

2021/22 and Later Years Budget Summary

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. The results are put forward to the Fire Authority for approval as the basis for consultation, leading to a final decision at the Fire Authority meeting in February 2021.

2 Recommendations

The Fire Authority is recommended to:

- a) Approve the recommendation set out in section 5 of the report, choosing an option for 2021/22, and allowing officers to continue to work on a range of planning scenarios for later years of the planning period;
- b) Agree the recommendations on Reserves and Provisions, set out in report 7 of the Appendix, and
- c) Request the Strategy and Resources Committee to prepare a final budget package in January 2021, for final decision by the Fire Authority in February 2021.

3 Background

The Strategy and Resources Committee agreed to submit a four-year revenue and capital budget for consideration by the Fire Authority. It was noted that after the one-year spending review, there is no basis upon which to estimate the Authority's funding, therefore assumptions made are indicative. Full details are set out in the reports, which were agreed by the Committee and which are attached at the Appendix to this report.

The Committee reviewed expenditure budgets, and also received a report which detailed the Authority's reserves. The reserves currently total £16.2m.

4 Current Position

Spending Round 2021/22

On 25 November 2020, the Chancellor of the Exchequer delivered a speech outlining the Spending Review for 2021/22. Due to pressures relating to the pandemic, a one-year settlement was announced, with the following headlines:

- Settlement expected to be protected in real terms
- Flat cash pensions grant anticipated
- 75% of collection fund losses to be compensated
- Public sector pay frozen for 2021/22, with the exception of those earning less than £24,000
- Council tax referendum limit held at 2% for fire authorities.

A provisional settlement is expected around 17 December.

Whilst we can anticipate the effects of the one-year settlement on the Fire sector, it is not yet possible to determine the possible settlements in place for future years. Scenario planning for next year has been carried out on a settlement based on that of 2020/21, and also 2021/22 with inflation, with modelling for later years exemplifying the effects of revenue support grant ending in 2024/25 or 2025/26, and varying precept increases.

In order to test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios have been developed which test the sensitivity to changes in planning assumptions. The numbers in the table represent the surplus or deficit in the revenue budget that will contribute to reserves, or will require a contribution from reserves or the identification of further savings

Expenditure and Income

The table below shows the expenditure proposed by the Strategy and Resources Committee and the projected surplus or deficit using current assumptions for income.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Expenditure budget proposed by the Committee	23,619	24,251	24,742	25,243
Income	22,560	22,996	23,461	23,955
Surplus / - deficit on revenue budget	-1,059	-1,255	-1,281	-1,288

Income shown is based on the following assumptions:

- Grant as at 2020/21 settlement less 25%; cessation of Rural Services Delivery Grant in 2021/22; 2% increase in rates income from 2021/22
- Precept increase of 1.99% for 2021/22 and later years
- Council tax base increase of 1.87% from 2021/22
- Pay award of 2% from 2021/22

The Fire sector and Government departments continued to lobby the Treasury for a precept increase of £5 or 2%, whichever is higher. This is in line with referendum limits in place for parish councils.

The major refurbishment of the Stafford Park site in Telford will require funding in excess of the reserves and balances currently allocated to the scheme. Some additional borrowing will be required, and this has been factored into the revenue budget as the costs and timing of expenditure becomes clearer.

5 Grant Assumptions

The Government's proposed Fair Funding mechanism for Local Government is now delayed. Reforms to the business rates model, including 75% business rates retention and a full business rates baseline reset, will not happen until 2022/23. As a result, the figures included in this report from 2022/23 must be taken with a high degree of caution.

Fire Pension Scheme Revaluation

As the budget was set for 2019/20, members of Strategy and Resources Committee were informed about the impact of the 2016 revaluation of Fire pension schemes. At that time around ninety per cent of the increase in employer contributions was covered by grant from the Treasury. It is anticipated that this grant will be paid again in 2021/22, and some funding options include this assumption.

