provision for pay increases. The cost of this is c. £1,126k per annum.

FIREFIGHTERS PENSION SCHEMES

As part of the 2016 Pension Valuation Her Majesty's Treasury announced Public Sector Pension Valuations 'Directions' which increased the Employer Contribution rates from 2019-20. This affects the Firefighter Pension Schemes.

The main change was in the discount rate from 3% to 2.4%, which converts future pension payments into present day value.

The full expected ongoing cost impact of this for Essex is c. £3.8m per annum.

The government has in 2019-20 supported most of this additional cost burden with a section 31 grant of £3.5m.

We expect this grant will also be made in 2020-21 on a "flat cash" basis, with no inflationary increase this has therefore been included in the income budget for 2020-21.

We anticipate that the pensions grant will be dealt with as part of the spending review, in 2020. The future grant income to support the pension cost burden is therefore uncertain for this material item.

FUNDING

The position for funding post March 2021 is not known at this stage. The Authority is preparing a new medium term financial plan 2020 to 2024 to deal with the financial challenges ahead and to ensure financial sustainability.

Given the foregoing the Authority plans to exercise prudence and use precept flexibility to increase council tax by 1.99% in 2020-21.

FUNDING RISKS

8. There are risks around future funding, these include actual levels of government section 31 grants the local government finance settlement and collection rates for council tax and national non-domestic rates.

For 2020-21 the local government finance settlement is expected to follow the principles set out in the Local Government Finance Settlement 2020-21 - Technical Consultation document published in October 2019.

This document proposes a "roll forward" settlement for 2020-21 plus inflation, this to provide immediate funding stability.

The latest indications are that the provisional local government funding settlement for 2020-21 will be announced in December 2019. The proposal is that any variation between the provisional settlement and amount assumed in this draft budget paper will be treated as an

adjustment through reserves, it is not expected that any such adjustment would be material.

9. Factors influencing council tax collection rates will be changes in the underlying economy, perhaps resulting from Brexit. These may impact in 2021-22, as each billing authority will determine their collection rates based on their current experience any shortfall will impact on the collection account in 2021-22. In addition, the Authority has established earmarked reserves of £200k to mitigate the impact of any shortfall.
10. These timescales mean that the budget for 2020-21 can be agreed knowing that funding changes are unlikely to be a material factor

FINANCIAL IMPLICATIONS

11. The following sections provide the analysis of the key income and expenditure headings for the Authority's budget:

LOCAL GOVERNMENT FINANCE SETTLEMENT

12. We expect the provisional local government finance settlement for 2020-21 to be announced in December 2019.
13. The profile of Revenue Support Grant and National Non-Domestic Rates (NNDR) including an estimate for 2020-21 is set out in the table below:

Local Government Finance Settlement	2019-20 £'m	2020-21 £'m
Revenue Support Grant	8.3	8.5
Share of NDR	6.3	6.4
Tariff/Top-Up	9.9	10.1
Total	24.5	25.0

14. For 2020-21, the level of revenue support grant will be £8,470k some £133k higher than the current year, this is an increase of 1.6%. In addition, the Authority will retain 1% of national non-domestic rates (business rates) worth an estimated £6,460k and receive a top-up grant of £10,054k. In total, these amounts for business rates are £500k higher than the current year.

NATIONAL NON DOMESTIC RATES

15. Within the overall amount of funding there is an element funded by the Authority's share (1%) of national non-domestic rates. For 2020-21, decisions by the government to extend relief for small businesses and other policy changes mean that £1.175k (£1,175k for 2019-20) of the business rates expected will be funded by a section 31 government grant.

