

## Revisions to the 2022/23 Revenue Budget

### 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 presents a final revenue budget package for 2022/23 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

### 2 Recommendations

The Committee is asked to recommend that the Fire Authority approve:

- a) a precept increase for 2022/23, and
- b) a revenue budget in line with the precept increase approved above.

### 3 Background

At its meeting in December 2021, the Fire Authority was presented with a summary of the revenue budget for 2022/23 that had been considered by Strategy & Resources Committee, along with its medium-term planning requirements. These were based on assumptions currently in use by officers in the Service's scenario planning.

Members were informed that the Chancellor had announced the spending review for 2022/23 to 2024/25, which included an increase in real terms for all government departments, a return to the usual pay setting process for officers, and the continuation of Fire within the business rates mechanism.

Following the spending review announcement, officers reviewed the assumptions currently being modelled, and the Authority approved the changes below:

- Revenue Support Grant (RSG) to be modelled at an increase of 2% across the planning period
- Rural Service Delivery Grant to remain in cash terms within the settlement

- Rates discounts awarded as section 31 grants to form part of the settlement

Therefore, the Authority's current assumptions and latest position are:

- RSG to increase by 2% per year
- Business Rates to increase by 2% and Top Up Grant by 1.5%
- Council Tax Base to grow by 1.87%
- Precept increase of 1.99% from 2022/23
- Pay award of 3% in 2022/23 and 2023/24, and then 2%
- Continuation of pensions grant
- Continuation of s31 grants and Rural Service Delivery Grant

	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
Expenditure budget proposed by the Committee	-23,804	-24,483	-25,005	-25,496
Income	23,907	24,702	25,619	26,262
Surplus / - deficit on revenue budget	103	219	614	766

#### **4 Provisional Grant Settlement 2022/23**

The provisional finance settlement was announced on 16 December 2021. Although the Spending Review is for a three-year period, the settlement provided numbers for 2022/23 only.

- Revenue Support Grant has increased by just over 3%, the current assumption is an increase of 2%
- Rates and top up grant remain the same in cash terms – officers assumed an increase of 2% and 1.5% respectively
- Rural Services Delivery Grant has continued in cash terms, in line with revised assumptions
- A one off 'Service Grant' of £270,000 has been awarded, which in part is expected to cover increases in National Insurance for the Health and Social Care Levy (as this is an ongoing cost, it is expected that the grant will be reallocated within the settlement from 2023/24).

It is expected that pensions grant will continue to be payable, to offset increases in employer contributions following the revaluation of the Fire pension schemes, however confirmation of this has not yet been received. It is also likely that this will be rolled into the base settlement; strategic planning includes this scenario.

#### **5 Future Growth and Investment**

The assumption around precept increase has remained at 1.99% for 2022/23 and future years. Capital charges are still to be factored into the revenue budget following approval of the capital programme later on the agenda, these

will increase as capital reserves are depleted and further borrowing is undertaken.

A number of departments are currently being reviewed and growth posts will be requested to ensure that the Service can continue to meet its objectives.

In addition, as part of the Authority's new Service Plan, several reviews are to be launched in the next financial year, to run through the four-year strategic planning period. These will include reviews of the Service's operational resource requirements, the sustainability of its on call service, the productivity and efficiency of the Service and how its resources are used, and how they are identified, measured and reported.

The six reviews are:

- On Call Sustainability Review
- Efficiency Review
- Operational Technology Review
- Operational Resource Reviews
- Performance and Improvement Review
- Alliance

It is essential that these projects and reviews are adequately resourced, and therefore capacity should be built into the revenue budget to ensure that they are completed effectively. It is proposed that £200,000 is allocated to the Service Transformation Board Staff Reserve in 2022/23.

Consideration should also be given to the ongoing resource requirements as these reviews are completed. For example, it is likely that the On Call Sustainability Review findings will require revenue investment in the service, whereas others such as the Operational Resource Review may impact upon the future capital programme and its associated debt charges. It is proposed that an initial investment of £150,000 is factored into the financial planning from 2023/24, with a further £150,000 from 2024/25. This can be flexed in line with future finance settlements.

## **6 Council Tax Base and Collection Fund**

### **Council Tax Base**

The council tax bases for Shropshire Council and Telford & Wrekin Council have been approved for 2022/23 and total growth of 2.06% has been confirmed. Officers will continue to liaise with officers in constituent authorities to inform planning options.

### **Collection Funds**

Levels of council tax collected by constituent authorities in 2020/21 had reduced due to the pandemic and led to deficits in the collection funds held by each authority at the end of 2021/22. The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are being finalised, and 25% of deficits from 2021/22 were repayable over three years.

## **7 Medium Term Budget Considerations**

The global pandemic has had a major effect on financial planning for the Authority since early 2020:

- in the short term, ensuring that delays in cash flow did not affect the day-to-day operation of the Service,
- for the financial year 2021/22, mitigating the immediate impact on funding streams such as council tax and collection fund income, as more households were supported, and
- into the medium term, anticipating how these funding streams will change as constituent authorities adapt their collection and support strategies.

Over the last 18 months, the Authority has not suffered short term cash flow issues, as government grants were paid in advance, and additional funds were received to cover Covid expenditure and costs.

The impact on funding streams has been mitigated by government grant awarded to cover 75% of collection fund deficits, and permission to repay the remaining 25% over three years. In addition, grant was received to cover potential income loss from lower council tax base growth.

As collection fund balances have not yet been finalised for both constituent authorities, the impact on the authority's budget strategy is not yet clear. However, officers maintain a prudent approach to including any one-off income into the budget model, and the Income Volatility Reserve was increased to cover any shortfall necessary.

The budget position for 2022/23 has been updated to reflect the information available following the settlement. Although the Spending Review covers three financial years, the provision of a one-year cash settlement limits the ability for the Authority to budget with certainty into the medium term.

Assumptions have been revised to better reflect the position following the last three single year settlements. However, the Fair Funding Review is yet to be carried out and the outcome is uncertain for individual authorities. In addition, changes to the precept referendum spending limits for the lower quartile of fire authorities in 2022/23 may indicate further changes to this funding stream into the medium term.

As in previous budget cycles, the years following 2022/23 are estimates only, and will be updated when further information becomes available.

## **8 Final Budget Options**

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below. The figures are subject to change following the confirmation of one-off balances on collection funds for both constituent authorities.

The Committee is asked to recommend a precept increase of 1.99% to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>Expenditure budget proposed by the Committee</b>	<b>24,111</b>	<b>24,740</b>	<b>25,413</b>	<b>25,904</b>
<b>Funded by:</b>				
Revenue Support Grant and Business Rates Income	5,284	5,431	5,527	5,625
Other Grants	928	686	686	686
Council Tax	18,027	18,729	19,459	20,218
Collection Fund	-93	-93	0	0
<b>Total</b>	<b>24,146</b>	<b>24,753</b>	<b>25,672</b>	<b>26,529</b>
<b>Surplus / -Deficit</b>	<b>35</b>	<b>13</b>	<b>259</b>	<b>625</b>

## 9 Financial Implications

There are no financial implications other than those outlined in the report.

## 10 Legal Comment

There are no legal implications arising directly from this report.

## 11 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

## 12 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

## 13 Appendices

There are no appendices attached to this report.

## 14 Background Papers

There are no background papers associated with this report.