Collection Fund and Council Tax Base

The levels of council tax collected by constituent authorities in 2020/21 has reduced due to the pandemic, and this will lead to deficits in the collection funds held by each authority at the end of the financial year. The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

The Authority does not account for a surplus or a deficit as part of its planning but this year an estimated deficit has been included. The Chancellor has confirmed that 75% of any deficit will be refunded, so this will also be factored in.

The planning assumption for council tax base is that the combined base will increase by 1.87% per year. Planning for next year has been based on nil growth, as more households are given council tax support which affects the calculation of the base. A scenario based on a very modest increase has also been included.

As the constituent authorities adjust their collection rates and tax bases going forward, it is likely that these assumptions can be included with a greater degree of stability.

Options for Consideration

The table below exemplifies a number of options in terms of grant reduction and other movements. The current assumptions are shown first, with various scenarios being shown below.

The options at the end of the table show the effect of a varying precept increase on the model.

		Surplus / -Deficit			
Assumptions		2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
	Current -Rates / top up grant increase 2% -RSG to zero by 24/25 -CT base growth 1.87% -Precept increase 1.99% -Pay award 2% -No pension grant	-1,060	-1,255	-1,282	-1,289
1	-RSG as 20/21 for 21/22 then zero by 24/25 -top up grant as 20/21 for 21/22 -2% increase rates -CT Base nil growth -Collection fund deficit -£418k -Precept increase 1.99% -Pay award nil -No pension grant	-921	-957	-990	-1,005
2	-RSG as 20/21 for 21/22 then zero by 24/25 -top up grant as 20/21 for 21/22 -2% increase rates -CT Base nil growth -Collection fund deficit -£418k -Precept increase 1.99% -Pay award nil -Pension grant included	180	144	111	96
3	-RSG 1.5% increase for 21/22 then zero by 25/26 -top up grant 1.5% for 21/22 -2% increase rates -CT Base 0.3% growth -Collection fund deficit -£418k -Precept increase 1.99% -Pay award nil -Pension grant included	287	249	214	197
4	-RSG 1.5% increase for 21/22 then zero by 25/26 -top up grant 1.5% for 21/22 -2% increase rates -CT Base 0.3% growth -Collection fund deficit -£30k -Precept increase 1.99% -Pay award nil -Pension grant included	675	219	184	197

	Options	Surplus / -Deficit			
		2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
1	-RSG 1.5% increase for 21/22 then zero by 25/26 -top up grant 1.5% for 21/22 -2% increase rates -CT Base 0.3% growth -Collection fund deficit -£30k -Precept increase 1.99% -Pay award nil -Pension grant included	675	219	184	197
2	-RSG 1.5% increase for 21/22 then zero by 25/26 -top up grant 1.5% for 21/22 -2% increase rates -CT Base 0.3% growth -Collection fund deficit -£30k -Precept increase 0.99% 21/22 -Pay award nil -Pension grant included	506	43	1	6
3	-RSG 1.5% increase for 21/22 then zero by 25/26 -top up grant 1.5% for 21/22 -2% increase rates -CT Base 0.3% growth -Collection fund deficit -£30k -Precept increase nil 21/22 -Pay award nil -Pension grant included	338	-132	-181	-182

Members are asked to determine the option upon which budget setting should be based, with consideration being given to the uncertainty of years following the one-year settlement in 2021/22.

Revenue implications of the capital programme will be added to the revenue budget, following consideration of the programme by Strategy and Resources Committee in January. Indicative figures are shown below, although this is for illustration only.

2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
-321	-367	-177	-208

Given the continued uncertainty surrounding the mid to late years of the planning period, members are advised to approve a budget for 2021/22, using the information available in February, and to task officers to continue to work on a range of scenarios, that can be adapted as and when more definite information becomes available.

6 Financial Implications

These are detailed in the main body of the report.

7 Legal Comment

There are no direct legal implications arising from this report.

8 Initial Impact Assessment

An Initial Impact Assessment has been completed.

9 Appendix

Shropshire and Wrekin Fire and Rescue Authority
Strategy and Resources Committee, 8 November 2018, Reports 6 and 7.

10 Background Papers

The background papers associated with this report are attached as an appendix.