16. In addition, the government assumes that the Authority's share of national non-domestic rates from the billing authorities will be £6,460k for 2020-21. The exact amount may vary from this level, the Authority holds an earmarked reserve of £200k to manage this uncertainty, and it is proposed that any shortfall in the final level of billing authority sourced funding is managed through this reserve.
17. To help maximise the local share of national non-domestic rates the Authority has supported pooling arrangements with the County Council, Southend Borough Council and all 12 District Councils. In addition, the pooling authorities submitted a bid to be a pilot area for business rates retention in both 2018-19 and 2019-20, these bids were not successful.
18. Under the current pooling arrangements, a larger share of any gains in the level of these rates will be retained locally and apportioned within the pool. Because of this, it is estimated that the Authority will receive c. £371k in additional business rates in 2019-20. Any gains from the pooling arrangements are uncertain and difficult for the Authority to estimate. On this basis no provision is included in the budget for 2020-21 any amounts actually received in 2020-21 will be treated as a contribution to reserves.

COUNCIL TAX

19. For 2020-21, the government has proposed 2% as the threshold for the increase in council tax that will require a referendum.
This paper recommends that the Authority use this increased flexibility to increase council tax by 1.99%. This precept increase will be primarily used to fund pay inflation of 2%
20. The recommended increase in council tax will contribute to an additional £1,618k growth in the Authority's funding. This is made up of precept increase (£935k – 1.99%) and tax base growth (£683k – 1.5%)
21. The position regarding the tax base of the Authority remains strong with increases through better collection arrangements and growth. The council tax sharing arrangements are supported by in-year monitoring of the progress in collection and an early assessment of the impact of changes to the billing authorities Council Tax support schemes.
22. The Authority has aligned itself with the County Council and the Essex Police and agreed with the billing authorities to share the precepting authorities' gains from technical changes in Council Tax with the billing authority.
23. The rate of growth in the council tax base is 1.5% for 2020-21. This is slightly lower than the anticipated growth.

COLLECTION ACCOUNT

24. With the continued growth in the tax base, the council tax collection account is expected to show a positive balance of £400k in 2020-21 (£643k for 2019-20). The Authority has an earmarked reserve to absorb any negative movement on the collection account fund, but it is not expected there will be a call on this reserve in 2020-21.

PRECEPT AND IMPLICATIONS FOR COUNCIL TAX

25. The table below sets out the calculations of the proposed council tax precept and shows the changes from the 2019-20 budget.

Funding 2019-20 & 2020-21	2019-20 Budget	2020-21 Budget	Change
	£'000	£'000	
Rate of Council Tax Increase	3.00%	1.99%	
Gross Expenditure	£81,102	£82,392	£1,290
Operational Income			
Urban Search & Rescue	(£857)	(£857)	£0
Firelink	(£608)	(£628)	(£20)
Business Rate Relief Support	(£819)	(£1,175)	(£356)
Pensions Top Up	(£3,517)	(£3,517)	£0
Other	(£118)	(£11)	£107
Grant Income	(£5,918)	(£6,188)	(£270)
Other Operational Income (as para 55)	(£1,387)	(£1,351)	£36
Total Operational Income	(£7,305)	(£7,539)	(£234)
Net Expenditure	£73,797	£74,853	£1,056
Sources of Finance			
Revenue support Grant	(£8,337)	(£8,470)	(£133)
National Non-Domestic Rates	(£16,196)	(£16,514)	(£318)
Total Grant	(£24,533)	(£24,984)	(£451)
Collection Fund Surplus	(£643)	(£400)	£243
Council Tax Precept	(£46,233)	(£47,851)	(£1,618)
Total Council Tax	(£46,876)	(£48,251)	(£1,375)
Use of Reserves	(£2,388)	(£1,618)	£771
Total Sources of Finance	(£73,797)	(£74,853)	(£1,055)
Tax Base	638,134	647,706	9,572
Council Tax (Band D)	£72.45	£73.89	£1.44

26. The funding changes from 2019-20 are an increase in the total local government finance settlement of £451k (1.6%) and an increase in the council tax precept of £1,618k.

2019-20 FORECAST REVENUE BUDGET POSITION

27. The forecast outturn has been reviewed to reflect the position at the end of September 2019, this forecast is summarised below and this position is reflected in the comparative figures used in this report.

