

GM POLICE, CRIME AND FIRE PANEL

Date: 10th February 2022

Subject: Greater Manchester Fire and Rescue Service Revenue and Capital Budget 2022/23

Report of: Andy Burnham, Mayor of Greater Manchester

PURPOSE OF REPORT

The purpose of this report is to inform panel members of the proposed budget for Greater Manchester Fire and Rescue Service (GMFRS) for 2021/22 and the update medium term financial plan.

The precept proposals for GMFRS for 2022/23 will form part of the Mayoral general budget and precept proposals report to the GMCA on 11th February

RECOMMENDATIONS

To note and comment on:

1. The overall budget proposed for GMFRS
2. The use of reserves to support the revenue and capital budgets
3. The Proposed fire service capital programme and proposals for funding
4. The medium-term financial position for GMFRS covered by the Mayoral precept

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PROPOSED GREATER MANCHESTER FIRE AND RESCUE REVENUE AND CAPITAL BUDGET 2022/23

1. INTRODUCTION

- 1.1 The purpose of this report is to inform panel members of the proposed budget for Greater Manchester Fire and Rescue Service (GMFRS) for 2021/22 and the update medium term financial plan.
- 1.2 The following information provides details supporting the Greater Manchester Fire and Rescue Service Revenue and Capital Budgets. The report sets out the medium-term financial plan (MTFP) to 2024/25, updating for pay and price inflation, known cost pressures and agreed savings.
- 1.3 The Medium-Term Financial Plan (MTFP) to 2024/25 has been updated, based on the 2021/22 baseline updated for pay and price inflation, known cost pressures and agreed savings. The funding supporting the 2021/22 Budget represented a one-year settlement from MHCLG, with allocations based on the Spending Review 2021.
- 1.4 The Chancellor announced the Spending Review in December 2021 which presented a one-year settlement as part of the three-year government Spending Review. In relation to Fire and Rescue Services, the announcements covered the following:
 - Fire & Rescue services receiving a 4.7% increase in core spending power
 - Fire services will receive a £24m share of £822m Services Grant
 - Flexibility on council tax precept for the lowest quartile Fire Services of £5 for a one-year period, referendum limits for the remainder of the sector to remain at 2%
 - Pension Grant will be paid at current rate and will be formally confirmed in January 2022
- 1.5 The Provisional Local Government Settlement was published in December 2021 and the MTFP has been updated based on this. Final confirmation of the funding position will be confirmed in the Local Government Final Settlement due for late January / early February.
- 1.6 The table below presents the budget requirements incorporating pressures and savings from 2021/22 onwards:

Medium Term Financial Plan	Original 2021/22	Revised 2021/22	Proposed 2022/23	Planned 2023/24	Planned 2024/25
	£000	£000	£000	£000	£000
Fire Service	109,514	109,514	107,956	112,605	114,040
Pay and price inflation	212	1,275	2,625	1,961	1,999
Savings	-2,857	-2,857	-788	-712	0
Cost pressures and variations	24	24	2,812	186	0
Cost of service	106,893	107,956	112,605	114,040	116,039
Capital Financing Charges	2,316	2,316	2,079	3,906	4,565
Transfer to Earmarked Reserves	1,349	1,349	2,387	0	0
Revenue Contribution to Capital Outlay	2,700	2,700	0	0	0
Use of Capital Reserves	-2,700	-2,700	0	0	0
Net Service Budget	110,558	111,621	117,071	117,946	120,604
Funded by:					
Localised Business Rates	10,297	10,297	10,297	10,297	10,297
Baseline funding	40,353	40,353	40,922	40,922	40,922
SFA - Services Grant	0	0	2,209	0	0
Section 31 - Business rates related	2,594	2,594	2,594	2,594	2,594
Section 31 - Additional Business Rates	4,798	4,798	0	0	0
Section 31 - Pension related	5,605	5,605	5,605	5,605	5,605
Precept income (at £71.20 Band D)	50,041	50,041	55,429	55,366	55,366
Collection Fund surplus/deficit	-5,236	-5,236	-311	-311	0
Tax Income Guarantee	0	0	0	0	0
Local Council Tax Support	1,349	1,349	0	0	0
	109,801	109,801	116,745	114,473	114,784
Shortfall	757	1,820	326	3,472	5,819
Shortfall Funded by:					
Earmarked Reserves	757	757	326	204	0
General Reserves/Precept Increase	0	1,063	0	3,268	5,819
Use of Earmarked & General Reserves/Precept	757	1,820	326	3,472	5,819