2021/22 and Later Years Revenue and Capital Budgets

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report brings together the elements of an initial revenue budget, based on current planning assumptions, and seeks the Committee's approval for this outline to be recommended to the Fire Authority in December 2020.

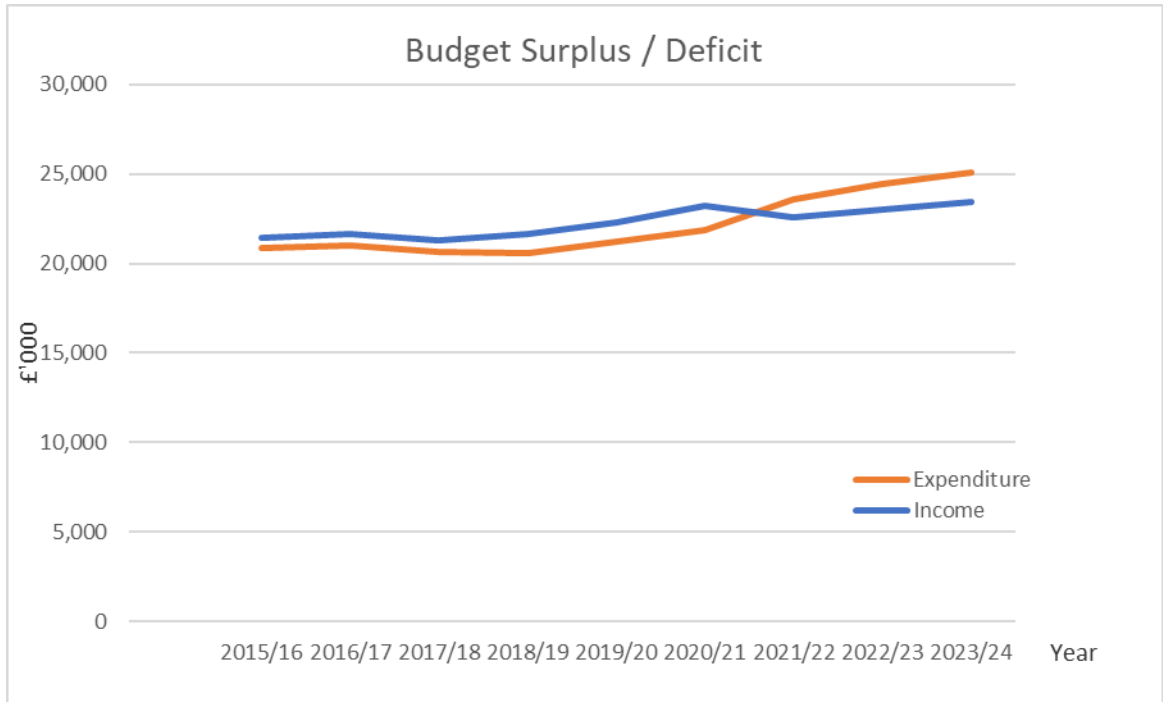
2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Notes the revisions and the committed changes to the base budget, as shown in section 4;
- b) Bases its pay and price contingency in the revenue budget on the calculations set out in section 5;
- c) Notes the process for the approval of the capital programme, and
- d) Approves the expenditure figures associated with those approved assumptions as a basis for developing the budget at the meeting of the Fire Authority on 16 December 2020.

3 Background

At its meeting in February 2020, the Fire Authority approved a revenue budget of £23.221m for 2020/21, which included a budgeted surplus of £1.322m. Revenue budgets to 2022/23 were also projected, although Members were advised that, due to the uncertainty about future funding, these were purely estimates. This noted position is shown in the following graph:



The following assumptions, upon which the budget was set, were approved by the Fire Authority:

- Precept increase of 1.99% from 2020/21 onwards
- Pay award of 3% for 2020/21 and 2% thereafter
- Revenue Support Grant increased in line with 1-year rollover spending round, then reduced to zero by 2023/24
- Council tax base growth at 2.19% in 2020/21, 1.87% thereafter
- Business rates received from Shropshire Council and Borough of Telford & Wrekin
- Business rates top-up grant received from Government
- Additional grants received from Department for Communities and Local Government (DCLG) at the final settlement to be treated as revenue contributions to the Telford scheme.