Description	2019-20	2019-20	Forecast	Forecast
	Budget	Forecast	Variance	Variance
	£'000s	£'000s	£'000s	%
Firefighters	34,251	33,591	(661)	-2%
On-Call Fire-Fighters	6,692	6,592	(100)	-2%
Control	1,438	1,476	38	3%
Support Staff	13,918	13,633	(285)	-2%
Total Employment Costs	56,299	55,292	(1,008)	-2%
Support Costs	2,196	2,103	(94)	-4%
Premises & Equipment	10,464	10,345	(120)	-1%
Other Costs & Services	3,399	3,199	(200)	-6%
Firefighters Pension costs	2,250	2,228	(22)	-1%
Lease & Interest Charges	1,393	1,297	(96)	-7%
Statutory Provision for Capital Financing	5,100	5,100	-	0%
Total Other Costs	24,803	24,271	(532)	-2%
Gross Expenditure	81,102	79,563	(1,539)	-2%
Total Operational Income	(7,305)	(7,530)	(225)	3%
Net Expenditure	73,797	72,033	(1,764)	-2%
Funding				
Revenue Support Grant	(8,337)	(8,337)	-	0%
National Non-Domestic Rates	(16,254)	(16,625)	(371)	2%
Council Tax Collection Account	(643)	(643)	-	0%
Council Tax receipts	(46,233)	(46,233)	-	0%
NNCR (Surplus)/deficit	58	(82)	(140)	++
Contributions to/(from) Reserves	(2,388)	(113)	2,275	-95%
Total Funding	(73,797)	(72,033)	1,764	-2%

28. The forecast shows that we expect to use reserves of £113K in the year, this is better than the original planned use of reserves of £2,388k in the year, as presented to the Police Fire and Crime Panel on 24th January 2019.

This improvement is as a result of robust financial controls and will reduce the planned draw on reserves in 2019-20 by £1,852k. The main reasons for the improved position overall are:

- The underspend on Firefighter costs is a result of the actual numbers of firefighters being continuously below budget. Please note that included in these figures are additional costs arising from a settlement with day crewed firefighters regarding changes in contractual arrangements (£500k).
- A combination of both lower headcount and activity levels for on-call firefighters will account for an underspend of (£100k)
- An underspend for Support Staff of £285K for Business as Usual activities.

RESERVES

29. At 31 March 2019, the Authority had £21.9m of usable reserves. These is made up of:

- Earmarked reserves of £5.7m, these are specific reserves set aside to manage key financial risks and to provide funding for future expenditure plans.
- Capital receipts reserve of £8.3m, these can only be used to fund capital expenditure.
- General reserves of £7.9m. These provide a working balance to help cushion the impact of unexpected events and as a means of smoothing out large fluctuations in spending requirements and/or funding available.

An analysis of the reserves is shown in the table below:

Analysis of Reserves	31st March 2019 - Actual	Transfers 2019-20	Use of Reserves 2019-20	31st March 2020 Forecast	Transfers 2020-21	Use of Reserves 2020-21	31st March 2021 Forecast	Comment
On-Call Demand Pressures	600			600			600	To provide for exceptional in-year demand pressure
On-Call - Support	400		(150)	250		(250)	0	On-call recruitment and retention initiatives
Operational Training Reserve	1,000	400	(900)	500		(500)	0	Project to invest in operational training initiatives
Spend to Save Reserve	808		(25)	783		(25)	758	Fund to support savings initiatives
Innovation and Transformation	1,960	1,250	(627)	2,583		(922)	1,661	To facilitate new improvement and efficiency initiatives in line with the Fire and Rescue Plan and new IRMP requirements.
Investment in technical Fire Safety	0	0	0	0	500	(500)	0	Funds set aside to support increase investment
Rolling Budgets Reserve	85		(85)	0			0	One off spend 2019-20 to support culture project
Taxbase and Collection Account Reserve	200		0	200			200	To cope with fluctuations in collection account
NNDR Collection Reserve	200		0	200			200	To cope with fluctuations NNDR
Business Continuity Reserve	150		0	150			150	Business events not covered through risk protection funding.
LGPS Pension payment				0	284	(284)	0	LGPS Pensions Deficit first year payment
Risk Protection	250		0	250			250	Expected limit of calls from our insurers.
Total Earmarked Reserves	5,653	1,650	(1,787)	5,516	784	(2,481)	3,819	
General Reserve	7,935	(1,650)	(113)	6,172	(784)	(1,618)	3,770	Assumed reduce to 3.6m c.5% budget
Capital Receipts Reserve	8,335			8,335			8,335	Depends on capital receipts from house sales
Total Usuable Reserves	21,923	0	(1,900)	20,023	0	(4,099)	15,924	

