

GREATER MANCHESTER POLICE, CRIME AND FIRE PANEL

Date: 26th February 2022

Subject: Greater Manchester Fire and Rescue Service Revenue and Capital Budget 2023/24

Report of: Mayor of Greater Manchester, Andy Burnham

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 2023/24 and the update medium term financial plan.

The precept proposals for GMFRS for 2023/24 will form part of the Mayoral general budget and precept proposals report to the GMCA on 10th February

RECOMMENDATIONS:

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

CONTACT OFFICERS

Steve Wilson, Treasurer
Steve.Wilson@greatermanchester-ca.gov.uk
07725 481067

Rachel Rosewell, Deputy Treasurer
Rachel.rosewell@greatermanchester-ca.gov.uk
07725 482865

PROPOSED GREATER MANCHESTER FIRE AND RESCUE REVENUE AND CAPITAL BUDGET 2023/24

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 2023/24 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 2025/26, updating for pay and price inflation, known cost pressures and agreed savings.
- 1.3 The Medium-Term Financial Plan (MTFP) to 2025/26 has been updated, based on the 2022/23 baseline updated for pay and price inflation, known cost pressures and agreed savings.
- 1.4 The Chancellor announced the Spending Review in December 2022 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 7.4% increase in core spending power
 - Flexibility on council tax precept for stand-alone Fire Services of £5 for a one-year period.
- 1.5 The Provisional Local Government Settlement was published in December 2022 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 2022/23 onwards:

<u>Medium Term Financial Plan</u>	Original 2022/23	Revised 2022/23	Proposed Budget 2023/24	Indicative Budget 2024/25	Indicative Budget 2025/26
	£000	£000	£000	£000	£000
Fire Service	107,956	107,956	115,365	124,275	128,220
Pay and price inflation	2,625	5,385	5,955	4,080	2,031
Savings	-788	-788	-712	0	0
Cost pressures and variations	2,812	2,812	3,667	-135	-426
Cost of service	112,605	115,365	124,275	128,220	129,825
Capital Financing Charges	1,692	1,692	2,082	3,096	3,755
Trf to Earmarked Reserves	5,245	5,245	1,752	0	0
Net Service Budget	119,542	122,302	128,109	131,316	133,580
Funded by:					
Localised Business Rates	9,368	9,521	9,521	9,521	9,521
Baseline funding	40,922	40,922	43,275	43,275	43,275
SFA - Services Grant	2,209	2,209	1,244	1,244	0
Section 31 - Business rates	5,452	5,300	6,847	6,847	6,847
Section 31 - Pension related	5,605	5,605	5,605	5,605	5,605
Precept (at £76.20 Band D)	55,429	55,429	60,463	60,463	60,463
Collection Fund sur/def	-2,637	-2,637	332	0	0
	116,348	116,349	127,287	126,955	125,711
Shortfall	3,194	5,953	822	4,362	7,869
Shortfall Funded by:					
Earmarked Reserves	3,194	3,194	822	426	0
Reserves/Precept Increase	0	2,759	0	3,936	7,869
Total	3,194	5,953	822	4,362	7,869

2. REVENUE BUDGET ASSUMPTIONS

Funding

- 2.1 Funding is based on the details from the Provisional Settlement, released in December. The baseline funding from Revenue Support grant and Top-up grant has increased by £2.353m from the 2022/23 position with a reduction in Services Grant of £0.965m. 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. This represents an increase in total Government funding for the service of just over 3%. Whilst this is higher than in previous years, it falls some way short of the pay and non-pay inflation pressures faced by the service.

- 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 up to 2022/23 was made on a flat cash basis, and in 2023/24 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 £50.80 per Band A property, equivalent to 98 pence per week (£76.20 per household at Band D equivalent, or £1.47 per week) which ensures frontline fire cover is maintained. The estimated taxbase for 2023/24, i.e. the number of households paying council tax, has seen an increase when compared to levels assumed in 2022/23, however, final taxbase numbers are to be confirmed.
- 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 are expected with a small surplus following recovery from the pandemic. The values currently provided in the Medium-Term Financial Plan include deficits from 2020/21 which have been spread over three financial years from 2021/22 and the recoverable amounts from the Tax Income Guarantee funding from Government.