This report deals with the revenue budget and proposes changes in revenue expenditure. The stages in the budget process, and the proposed updates to assumptions during, and as a result of, the review are laid out in the following sections. The Committee is asked to consider each element and approve the associated recommendations at the beginning of the report.

Although funding estimates can only be completed once final information becomes available for Council Tax Band D base and Collection Fund surpluses, planning will continue based on the assumptions adopted by the Authority.

Four Year Efficiency Plan and Spending Round

The financial year 2019/20 was the final year of a four-year settlement which was agreed with the Home Office. The Chancellor of the Exchequer then

announced a single year rollover spending round for 2020/21, based upon a 'flat real' 2019/20 settlement.

Given the current pressures due to the Coronavirus pandemic, a further one-year settlement will be announced for the financial year 2021/22. This announcement is expected in late November.

4 Stage One – Base Budget Review and Committed Changes

As the first step in the budget setting process, revenue budgets have been reviewed; this has taken into account both changes that have been made to date to the 2020/21 revenue budget, and anticipated changes for 2021/22 and future years.

Whilst reviewing the base budget for future years, it is important to recognise the extraordinary circumstances of the current financial year. The Service's activities have been distorted due to the Coronavirus pandemic and therefore performance against budget will not be reflective of the expenditure anticipated as the budget was set in February. As a result, there are few movements in the base budget, with officers concluding that allocations are sufficient. Officers will continue to review their budgets with Finance staff, with the opportunity to make changes within the total provided where necessary.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process and reported to Members.

Note	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
2020/21 Budget	21,899	21,899	21,899	21,899
Committed Changes				
1 Pensions contributions	1,101	1,101	1,101	1,101
Pensions contributions - LGPS	-	50	50	50
1 Pay & price contingency	-150	-150	-150	-150
Lease car rentals	-46	-46	-46	-46
Contribution to capital	46	46	46	46
Growth posts – 2020/21	-	40	40	40
Capital charges from 2020/21	75	75	75	75
Capital charges (TC) from 2021/21	97	158	158	158
Base Budget Review				
2 IT and Communications	146	146	146	146
3 Leases	-16	-16	-16	-16
Total	23,152	23,303	23,303	23,303
Total movement in base budget	1,253	1,404	1,404	1,404

Note 1 Fire Pension Scheme Revaluation - members will be aware that a scheme valuation was carried out on the fire pension schemes, covering benefits for members employed between 2019 and 2023. The valuation had a substantial impact on the Authority's revenue account, as employer contributions were increased by an average of 12.6%, and this resulted in an annual increase to the budget of just over £1million.

The increased cost of contributions has been added to the revenue account and this has been offset by grant from the Home Office, paid in 2019/20 and again in 2020/21. The assumption for planning purposes is that this grant ceases in 2021/22. The associated increase in budget is shown in the table, with a contribution from the pay and price contingency to offset some of the cost.

Note 2 IT and Communications – it has been recognised for some time that the way in which ICT products and services are procured has changed, from a traditional large capital spend and smaller running cost, to a wraparound approach where a complete service is purchased with a regular monthly revenue charge.

The Service's costs in this area have been profiled and an increase to the annual budget is required to cover all regular charges plus the inevitable unknown and reactive costs. This reflects realistic budget provision rather than excessive costs on technology and communications.

Please see recommendation a).

5 Stage Two – Pay and Price Contingency

Officers have used the following methodology for establishing pay and prices contingencies:

- Analyse base budget (2020/21) into the spending areas, where pay or price changes can be significant;
- Make pay assumptions for firefighters, based on a realistic expectation for the outcome of the nationally negotiated settlement;
- Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- Take account of known issues, such as increments; Continuing Professional Development, National Insurance and tax changes; and
- Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, and create an appropriate contingency.

Current Developments

The pay award for 2020/21 for firefighter pay has been concluded at 2% and pay award for support staff was 2.75%.