Although useable reserves were £21.9m at 31st March 2019 the cash balances of the Authority were £11.7m at that date. The main reason for this is that cash balances have been used to fund capital expenditure in order to reduce the borrowing costs of the Authority.

30. The Chief Finance Officers report on the 2019-20 budget at appendix 1 deals with detailed proposals for reserves.

31. The development of the Fire and Rescue Plan and new IRMP for the period 2020 to 2024 will be designed to ensure that the Authority moves towards a balanced budget, without the need to use reserves by the 2021-22 financial year.

2020-21 BUDGET

32. The budget for 2020-21 has been drawn up by the Service Leadership Team and with department managers to determine the staffing and resource requirements for 2020-21.

33. The budget for 2020-21 is summarised below and compared to the budget and most recent forecast for 2019-20

Description	2019-20	2019-20	Variance		Variance
	Budget	Forecast	2020-21	from	from
	£'000s	£'000s	Budget	2019-20	2019-20
			£'000s	Forecast	Forecast
				£'000s	%
Firefighters	34,251	33,591	34,633	1,042	3.1%
On-Call Fire-Fighters	6,692	6,592	6,893	301	4.6%
Control	1,438	1,476	1,368	(108)	(7.3%)
Support Staff	13,918	13,633	14,715	1,082	7.9%
Total Employment Costs	56,299	55,292	57,609	2,318	4.2%
Support Costs	2,196	2,103	2,174	72	3.4%
Premises & Equipment	10,464	10,345	10,678	333	3.2%
Other Costs & Services	3,399	3,199	3,290	91	2.8%
Firefighters Pension costs	2,250	2,228	2,276	48	2.2%
Lease & Interest Charges	1,393	1,297	1,265	(32)	(2.5%)
Statutory Provision for Capital Financing	5,100	5,100	5,100	0	0.0%
Total Other Costs	24,803	24,271	24,782	511	2.1%
Gross Expenditure	81,102	79,563	82,392	2,829	3.6%
Total Operational Income (as para 55)	(7,305)	(7,530)	(7,539)	(9)	0.1%
Net Expenditure	73,797	72,033	74,853	2,820	3.9%
Funding					
Revenue Support Grant	(8,337)	(8,337)	(8,470)	(133)	1.6%
National Non-Domestic Rates	(16,254)	(16,625)	(16,514)	111	(0.7%)
Council Tax Collection Account	(643)	(643)	(400)	243	(37.8%)
Council Tax receipts	(46,233)	(46,233)	(47,851)	(1,618)	3.5%
NNCR (Surplus)/deficit	58	(82)	0	82	(100.0%)
Contributions to/(from) Reserves	(2,388)	(113)	(1,618)	(1,504)	1327.9%
Total Funding	(73,797)	(72,033)	(74,853)	(2,820)	3.9%

34. The budget for 2020-21 shows the need to utilise reserves of £1,618k in order to balance the budget.
35. Provision for across the board inflation of 2% (c. £1,126k) is included in pay budgets. In most other cases budget managers absorb non-pay inflationary pressures within department budgets. This absorption of non-pay inflations accounts for real savings of £340k in the 2020-21 budget.
36. The budget shows an increase in net expenditure of £2,820k the main reasons for this increase are:
- Increase in employment costs of £2.318k, this includes, pay inflation c. £1,126k, increased costs for on-call firefighters (c. £90k) support staff pay increments (£204k) and headcount changes as shown in the tables below.
 - Increases in other costs include premises and equipment (£333k for ICT support including new Control systems).

