

MEETING: 12 OCTOBER 2020

SUBJECT: BUDGET PLANNING FRAMEWORK 2021/2022

JOINT REPORT OF THE CHIEF FIRE OFFICER AND CHIEF EXECUTIVE (CLERK TO THE AUTHORITY) AND THE FINANCE DIRECTOR

1 PURPOSE OF REPORT

1.1 This report sets out the main high level considerations in drafting the Revenue Budget 2021/2022 and longer term financial planning for the Authority which includes:

- Identifying the key factors influencing the development of the Authority's financial plans into the medium term and sets out specifically the Budget Planning Framework for 2021/2022;
- Providing an update on the current Medium Term Financial Strategy (MTFS) and sets out the context and planning assumptions used for drafting the MTFS 2021/2022 to 2024/2025 which will be formally considered later in the budget cycle;
- Providing the key financial risks and implications to the Medium Term Financial Strategy.

2 MEDIUM TERM FINANCIAL STRATEGY 2020/2021 TO 2023/2024

2.1 The Medium Term Financial Strategy 2020/2021 to 2023/2024 was approved by Authority in February 2020 as part of the budget setting process. This is summarised in the table below:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Government Funding Changes	(0.452)	1.564	(0.409)	(0.418)
Spending Pressures	5.031	1.274	1.296	1.369
Total	4.579	2.838	0.887	0.951
Less IRMP estimated savings	(0.749)	0	0	0
Less Council Tax and Business Rate growth*	(0.895)	(2.272)	(0.820)	(0.843)
Less budget efficiencies	(2.935)	(1.400)	(0.012)	(0.011)
Funding Change year	0.000	(0.834)	0.055	0.097
Cumulative Change	0.000	(0.834)	(0.779)	(0.682)

**Assumptions in table include a 1.99% increase in the precept in 2020/21 and thereafter and an additional 1% growth in each year for both council tax and business rates. The projected increase in 21/22 reflects the possible change to the Business Rates Retention Scheme with lower RSG but a compensatory higher Business Rates allocation.*

- 2.2 The Authority based the MTFS on the one-year Settlement provided by the government for 2020/2021 which saw the Authority's grant funding level for 2019/20 increased by inflation as no public sector body saw a cut to their funding for 2020/21. The first time this had happened since the start of austerity in 2010/11. This position was then used to reflect inflation only increases to fire service funding across the medium term. This position importantly was however before the coronavirus pandemic struck the country.
- 2.3 The current MTFS has recently been updated and revised to present the revised MTFS set out below, which reflects the latest limited information we have on future funding streams particularly in respect of council tax and business rate growth assumptions. However this position will be very fluid and the final impact will not be known until early next year when district councils release their estimates of the final 2020/21 position and those projected for 2021/22. The government indicated in the Chancellor's Summer Statement that 'in the next Spending Review [late autumn], we will determine what support councils need to help them meet the pressures of income loss from council tax and business rates'. They also relaxed regulations for authorities to be able to spread any council tax and business rates deficits for 2020/21 equally over a three year period (usually its only one year). This measure doesn't provide additional resources but does help to improve cash flows. Future growth in council tax and business rates may be provided in assumptions contained within the Comprehensive Spending Review 2020 (CSR20) but based on current information an assumption of no growth has now been reflected in the revised MTFS until further information is known which is considered reasonable over the next 4 year period.
- 2.4 The government also uprate Business Rates and Top Up Grant funding based on CPI at each September which is running at around 0.5%, so this has been used to amend government funding forecasts for 2021/22. The government has also hinted that public sector pay may have to be restrained because of the impact of Covid19 and the MTFS has been amended to reflect pay awards at a maximum of 2% each year (previously these were 3% per annum). All of these changes are included in the revised MTFS set out below.
- 2.5 There are also a range of other factors and planning assumptions that are set out later in this report, which also present real risks to the future resources position of the Authority. All changes will be reported to members as they are released by the government or where the Authority is made aware of any material changes to the planning assumptions included in this report.