In his announcement on the Spending Review, the Chancellor stated that

“in the interest of fairness, we must exercise restraint in future public sector pay awards, ensuring that across this year and the spending review period, public sector pay levels retain parity with the private sector.”

A contingency of 2% had been built into the base budget for future years, and this seems appropriate in light of the statement above.

In terms of prices, non-pay increases have been provided for at 2.5%. Although inflation is much lower than this rate at the present time, the purchases made by the Service often attract price increases at a higher than average rate, and a contingency at this level will ensure that budgets will remain realistic and adequate.

Conclusions

It is proposed that the figures for pay and price assumptions over the planning period will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
2021/22	2.0	343	2.5	124
2022/23	2.0	354	2.5	127
2023/24	2.0	360	2.5	131
2024/25	2.0	367	2.5	134

Please see recommendation b).

6 Stage Three – Capital Programme 2019/20 to 2022/23

The Authority has already agreed capital programmes for 2020/21 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years.

This stage deals with the options available for new schemes, starting next year.

The Capital Programme from 2021/22

The schemes under consideration include appliances, operational equipment and building improvements, and are currently being reviewed by officers. The Earmarked Capital Reserve will be used to fund schemes that have already been approved, and schemes in the early years of this planning period will be funded using cash balances, in line with the Authority’s Capital Strategy. Decisions around the need to borrow funds will be discussed with Treasury Services and borrowing costs have been factored into the revenue budget.

Funding for the major capital scheme at Telford is also being reviewed; the initial stages will be funded from contributions from the Major Projects Reserve, which has been built up in readiness for the major development.

In the later stages of the planning period, some borrowing may be required to fund part of the Telford improvements, and some of the other later schemes. The associated borrowing costs are currently included in the Authority's scenario planning, but again the requirement to borrow will be discussed with Treasury Services.

It should be noted that revenue consequences are limited to financing costs – any other costs need to be flagged up as part of the project appraisals. Also, the Authority is presently only committing itself to schemes that start in 2021/22. The majority of schemes are currently shown as being spent in the start year. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspend.

The capital programme proposed will be brought to the Committee in January 2021 for consideration; it will then go forward to the Fire Authority for approval.

Appraisals for each scheme will confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any associated revenue consequences, such as running costs of property or systems.

Prudential Guidelines

In addition to the merits of the individual schemes within the final capital programme presented in February, the Authority will need to evaluate the programme in the light of its Capital Strategy, which includes Prudential and Treasury Management Guidelines. Compliance with these indicators will demonstrate the affordability, sustainability and prudence of the proposed programme of schemes.

Future Capital Schemes

The forward capital programme is being thoroughly reviewed by officers and any future requests for schemes will be considered as part of the ongoing strategic planning process. Projects for consideration will be tested to ensure that, as far as possible, they are both realistically costed and resourced; will start when scheduled; and that, where possible, they have long-term revenue saving potential.

Please see recommendation c).

7 Revised Budget Summary

The changes to revenue expenditure, covered in the previous sections, can be summarised as follows:

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Previous Year's Budget	21,899	23,619	24,251	24,742
Committed Change	1,253	151	0	0
Pay and Prices	467	481	491	501
	23,619	24,251	24,742	25,243

8 Funding Assumptions

Officers have continued to use the Service's budget planning model, which is estimating budgets and income to 2024/25. Financial planning will forecast the position of the revenue budget to 2024/25, but with emphasis on the medium term, i.e. 2021/22 to 2022/23.

The Authority's scenario planning shows that changes in assumptions can significantly alter the financial position of the Authority. Officers will continue to update the planning model as more information becomes available.

Revenue surpluses, which accumulated following the process, have been used to fund capital schemes, therefore maintaining stable capital reserves, but these reserves will be reduced to nil as current schemes are completed. After the one-year spending review for 2021/22, there is no basis upon which to estimate the Authority's funding, therefore the assumptions made are indicative.

Forecasts for the longer term are provided within the table above as an indication of the financial position, based on a number of uncertain assumptions. Officers and Members should note this longer-term position and have plans and options available to meet a range of possible outcomes.