2. REVENUE BUDGET ASSUMPTIONS

Funding

- 2.1 Funding is based on the details from the Provisional Settlement, released in December. The baseline funding has increased by £0.569m from the 2021/22 position with an additional one-year Services Grant of £2.2m. Localised business rates are assumed at the same level of income as last year, with information from Districts not yet available to determine next year's position at this stage.
- 2.2 From 2019/20 the Home Office confirmed a Section 31 pension grant of £5.605m million towards estimated costs for GMFRS of £6.1m. Payment of this grant in 2020/21 and 2021/22 was made on a flat cash basis, and in 2022/23 indications suggest that the grant will again be paid on a flat cash basis.
- 2.3 Precept income has been included at the increased rate of £55.38 per Band B property (£71.20 per household at Band D equivalent) which ensures there is no impact on frontline fire cover . The estimated Taxbase for 2022/23, i.e. the number of households paying council tax, has seen an increase when compared to levels assumed in 2021/22.
- 2.4 Collection Fund surplus/deficits are to be confirmed by Districts as soon as the information is available. Early indications show that Business Rates deficits are expected to continue due to the impact of the on-going pandemic. The values currently provided in the Medium-Term Financial Plan are the deficits from 2020/21 which have been spread over three financial years from 2021/22 and the indicated recoverable amounts from the Tax Income Guarantee funding from Government.
- 2.5 There is no indication at this stage of future grants to cover Protection related activities.

Pay and Pensions

- 2.6 Pay and price inflation includes 1.5% for uniformed staff and an indicative 1.75% for non-uniformed staff in relation to 2021/22, as presented against the revised 2021/22 budget and an estimated 2% for all staff in 2022/23. Following the pay freeze announced in the Spending Review for 2021/22, an increase of £250 per year per employee for those with a salary of less than £24k was introduced into the budget, however, since the budget setting period, uniformed staff pay award was agreed at 1.5% and negotiations for non-uniformed staff pay award started and negotiations are on-going.
- 2.7 Changes by the Treasury in 2019/20 concerning the discount rate for unfunded public sector pension schemes, have had the effect of increasing employers' contributions from 17.6% to 30.2%, equating to £115 million for English Fire and Rescue Authorities (FRAs). For 2019/20 the Home Office confirmed a Section 31 grant of £5.605m, towards estimated costs for GMFRS of £6.1m. Payment of this grant in 2020/21 and 2021/22 was made on a flat cash basis, which is expected again in 2022/23.

Savings

2.8 The GMFRS Programme for Change has undertaken a whole service review and developed and implemented a new operating model which affected the revenue budget from 2019/20 to 2021/22. The Programme has been completed, however, the Service continually ensure that it is delivered efficiently and effectively. As such, a savings target of £1.5m has been put forward across two financial years. £0.788m of the target has been identified as deliverable in 2022/23 following a line-by-line review and Business Rates payable review, with a further £0.712m to be delivered in 2023/24.