2.6 The revised MTFS as at October 2020 is as follows:

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Government Funding Changes	(0.452)	1.850	(0.422)	(0.431)
Spending Pressures	5.031	0.882	0.884	0.937
Total	4.579	2.732	0.462	0.951
Less IRMP estimated savings	(0.749)	0	0	0
Less Council Tax and Business Rate growth*	(0.895)	(1.963)	(0.498)	(0.508)
Less budget efficiencies	(2.935)	(1.400)	(0.012)	(0.011)
Funding Change in year	0.000	(0.631)	(0.048)	(0.013)
Cumulative Change	0.000	(0.631)	(0.679)	(0.692)

**Assumptions in table at this stage include a 1.99% increase in the precept from 2021/22 and thereafter but because of the impact of the Covid19 pandemic no additional growth has been included for all future years for both council tax and business rates. This position will be kept under review.*

3 NATIONAL ECONOMIC CONTEXT TO THE 2021/2022 BUDGET

- 3.1 The Chancellor has had to deal with the impact of the coronavirus pandemic upon the public purse and in summary this has meant that the proposed Autumn Budget has recently been postponed although the government is still intending to deliver its Comprehensive Spending Review for 2020. It is not clear at this stage however, if this will cover the next three financial years or if it will only be a further one year settlement because of the uncertainty and disruption caused to the economy by Covid19 but also by the unknown impact of Brexit as the UK leaves the EU on 31st December with the possibility of a no trade deal. This date has not been changed because of the virus and work is still ongoing between the government and the EU to broker a deal before the 31st December deadline.
- 3.2 This uncertainty around Brexit, together with the wider global coronavirus pandemic and certain other geopolitical events has understandably had a huge negative impact on the global economy in 2020. The financial position of the government and that of the national economy is unrecognisable from the position reported by the Chancellor when he delivered his Spring Budget in early March 2020. Whilst it is still very difficult to assess how the national economy will recover from this unprecedented economic shock, the government will announce its spending plans for the public sector in the Autumn, which in turn will inform the spending plans of local government possibly up until 2023/24 if a 3 year CSR is released.

4 GOVERNMENT FUNDING ASSUMPTIONS

- 4.1 The government provided the public sector with a one year Spending Round (funding settlement) for 2020/21 although originally, funding for 2020/2021 was to be informed by the anticipated Spending Review in 2019 that would have determined the quantum of money Local Government would have received from the government, as well as the introduction of both the Fair Funding Review and

the proposed 75% Business Rates retention scheme. However, whilst progress had been made by the government on all of these areas of local authority finance, the timescales had to be pushed back because of the significant financial uncertainty caused initially by Brexit.

- 4.2 The Authority, in line with most of the public sector, saw its general grant funding increase by at least inflation for 2020/21 which meant government grant funding had increased for the first time since austerity began in 2010/11. The government insisted 'austerity was over' and that a Comprehensive Spending Review would take place in the summer of 2020 and that the local government funding system and review would be implemented from 1st April 2021. A revised MTFS was therefore produced based on this more optimistic funding position and presented to members at the Authority meeting in February.
- 4.3 There were different views of whether the claims by government that austerity had ended were in fact sustainable however the onset of the coronavirus pandemic and its continued presence has caused a huge economic shock that no government could foresee. The impact on the economy is not just national but global and the recovery is proving to be much slower than expected. The government has provided £190bn of aid so far according to the Treasury with the Office for Budget Responsibility projecting that this could rise in the current financial year (April 2020 to April 2021), to anywhere between £263bn to £391bn in order to help the national economy combat the pandemic. The government has allocated £3.7bn of this aid to local government directly in Covid19 direct grant funding with this Authority receiving £1.1m of this total, which it has fully committed to spend by end of March already. The Authority may need additional grant to ensure it can sustain its services over the medium term which is the case for all local authorities. This position has been assumed in the budget planning framework for 2021/22 but is not without risk.
- 4.4 Councils have also seen a significant fall in income in 2020/21 from both Council Tax and Business Rates. The government has responded to pressure from local authorities by stating in early July that 'in the next Spending Review we will determine what support councils need to help them meet the pressures of income loss from council tax and business rates.' The Authority has assumed that this support will meet the full loss of income for 2020/21 and a commitment to addressing future year losses if experienced, again this position is not without risk.
- 4.5 Revenue Support Grant (RSG) – This is expected to reduce significantly in 2021/2022 and be replaced by higher business rates as part of the move to the revised 75% business rates retention scheme. Pending implementation of the scheme (now from 1st April 2021), Grant funding in overall terms is being uplifted by inflation at the September level (which is running at around 0.5%). The Authority's exact allocation remains to be confirmed but 0.5% has been used for planning purposes in the interim for 2021/22 and 2% for each year thereafter assuming the economy recovers by April 2022.