STAFF NUMBERS

37. Employment costs equate to c.77 % of the Authority's total revenue budget, with the numbers of firefighters employed the most significant element.
The budget reflects further recruitment and planned retirements of firefighters in the year.

38. Overall staff numbers are summarised below:

Staff Budget (Average)	2019-20 Budget	Changes	2020-21 Budget
Wholetime Firefighters	666.0	-8.0	658.0
On-Call (retained) Firefighters	453.8	4.4	458.3
Control Staff	33.5	0.0	33.5
Support Staff - Employees	296.5	3.8	300.3
Total	1449.8	0.2	1450.0

The reduction in wholetime fire firefighters relates to the conversion of a day crewed appliance to on-call in the year.

WHOLETIME FIREFIGHTERS

39. The average budgeted numbers of whole-time firefighters in 2019-20 and 2020-21 by role are set out below:

Wholetime Firefighter Budget	2019-20 Budget	Changes	2020-21 Budget
Chief, Deputy Chief and Assistant Chief Fire Officers (Brigade Managers)	2.0	1.0	3.0
Area Manager	3.0	0.0	3.0
Group Manager	13.0	0.0	13.0
Station Manager	43.0	0.0	43.0
Watch Manager	128.0	1.0	129.0
Crew Manager	82.0	-2.0	80.0
Firefighter	395.0	-8.0	387.0
Total	666.0	-8.0	658.0

ON-CALL (RETAINED) FIREFIGHTERS

40. The numbers of on-call firefighters has been budgeted on an FTE basis. The Service has established an On-call Development Programme, sponsored by the CFO/CEO, which, along with other things, will be looking to improve the recruitment and the retention of On-call firefighters, review their current terms and conditions and identify areas where additional support would be most effective.

41. The recruitment and retention of on-call firefighters' project is a key element of the changes agreed for 2020 and through 2024. The Authority is not currently meeting recruitment and retention targets for on-call firefighters; a reserve of £400K has therefore been set aside for support to improve on-call recruitment.

42. The on-call pay budget reflects expected levels of activity and makes no allowance for any abnormal activity levels such as flooding, prolonged summer drought or strikes. An earmarked reserve of £600k exists should significant unforeseen activity be undertaken.

SUPPORT STAFF CHANGES

43. The support staff budget for 2020-21 includes provision for 2.9 additional staff for collaboration with Essex Police. The additional costs are covered by funding from government grants for collaboration.

STAFF COSTS

44. In addition to the numbers of staff employed, a number of other elements influence the overall employment costs. These are discussed in the sections below.

PAY

45. The budget for firefighter pay includes additional expenditure on overtime where out duties are worked; including the payment of allowances for pre-arranged out-duties.
46. The budget for firefighters pay is based on the latest pay rates agreed in July 2019; in addition, provision is included in the budget for a further 2% increase from July 2020.

PENSION SCHEMES

FIREFIGHTER PENSION SCHEMES

47. There were significant changes in the pension schemes for firefighters in 2017. Changes in contribution rates for firefighters pension schemes came into effect from April 2019. Following a revaluation of firefighters' pension schemes the national average increase is material at 12.6% of pensionable pay. This equates to an additional gross cost burden of c. £3.8m and is allowed for in the budget. Government has paid a section 31 grant of £3.5m to fund c.92% of the cost for 2019-20, it is anticipated this grant will continue on a flat cash basis in 2020-21.

The Authority is required to budget for lump sum charges arising from the ill-health retirement of firefighters. These costs can be spread over three years, starting in the year in which the ill-health retirement occurs. In addition, the Authority has to fund the cost of the residual amount of injury scheme payments previously included in the pension budget.