9 Financial Implications

The financial implications are as outlined in the main body of the report.

10 Legal Comment

There are no direct legal implications arising from this report.

11 Initial Impact Assessment

An Initial Impact Assessment has been completed for this report.

12 Appendices

There are no appendices to this report.

13 Background Papers

There are no background papers associated with this report.

Reserves and Funds

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, or Joanne Coadey, Head of Finance, on 01743 260215.

1 Purpose of Report

This report sets out the issues, which the Fire Authority will need to consider as part of its annual review of reserves and funds.

2 Recommendations

The Committee is recommended to propose to the Fire Authority that it confirms the current position of its reserves and funds.

3 Background

The current position on the Authority's provisions, reserves and funds is as follows:

	£000
Reserves	
General Reserve	577
Extreme Weather / Operational Conditions	334
Pension Liabilities and Other Staff Issues	725
Capital – Earmarked	2,509
– Major Projects	9,022
Information and Communications Technology Reserve	1,033
Income Volatility Reserve	687
Service Transformation Programme Staff Reserve	323
Service Delivery Reserve	236
Operational Equipment Reserve	251
Training Reserve	100
Building Maintenance Reserve	408
Reserves Total	<u>16,205</u>

The Authority's policy is to:

- Make provision for known and quantifiable future expenditure;
- Establish reserves for specific known and potentially significant future expenditure, which cannot be precisely quantified or scheduled;
- Establish a general reserve for known risks, which cannot be easily quantified or scheduled but could be pooled;
- Review the provisions and reserves during the budget process (the purpose of this report) and on closing the accounts;
- Consider the opportunity cost of holding reserves and balances against the opportunity cost of either lower tax demands or alternative service delivery, and consequently also hold no monies in the General Fund, unless agreed to enhance future budgets.

4 Establishment of Reserves

The level of reserves that the Authority holds has been driven by the following principles:

To fund major projects, thereby avoiding debt charges into the long term

The Authority has used reserves successfully in recent years to fund its capital programme, most notably the fire station, workshop and headquarters in Shrewsbury, and in future will be utilised for the major development work planned at Telford. The Capital reserves and the Information and Communications Technology (ICT) reserve will continue to be used to fund the capital programme into the medium term, with any one-off savings identified used to replace funds.

To fund unexpected and undetermined expenditure that cannot be met by a reducing revenue budget

The General Reserve will cover unexpected occurrences that the Authority would not wish to budget for on a regular basis; in addition, the ICT reserve would be used to cover additional costs that were not anticipated.

To support revenue expenditure and smooth out fluctuations in the revenue budget

A number of reserves have been created to address and support some areas of the revenue budget, and reviews are currently being carried out to identify smarter use of the Authority's resources. Some examples are given below.

- The Pensions reserve will be used to fund transfers into the Pension Account, when operational staff retire on ill-health grounds. This has resulted in a significant reduction to pension revenue budgets.
- The New Equipment, Training, Building Maintenance and Extreme Incidents reserves have all been created to enable reductions to revenue budgets.

The assurance that reserves are available for unexpected and exceptional costs will allow officers to budget at lower activity levels with confidence. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

These reserves will act as enablers to reduce the revenue budget, close any future budget deficit modelled in the planning period, and safeguard the service delivered to the people of Shropshire.

5 General Reserve

The General Reserve meets known risks that are difficult to quantify or schedule. The Authority does not wish to take tax revenue, which may never be needed, and, therefore, holds an unearmarked amount of money for unexpected risks and events. The reserve stands at £577,000, which represents around 2.5% of gross expenditure, and may be used for events such as those listed below:

Financial Risks – cashflow; changes to national purchasing;

Operational Risks – vehicle accidents; uninsurable health & safety risks; fines from uninsurable offences; other uninsurable risks;

Strategic Risks – new legislation; fines from corporate manslaughter.

A current example of the potential use of this reserve is unexpected additional expenditure relating to Brexit.