Because of the uncertainties around the current economic climate however a range of possible scenarios have been provided later in this report to show the possible implications of different grant funding allocations and their impact on the Authority's MTFS. This is only for illustrative purposes until the actual grant funding allocations are known.

- 4.6 Other Government Grants will not be confirmed until the Provisional Local Government Settlement is announced. For planning purposes, the Authority has retained all grants at the same level as for 2020/2021 but this poses a further degree of risk, especially as the Fire Pension Grant awarded for the last 2 years to help address 90% of the additional cost of the firefighter pension funding shortfall due to changes to the pension discount rate and other factors, is worth almost £2.6m to the Authority. A loss or reduction in this grant would have a material impact on the Revenue Budget for 2021/22 and beyond.
- 4.7 Until the provisional finance settlement is announced in December which will confirm actual grant funding for 2021/22, and the multi-year settlement (CSR 2020) is issued in the Autumn, the Authority can only continue to speculate what level of resources it is likely to receive in the medium term, at this stage. To help illustrate the possible impact of different grant allocations Section 11.2 of the report shows a summary of possible MTFS scenarios at this early stage in the budget planning process.

5 LOCAL INCOME

5.1 Council Tax

The Localism Act provides for the staging of referendums to veto excessive council tax (precept) increases. This effectively places a limit on council tax increases and if authorities exceed the government limits, the public will be able to vote to agree or veto any increase considered 'excessive'. For 2020/2021 a referendum requirement applied for proposed increases in Council Tax above 1.99% was in place.

Decisions by government on the council tax precept for 2021/2022 and in future years is not yet known and may be released as part of the wider CSR20. The current MTFS has therefore assumed a 1.99% increase in its precept for 2021/2022 based on current government guidelines until further information is provided. A decision on the level of the council tax within government parameters will need to be made as part of the budget planning process, once all other funding factors are understood from the Finance Settlement. Should the Authority be granted additional flexibility around the level of council tax (precept) increase, options will need to be considered to maximise income from this funding stream.

Members will however continue to be fully consulted and decisions will only be made as the budget process develops.

The Local Council Tax Support Scheme was introduced from April 2013 and is in its seventh year of operation. The Authority's Council Tax income could be affected by the individual schemes agreed by each of its district councils and therefore any proposed changes to the current schemes in operation will need to be assessed for any impact on Council Tax income for 2021/2022, along with any adverse impacts from the introduction of Universal Credit across the region.

5.2 Business Rates

Under the current 50% Business Rates Retention Scheme, which is to be amended from 2021/22 to 75% retention, the Authority is allocated locally 2% of the increased business rates income arising from growth in the Local Business Rates base from its constituent authorities (however equally it shares the risk of any under achievement of income targets). The risks of a reduction in Business Rates yields are very real over the medium term because of the adverse impact the virus has had across the whole economy and represents another risk to funding local authority services unless government provides additional support.

Inherent within the scheme is growth arising from annual inflationary increases to Business Rates. However, there is continuing significant uncertainty, specifically around the adverse impact of the corona virus and other factors such as appeals and avoidance tactics, which may mean that there could be a significant impact on the level of income collected each year from 2021/22 as a result. The position will need to be kept under review and changes to Business Rates income will be reflected in the Budget Planning Framework as appropriate.

5.3 Reserves and Balances

The Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating its budget requirement each year.

In accordance with the approach adopted to date, all earmarked reserves will be revisited and fully reviewed as part of the budget process to ensure they still accord with the Authority's priorities and overall funding position. A revised outlook will form part of the Revenue Budget position reported to members in February 2021.

6 OTHER FUNDING ISSUES

6.1 Changes to Retained Business Rates

At this stage the Government's plans for Business Rates Retention remain unchanged with the Government proposing to introduce 75% retention of business rates in 2021/2022 unless this is further deferred because of the impact of the coronavirus.