Pressures

2.9 Budget pressures have been identified as set out below:

- Pay Award – As noted at paragraph 6.12, budget pressures have arisen due to pay awards for 2021/22 and 2022/23. Uniformed staff 2021/22 pay award has been agreed at 1.5% which requires a budget increase of £0.818m, indicative increases have been calculated for 2021/22 non-uniformed staff at 1.75% which equates to £0.245m and 2022/23 at 2% for all staff which has been calculated at £1.664m.
- National Insurance – Government announced an increase of National Insurance contributions which increased employers' contribution rate from 13.8% to 15.05%. This increase, estimated at £0.553m is to be funded by the Services Grant.
- Price Inflation - energy costs inflation has been identified with an estimated budget increase requirement of £0.408m. No further inflation has been introduced to the budget, any that arise will be met through existing budgets.
- MTFA capability – an agreement has been reached with the representative body to support a ballot of its members enabling this capability to continue on a permanent basis. This ballot will take place in January – February 2022. The budget introduced to implement and maintain this is £1.385m on a recurring basis.
- Training – A full scale review of Training Needs Assessment, the capacity to deliver and external costs associated has recently been undertaken. This has been costed and has raised a budget pressure of £0.751m.
- Support Services – Back-office support from the wider GMCA will see a cost increase, mainly in relation to pay award. This has been estimated at £0.379m based on a 5% increase.

Transfer to Earmarked Reserves

2.10 The transfer to Earmarked Reserves represents the planned use of revenue funding to be transferred to the Capital Fund Reserve. This is to reduce future capital financing costs against capital programme expenditure.

3. CAPITAL PROGRAMME

3.1 GMFRS have reviewed capital investment requirements for the Fire Estates, Fire ICT schemes and Operational Vehicles and Equipment, and the proposed Capital Programme requirements are set out below.

Capital Programme	2021/22	2022/23	2023/24	Future Years to 2027/28	Total
	£000	£000	£000	£000	£000
Estates	4,275	11,581	11,010	18,290	45,155
Transport	3,478	5,480	2,084	8,958	20,001
ICT	2,205	1,223	150	600	4,178
Equipment	968	1,488	540	1,614	4,609
Sustainability	507	75	75	300	957
Waking Watch Relief Fund	2,050	0	0	0	2,050
Total Capital Programme	13,482	19,847	13,860	29,762	76,951

3.2 A long-term Estates Strategy is being formulated, the approved Phase 1 of the scheme with plans for new builds, extensions, refurbishments and carbon reduction schemes is underway with expected completion by 2025/26. Alongside this is the Bury Training and Safety Centre which is also underway and due to complete within 2022/23.

3.3 Transport and Equipment replacement programme budgets are profiled in accordance with expected need and delivery profiles allowing for lead times where supply chains require orders to be placed up to 18 months prior to goods being delivered.

4. BUDGET RISKS

4.1 Future budget risks are set out below:

- A one-year settlement was included in the three-year Government Spending Review, future funding beyond 2022/23 has not been confirmed.
- Pay claims for firefighters and Local Government Employees in excess of the assumptions set out in the report.
- McCloud/Sargeant Remedy – the judgement refers to the Court of Appeal’s ruling that Government’s 2015 public sector pension reforms unlawfully treated existing public

sectors differently based upon members' age. The implications of the remedy are being determined but are likely to be significant in future years beyond 2022/23.

- Delivery of sufficient savings to meet the requirements of the Medium Term Financial Strategy, and dependent on availability resources to deliver a change programme of this scale.
- Emergency Services Mobile Communications Project (ESMCP) – a national project to procure and replace the Emergency Services Network.
- Any changes required following the Manchester Arena Public Inquiry, Grenfell Inquiry and , Fire Safety Act 2021, and the Building Safety bill.
- Any Business Continuity Arrangements that require funding which are not part of the Base Budget.
- As no capital grants are available to FRSs, future schemes in our Capital Programme will be funded by a combination of revenue underspends and borrowing. The costs associated with additional borrowing will have to be met from the Revenue Budget.

5. RECOMMENDATIONS

5.1 To note and comment on:

- The overall budget proposed for GMFRS
- The use of reserves to support the revenue and capital budgets
- The Proposed fire service capital programme and proposals for funding
- The medium-term financial position for GMFRS covered by the Mayoral precept