Pay and Pensions

- 2.5 The original pay inflation in respect of 2022/23 included 2% for both uniformed and non-uniformed staff. An employers offer of 5% was put forward in respect of uniformed staff which was rejected, therefore, additional provision has been made in the budget for an increase, however, at this stage it is not clear what the final outcome of ongoing negotiations will be. In relation to non-uniformed staff, pay award was agreed at £1,925.
- 2.6 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 up to 2022/23 was made on a flat cash basis, which is expected again in 2023/24.

Savings

- 2.7 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

2.8 Budget pressures have been identified as set out below:

- Pay award – As noted at paragraph 2.5, budget pressures have arisen due to pay awards for 2022/23 and 2023/24. Uniformed staff 2022/23 pay award is under negotiation, an employers offer of 5% has been rejected, therefore, additional provision has been made in the budget for a further increase for both 2022/23 and 2023/24. Non-Uniformed pay award for 2022/23 of £1,925 per full-time equivalent (FTE) has been agreed equating to a budget pressure of £0.442m with a further increase in 2023/24 based on up to 4%.
- National Insurance – Government announced an increase of National Insurance contributions which increased employers' contribution rate from 13.8% to 15.05%. This decision has been reversed and the benefit of this has formed part of the employee budget requirement calculations. Conversely, the Services Grant that was used to fund the NI increase in 2022/23 has been reduced to reflect the benefit. The allocation of Services Grant for GMFRS as per the provisional settlement is £1.244m, a reduction from the previous year of £964k. The net value is a pressure of £320k.
- Price inflation - energy costs inflation has been identified with an estimated budget increase requirement of £1.542m. Fuel costs have increased by 40% equating to an estimated £0.266m pressure. General inflation has been factored in at 2% which equates to an estimated £0.426m pressure.
- Corporate Services support from the wider GMCA will see a cost increase, mainly in relation to pay award. This has been estimated at £0.806m.

Transfer to Earmarked Reserves

2.9 The transfer to earmarked reserves represents the planned use of revenue funding to be transferred to the Capital Fund reserve. This is to support the cost of future capital investment and reduce reliance on borrowing.

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.

Revised Capital Programme	2022/23	2023/24	2024/25	Future Years to 2027/28	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Estates	5,661	12,186	24,644	15,576	58,066
Transport	1,662	7,720	1,585	7,273	18,240
ICT	2,617	400	150	450	3,617
Equipment	2,140	274	305	2,078	4,798
Sustainability	484	75	75	225	859
Health & Safety	83	522	0	0	605
Waking Watch Relief Fund	728	2,000	0	0	2,728
Total	13,375	23,177	26,759	25,602	88,913

- 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 2027/28. Alongside this is the Bury Training and Safety Centre which is also underway and due to complete within 2022/23.
- 3.3 Alongside the estates strategy is a programme of work to replace and update fitness equipment on fire stations. A review of requirements has been completed under the Health, Safety & Fitness team which has been incorporated into the capital programme.
- 3.4 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.
- 3.5 Following the successful roll out of the Waking Watch Relief Fund, Department for Levelling Up, Housing and Communities (DLUHC) has requested further support from GMFRS to assist with the delivery of the Waking Watch Replacement Fund. The project will start in quarter 4 of 2022/23 and will continue into 2023/24. The funding for the replacement fund equates to £2.429m.

4. BUDGET RISKS

4.1 Future budget risks are set out below:

- Future government funding within the current Spending Review period beyond 2023/24 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.
- Delivery of sufficient savings to meet the requirements of the Medium Term Financial Strategy, and dependent on availability resources to deliver a change programme.
- Emergency Services Mobile Communications Project (ESMCP) – a national project to procure and replace the emergency services network.
- Any changes required following the recommendations from the Manchester Arena Public Inquiry, Grenfell Inquiry and Fire Safety Act 2021, and the Building Safety bill not already factored into the budget.
- 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 the 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. RECOMENDATIONS

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