In parallel, the government was reviewing the needs based element of the funding formula and this change can be implemented without the need for primary legislation. Both MHCLG and Local Government have continued to work on a 'fairer funding' regime, although no detail or impacts assessment have been released which is understandable since work on Brexit and then the impact of the pandemic have diverted resources away from this task. It would be no surprise if this was further delayed but information indicates that the fire service formula will not form part of the first set of grant distribution changes even if they are progressed.

The delays to both of these key components of local authority funding however does create uncertainty and makes financial planning over the medium term extremely difficult. In the absence of detailed information in respect of the impact of the fair funding review, 75% retained business rates system changes and the outcome of the CSR20, it is assumed for budget planning purposes at this stage that the Government will take action to ensure a 'status quo' impact on the funding position for each Authority through the top ups and tariff system, to ensure no detrimental impact is placed on overall funding levels in the initial year of 2021/2022.

This is particularly desirable in the current circumstances when funding stability is very important so that the public sector can continue to operate effectively whilst the pandemic still needs to be fully controlled.

6.2 Brexit

At the time of writing this report the possible impacts of Brexit on the economy remain unclear which have not been helped by the impact upon resources of the corona virus pandemic. This has meant the governments involved in the UK and the EU have had to reprioritise resources and has inevitably meant a delay to negotiations in agreeing a trade deal which needs to be completed by 31st December 2020. It remains to be seen what implications Brexit will have on the economy and the effect this may have on public sector spending levels to be announced in the Autumn. This is another layer of uncertainty that makes financial planning particularly difficult, especially into the medium term. Members should note that all MTFS projections, especially those beyond 2020/2021, are provided using the best information available and could change significantly over the next 12 months as resources are clarified.

7 SPENDING PRESSURES AND COMMITMENTS

In addition to planning for funding changes, the Authority must also plan for a range of spending pressures and commitments that are not funded by Government. It is proposed to take into account the following spending commitments in the Budget Planning Framework for 2021/2022, noting that in a number of cases specific cost details cannot be finalised at this stage and will be subject to further review and refinement throughout the budget setting process.

7.1 Pay and Pensions

At this stage no formal pay offer has been made for 2021/2022 or future years. Pending a formal offer and on the presumption that the government will probably introduce public sector pay restraint measures to help deal with the impact on the economy of the pandemic, a prudent provision of 2% has been factored into the budget planning framework for both uniformed and non-uniformed pay. This position will be kept under review throughout the budget process. Any pay award in excess of these estimated levels will become a spending pressure for the Authority to manage.

7.1.1 National Living Wage

The government implemented the national living wage of £7.20 with effect from April 2016. This has increased annually and represents an additional cost pressure for the Authority both through its own staffing costs and from external contract suppliers passing the costs on through increased contract prices. Provision has been factored into the annual budget planning cycle for this additional cost.

7.1.2 Pensions

Local Government Pension Scheme

The Triennial Actuarial review of the Local Government Pension Scheme was undertaken and concluded in March 2020 which took effect from 1st April 2020. The provision made within the MTFS was prudent and reflected the anticipated increases to the employers rates with no deficiency pension payments for the 3 year cycle to 2022/23 which was welcomed. The next Review will conclude in March 2023 and prudent provision is included within the MTFS for the potential impact of a further increase in employer contributions in line with inflation and at this stage no increase in the pension deficiency payment unless notified otherwise.

Firefighters Pension Scheme

The latest actuarial valuation of the Firefighters Pension Scheme was completed for 2019/2020. The output of this valuation was an updated employer contribution rate to apply from April 2019 to March 2023 with the average employer contribution rate of 17.6% increasing to 30.2%. The average for Tyne and Wear is 31%. A specific grant of £2.6m was allocated for 2019/2020 to fund the increased rate, and this was again provided for 2020/21 as part of the one year funding settlement but importantly this grant funding is not secure and the position will not be known until the outcome of the CSR20.

Provision has been made in the MTFS for this to continue, but, should this grant not continue, then the Authority would face a significant additional budget pressure of £2.6m in 2021/22 and is regarded as one of the Authority's key financial risks.