The pension injury payments increase in line with inflation and represent a considerable burden for the Authority. The budget for 2020-21 is £2.2m. The level of ill-health retirements has fallen considerably in recent years and provision has been made for one such retirement in 2020-21.

LOCAL GOVERNMENT PENSION SCHEME

48. There was an actuarial review of the local government pension scheme as at 31 March 2020 and this resulted in an increase in the employers' contribution rate from 16.2% to 19.9%. This additional cost of £313K has been included in the budget.
49. The budget makes provision for the rates of employers National Insurance contributions and the new apprenticeship levy introduced from 1 April 2017. The budget includes £200k for this levy in 2020-21.

INFLATION

50. Some specific allowances are included within the budget bids for expected inflationary increases in business rates, utilities and fuel. Budget holders have absorbed other inflationary pressures. Pay inflation of 2% is included in pay budgets.

NON-STAFF COSTS & COLLABORATION SAVINGS

51. For non-staffing costs, the budget is derived from the outturn expenditure for 2018-19 “normalised” to exclude the impact of any non-recurring expenditure. This base figure has then been adjusted for efficiency gains and to reflect the impact of specific changes planned for the next year.

SPRINKLER FUNDING

52. The budget makes no specific provision for additional sprinkler funding as the planned expenditure in 2020-21 will be from the existing agreed spend to save reserve. The Authority is currently working with local authorities to help fund projects in vulnerable areas.

RISK PROTECTION

53. The Authority’s risk protection arrangements are provided through the Fire and Rescue Indemnity Company Ltd (FRIC) in a risk sharing arrangement with eight other Fire and Rescue Authorities. Contributions to FRIC are in line with the insurance premiums paid in the previous year.

REVENUE BUDGET PROVISION FOR CAPITAL FINANCING

54. The Authority is required to make a statutory provision to fund capital expenditure from council tax. This provision is based on the historic cost depreciation charge for the assets that are purchased.
55. The Commissioner is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement) through a revenue charge (the minimum revenue provision for capital financing - MRP). The Authority uses the depreciation method for any increase in the capital-financing requirement based on the average annual depreciation charge for assets purchased.

The capital financing charge for 2020-21 is £5.1m.

INCOME

56. The budget reflects a realistic assessment of income from a range of sources including aerial sites for telephony, re-charges to EFA trading etc. These are analysed in the table below;

Operational Income	2019-20 Budget £'000	2019-20 Forecast £'000s	2020-21 Budget £'000	Variance from 2019-20 Forecast £'000s	Variance from 2019-20 Forecast %
Grant Income					
Urban Search & Rescue	(£857)	(£857)	(£857)	(£0)	0.0%
Firelink	(£608)	(£628)	(£628)	£0	0.0%
Business Rate Relief Support	(£819)	(£935)	(£1,175)	(£240)	25.7%
Pensions Top Up	(£3,517)	(£3,517)	(£3,517)	£0	0.0%
Other	(£118)	(£149)	(£11)	£138	(92.6%)
Total Grant Income	(£5,918)	(£6,086)	(£6,188)	(£102)	(66.9%)
Other Operational Income					
Cycle to Work Scheme	(£20)	(£22)	(£20)	£2	(8.1%)
Childcare Vouchers	(£69)	(£69)	(£69)	£0	0.0%
Canteen Income	(£68)	(£76)	(£68)	£8	(10.1%)
Sale of Vehicle Spares	(£20)	(£25)	(£25)	£0	(0.8%)
Aerial Sites	(£140)	(£145)	(£150)	(£5)	3.7%
Solar Panel Income	(£50)	(£44)	(£50)	(£6)	12.8%
Hydrant Tests	(£90)	(£87)	(£90)	(£3)	3.0%
Lease Cars - Employee Contributions	£0	(£3)	£0	£3	(100.0%)
Service Charges	(£1)	(£2)	(£1)	£1	(68.7%)
Secondments	(£58)	(£91)	(£92)	(£1)	1.1%
Community Safety general	£0	(£31)	£0	£31	(100.0%)
Labour Credit	(£50)	(£64)	(£55)	£9	(14.4%)
Section 13/16	(£45)	(£58)	(£45)	£13	(22.6%)
Provision of Hire Vehicles & Equipment	(£2)	(£10)	(£2)	£8	(80.4%)
Interest Received Short Term Investments	(£40)	(£47)	(£45)	£2	(3.5%)
Community Safety Youth Work	(£320)	(£194)	(£175)	£19	(9.6%)
Shared Services Income	(£242)	(£292)	(£371)	(£79)	27.0%
Reimbursements from EFA(T)	(£108)	(£114)	(£94)	£21	(18.2%)
Other Miscellaneous Income	(£64)	(£71)	£0	£71	(100.0%)
Other Operational Income	(£1,387)	(£1,445)	(£1,351)	£94	(6.5%)
Total Operational Income	(£7,305)	(£7,530)	(£7,539)	(£9)	0.1%