6 Earmarked Reserves

a) Extreme Incidents Reserve

This reserve is in place to deal with extreme weather conditions and unanticipated future activity, which may not be containable within the revenue budgets.

b) Pension Liabilities and Other Staff Issues

The purpose of this reserve is to meet one-off contributions, required by the Government, to the Pensions Account for sickness retirements. Until 2015/16, only ill health contributions over and above those budgeted in revenue were funded from the reserve. However, as part of the 2020 consultation outcomes, all ill health contributions are funded from the reserve, and the revenue account has been reduced accordingly.

The scope of this reserve was widened to include the potential liabilities arising from the part-time workers employment tribunal case; compensation payable to retained firefighters for terms and conditions has been met from the reserve.

Another small element of this reserve is to provide for staff issues relating to equality and diversity. Provision has been made for expenditure for reasonable adjustments and mediation, in order that these issues are not budgeted for on an annual basis.

The Authority has enjoyed very low levels of ill health retirements, although provision still has to be made for instances in future years. In addition, the Modified Pension Scheme has now been introduced with no one off costs anticipated. It was considered prudent during the reserves review to reduce this reserve while still maintaining a buffer for future costs.

c) Capital – Earmarked

The objective of this reserve is to fund small and recurring items of capital, thereby ensuring their eventual replacement from the reserve. There is no known reason to change this approach, although a review may be required, if savings are needed in future years.

Until 2015/16, contributions were made back over the lives of any assets funded from the reserve; however as part of the 2020 consultation outcomes, these contributions were removed, and the revenue budget reduced accordingly.

d) Capital – Major Projects

The objective of this reserve was to build up funding from revenue savings that could then be used to maximise major capital schemes. The objective is to minimise borrowing and, therefore, committed debt charges in future years. This reserve will be used towards the funding of major improvements at the Telford site.

Following a review into the Authority's reserves, it was agreed that the net surplus of £1m would be contributed to this reserve.

e) ICT Reserve

This reserve is designed to ensure that ICT improvements and resilience issues are managed and funded in a clear and consistent manner. The reserve may also be used to fund ICT capital projects.

f) Service Transformation Programme Staff Reserve

The Service Transformation Programme is a high-level programme of activities, which are being completed to ensure that the Service is best placed to meet future challenges. Funding for projects identified as part of the Programme were taken into account in the revenue budget and the capital programme, and this reserve was set up to cover the staff elements of the projects. It continues to fund transformational staffing costs, including those relating to the Strategic Alliance with Hereford & Worcester Fire and Rescue Service.

g) Income Volatility Reserve

This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.

This year, £450,000 has been added to the Income Volatility Reserve, because reductions in future funding are anticipated due to the Covid-19 pandemic.

h) Service Delivery Reserve

This reserve was set up to fund initiatives in service delivery and prevention, to avoid irregular movement in the revenue budget.

i) Training Reserve

There have been, and will continue to be, changes in the management structure of the Service, which will inevitably require additional training and development of staff over the next three years and beyond. This reserve was created to enable this training and development to be carried out, without adding additional pressure to the revenue budget.

j) New Operational Equipment

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established. In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

k) Building Maintenance

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget.

7 General Fund

The General Fund is simply the net balance of over and underspendings during the year. The Authority's policy is not to accumulate funds year on year (and obviously to deal with any potential overspend). The balance in the General Fund at 1 April 2020 was £1.148m and the Fire Authority agreed to hold £131,000 back; £31,000 for potential legal costs relating to the challenge of the transfer of governance to the Police and Crime Commissioner, £62,000 for unused Covid-19 grant and £38,000 for other slipped expenditure.

The balance of the General Fund (£1.017m) has been allocated as follows:

- Income Volatility Reserve £450,000
- STB Staff Reserve £100,000
- Operational Equipment Reserve £70,000
- Major Projects Reserve £397,000

These allocations were approved by the Fire Authority at its June meeting.

8 Financial Implications

The financial implications are as outlined in the report.

9 Legal Comment

There are no direct legal implications arising from this report.

10 Initial Impact Assessment

An Initial Impact Assessment has been completed for this report.

11 Appendix

There are no appendices to this report.

12 Background Papers

There are no background papers associated with this report.