Pensions Remedy

Any costs resulting from the proposed remedy once finalised for both Local Government and Firefighter pension schemes regarding McCloud / Sergeant legal cases lost by the government on the grounds of age discrimination could impact on the Authority's finances. The assumption is that the government will fully fund these additional costs unless we are informed otherwise.

7.1.3 Apprenticeship Levy

The Apprenticeship Levy, introduced in April 2017 for large employers (over 250 employees) has been reflected in the base budget since 2017/2018. For Tyne and Wear Fire and Rescue Authority the cost in 2021/2022 continues to be in the region of £0.135m. The Authority has now put arrangements in place to fully utilise the government's levy funds made available each year to the

Authority and the outcomes are now reflected in the 2021/22 base budget, which has helped reduce the budgeted cost of training for our recruits and other staff.

7.2 Energy Prices

Energy and vehicle fuel prices continue to be volatile. It is therefore proposed that prudent provision be included for continued annual increases in charges for gas, electricity and vehicle fuel for the medium term. However, it is also important to note that increases continue to be lower than anticipated because of the Authority's proactive approach and actions it has taken in respect of maintaining focus on reducing carbon emissions.

7.3 Capital Financing

No prudential borrowing has been included within the medium term financial position at this stage, but the position will be continuously reviewed to ensure that the future use of resources reflects best value and can be adapted to enable strategic priorities of the Authority to proceed in the future as required.

However the current position of using reserves to fund the Authority's Capital Programme in the longer term is not sustainable and borrowing will need to be considered as appropriate as the Authority assumes the government will continue its policy of not providing capital funding to the fire service.

8 EFFICIENCIES

- 8.1 The Efficiency Plan 2016/2017 to 2019/2020 has now expired and no alternative arrangement was included in the 2020/21 Spending Round (one year settlement). This may be a feature in the upcoming CSR20 but we will have to continue to keep a watching brief on this area to ensure we can meet any future government requirements should they be required.

- 8.2 Any IRMP actions / savings which are agreed and implemented by the Authority however will be used as an efficiency tool to allow the Authority to redirect resources into service priorities such as its TWFRS25 programme.

9 PROPOSED BUDGET PLANNING FRAMEWORK FOR 2021/2022

- 9.1 It is proposed the budget planning framework as set out below is adopted:

- Budget planning to be based on the high level position outlined at section 4 and updated in light of the Chancellor's CSR20 due in November 2020 and the Local Government Finance Settlement expected in December 2020;
- Provision for spending commitments to be included at this stage on the basis set out at section 7 and kept under review;
- Budgets to be prepared on the basis that all spending pressures not specifically identified above as commitments be accommodated within existing budgets;
- The position regarding the Council Tax Precept increase will need to be kept under review and if there is a relaxation of the referendum limit, any increased
- flexibility will need to be fully considered by members as part of the budget setting process, with confirmation of these proposals being sought as soon as practicably possible;
- Commitments against general balances and earmarked reserves to be reviewed and updated as necessary throughout the budget process;
- The uncertainty around the national economy which means there could be increased risk of a return to austerity measures and lower grant funding which in turn could adversely impact on the Revenue Budget will need to be monitored and considered throughout the budget setting process;
- Any 'Invest to Save' schemes;
- All Covid19 related additional costs and lost income will be met fully by the government on a continuous basis, until the virus is controlled / extinguished; and
- That any major grant distribution system introduced is resource neutral.

10 SUMMARY RESOURCES, PRESSURES AND COMMITMENTS POSITION

- 10.1 The total of changes in resources and spending pressures represents the estimated gross funding gap. However, at this stage there remains a number of significant uncertainties:

- The implications of the Chancellor's Comprehensive Spending Review 2020;
- The outcome and implications of Brexit;
- The Local Government Finance Settlement for 2021/2022 to confirm the Authority's actual allocations, which will not be available until December and will not be finalised until end of January 2021;
- Specific Fire Revenue Grant announcements and their future especially the Fire Pension Grant, Fire Protection Grant and New Dimensions;
- The Government plans in relation to the Fair Funding, Business Rates Retention and the spending review all impacting on 2021/2022 and beyond;

- The general economic position and public sector finances especially the continued impact of Covid19;
- Impact of further roll out of Universal Credits on Council Tax income;
- The Districts' Collection Fund positions for both Council Tax and Business Rates for 2020/2021 which can now be spread equally over the next 3 years because of the adverse impact of the pandemic of collection in 2020/21;
- Confirmation and update on IRMP saving assumptions which will be reinvested in service priorities, budget permitting;
- Additional budget pressures which may arise throughout the remainder of the budget process; and
- Any remedy to local authority (including Firefighter) pension schemes regarding McCloud / Sergeant that could impact on the Authority's finances, the current assumption is that government will fully fund this cost.