57. Government Grant income includes Urban Search and Rescue (£857K), Fire link (£628K), Business Rates Support (£1,175K) and firefighter pensions costs (£3,517k)

CAPITAL BUDGET 2020-21

58. The affordability of the overall capital programme remains a key factor for the Authority in the next few years. Only if the overall capital programme can deliver financial benefits to offset the additional revenue burden of its financing costs will the projects outlined in this section be initiated.

59. Most significant projects already require PFCC approval before they can be initiated. All projects coming forward for approval will be required to demonstrate how the financing costs will be met and whether this will be from efficiencies generated by the project or from other areas.

60. The proposed budget is set out below. The most significant projects are on property asset protection and renovation of Shoeburyness station. ICT includes the ICT transformation programme, new control system band investment for technical fire safety

systems support. Vehicle spend includes planned replacements for light vehicles and vans. The budget is summarised in the table below:

61. A further review of capital expenditure will be carried out based on the Fire and Rescue Plan and Integrated Risk Management Plan (IRMP) to assess requirements from 2020 to 2024. This will be carried out during 2020.

62.

Summary Capital Programme to 2023/24	Revised Budget 2019-20	Forecast 2019/20	Budget 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24
New Premises						
Service Workshops	100	-	-	-	-	-
Existing Premises						
Asset Protection	2,000	1,900	2,000	2,000	2,000	2,000
Training Facilities Improvement	-	-	548	310	703	400
Asset Improvement Works	500	-	500	700	-	-
Total Property	2,600	1,900	3,048	3,010	2,703	2,400
Equipment	385	111	364	183	22	937
Information Technology						
Projects	1,425	1,220	1,900	575	160	-
Total Information Technology	1,425	1,220	1,900	575	160	-
Vehicles						
New Appliances	-	-	1,260	1,680	1,505	1,505
Other Vehicles	1,480	1,161	860	678	665	707
Total Vehicles	1,480	1,161	2,120	2,358	2,170	2,212
Total Capital Expenditure	5,890	4,392	7,432	6,126	5,055	5,549

63. CAPITAL RECEIPTS AND CAPITAL GRANTS

64. The Authority is required to dispose of surplus assets, it is expected that as a result of the project for conversion of four day crewed stations to the on-call crewing system a number of houses previously required to support the day crewing system will be disposed of in the by 31st March 2022. The balance sheet value for these houses was £7.4m at 31st March 2019.

FUNDING CAPITAL EXPENDITURE

65. The cash generated from the proposed income and expenditure budget is £5.1m. This will be used towards financing capital expenditure in the year.

EQUALITY AND DIVERSITY IMPLICATIONS

66. None

WORKFORCE ENGAGEMENT

67. Representative bodies will be involved and engaged, as plans are developed to move to a balanced budget position by 2021-22.

LEGAL IMPLICATIONS

68. The Commissioner must agree a budget and set a precept by the end of February 2020.

HEALTH & SAFETY IMPLICATIONS

69. None.