11 UPDATED PROJECTED BUDGET POSITIONS

- 11.1 Using the current information available as set out in the report, it is possible to provide a range of outcomes based on a varying set of possible government grant funding options. These include the revised MTFS as set out in Section 2.6

as the starting point. This assumes a 0.5% inflationary grant increase in 2021/22 and a 2% inflationary increase in each year thereafter (reflecting a recovery from the economic shock encountered in 2020/21). This could be viewed as the best case scenario.

There are 2 other scenarios to show the possible range of impacts on the Authority's MTFS should the assumptions outlined in Section 9 be confirmed. These scenarios show the outcome of the following government grant funding assumptions over the medium term to 2023/24:

- a) Government funding for 2021/2022 of a 0.5% increase but with a 1% increase for all grants for each year thereafter; (a less optimistic option);**
- b) Government funding of a 5% grant reduction in 2021/22 and then continued flat grant allocations thereafter (grant reduces in real terms) - (a more pessimistic view).**

- 11.2 As documented in this report, financial planning beyond 2020/2021 is very difficult because of the complexity and number of uncertainties that exist along with the continuing impact of the coronavirus.

The Authority however must still produce its financial plans in order for the fire service to be planned and provided to the public. The revised MTFS's set out below therefore are based on a number of key assumptions. These include:

- Council Tax increases by 1.99% per annum but with no growth in the tax base each year until the full effects of covid19 are eradicated;

- All specific grants have been rolled forward on a flat rate basis each year until more information is known from the CSR20; and,
- Assumptions on budgetary pressures are based on the known costs facing the Authority.

11.3 Using all of this information shows the MTFS outcomes for each scenario. The detailed MTFS for each option are detailed in Appendix 1 for more information.

It must be stressed that these are very provisional in that there are currently so many factors that could materially change these outcomes. They have been produced to show how changes in grant could impact on the resources of the Authority should all other assumptions be correct.

An updated position will be provided to members in February.

Range of possible MTFS outcomes:

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Option – Report – Section 2.6				
Funding position in year	0.000	(0.631)	(0.048)	(0.013)
Cumulative Funding Position	0.000	(0.631)	(0.679)	(0.692)
Option – Report – Section 11.1 a)				
Funding position in year	0.000	(0.622)	0.163	0.205
Cumulative Funding Position	0.000	(0.622)	(0.459)	(0.254)
Option – Report – Section 11.1 b)				
Funding position in year	0.000	(0.140)	0.374	0.418
Cumulative Funding Position	0.000	(0.140)	0.236	0.654

NB (surplus position is in brackets) / no brackets indicates a deficit position

12 RISK MANAGEMENT IMPLICATIONS

12.1 Risk implications have been considered in drafting the necessary guidance which is an essential early part of the Authority's robust revenue budget planning arrangements. The approach is reasonable and there are no real concerns or risks that have not been included within the report at this stage.

13 FINANCIAL IMPLICATIONS

13.1 The Budget Planning Framework provides the necessary guidance and information on the key financial aspects that will need to be considered by the Authority in drafting the 2021/2022 Revenue Budget to be approved by members in February 2021, however there are significant risks with any forecasts, most have been highlighted in the report, that could mean a significant variation to those scenarios outlined in section 11 above.

- 13.2 A good example of this risk is if the government decided not continue to provide Pensions Grant funding as part of their CSR20. This would mean a loss of grant income of £2.6m in 2021/22 and future years to the Authority and is currently regarded as a major financial risk to the resources of the Authority.
- 13.3 The impact of this would see all scenarios summarised in 11.3 significantly and adversely impacted by £2.6m so that all options would then show a significant budget gap shortfall ranging from £1.908m (Option 2.6), £2.346m (Option 11a) to £3.252m (Option 11b) that the Authority would then have to manage and would then have to divert any budget efficiencies made into funding a shortfall in government resources rather than being able to reinvest all of its IRMP actions, as planned, into its transformational TWFRS25 programme to improve the services to the communities of Tyne and Wear.
- 13.4 There are numerous risks identified within this report which could similarly impact on the MTFS of the Authority. Members will be kept informed of all developments.

14 HEALTH AND SAFETY IMPLICATIONS

- 14.1 There are no Health and Safety implications from this report.

15 EQUALITY AND FAIRNESS IMPLICATIONS

- 15.1 There are no equality and fairness implications in respect of this report.

16 RECOMMENDATIONS

- 16.1 Members are recommended:
- To note the contents of the report and the estimated 'fluid' funding gap based on the most up to date information;
 - To agree the proposed Budget Planning Framework summarised at Section 9 of the report which will guide the preparation of the Revenue Budget for 2021/2022; and
 - To note the updated current MTFS and that the full MTFS 2021/2022 to 2024/2025 will be presented to Authority in February 2021.

Detailed MTFs Options

Appendix 1

Option 1 – Grant funding increased by 0.5% in 21/22 and then by 2% each year

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Government Funding Changes	(0.452)	1.850	(0.422)	(0.431)
Spending Pressures	5.031	0.882	0.884	0.937
Total	4.579	2.732	0.462	0.506
Less IRMP estimated savings	(0.749)	0	0	0
Less Council Tax and Business Rate growth*	(0.895)	(1.963)	(0.498)	(0.508)
Less budget efficiencies	(2.935)	(1.400)	(0.012)	(0.011)
Funding Change in year	0.000	(0.631)	(0.048)	(0.013)
Cumulative Change	0.000	(0.631)	(0.679)	(0.692)

EG Impact of Pension Grant of £2.6m withdrawn in 21/22 1.969 1.921 1.908

**Assumptions in table at this stage include a 1.99% increase in the precept from 2021/22 and thereafter but because of the impact of the Covid19 pandemic no additional growth has been included for all future years for both council tax and business rates. This position will be kept under review.*

Option 2 – Grant funding increased by 0.5% in 21/22 and then 1% each year

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Government Funding Changes	(0.452)	1.859	(0.211)	(0.213)
Spending Pressures	5.031	0.882	0.884	0.937
Total	4.579	2.741	0.673	0.724
Less IRMP estimated savings	(0.749)	0	0	0
Less Council Tax and Business Rate growth*	(0.895)	(1.963)	(0.498)	(0.508)
Less budget efficiencies	(2.935)	(1.400)	(0.012)	(0.011)
Funding Change in year	0.000	(0.622)	0.163	0.205
Cumulative Change	0.000	(0.622)	(0.459)	(0.254)

EG Impact of Pension Grant of £2.6m withdrawn in 21/22 1.978 2.141 2.346

**Assumptions in table at this stage include a 1.99% increase in the precept from 2021/22 and thereafter but because of the impact of the Covid19 pandemic no additional growth has been included for all future years for both council tax and business rates. This position will be kept under review.*

Option 3 – Grant funding reduced by 5% in 21/22 and then flat lined each year

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Government Funding Changes	(0.452)	2.341	(0.000)	(0.000)
Spending Pressures	5.031	0.882	0.884	0.937
Total	4.579	3.223	0.884	0.937
Less IRMP estimated savings	(0.749)	0	0	0
Less Council Tax and Business Rate growth*	(0.895)	(1.963)	(0.498)	(0.508)
Less budget efficiencies	(2.935)	(1.400)	(0.012)	(0.011)
Funding Change in year	0.000	(0.140)	0.374	0.418
Cumulative Change	0.000	(0.140)	0.234	0.652

EG Impact of Pension Grant of £2.6m withdrawn in 21/22 **2.460** **2.834** **3.252**

**Assumptions in table at this stage include a 1.99% increase in the precept from 2021/22 and thereafter but because of the impact of the Covid19 pandemic no additional growth has been included for all future years for both council tax and business rates. This position will be kept under review.*

**Tyne and Wear Fire
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