

Revisions to the 2023/24 Revenue Budget

Report of the Treasurer

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1 Purpose of Report

This report presents a final revenue budget package for 2023/24 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 2023/24, based on one of the options in section 7; and
- b) a revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2022, the Fire Authority was presented with a summary of the revenue budget for 2023/24 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 2023/24 and future years, which included an increase in real terms for government departments, a recognition of high inflationary pressures in the early years of the settlement, and increased council tax flexibilities for local authorities, expected to be 3% for the Fire sector.

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

- Service Grant to continue from 2023/24, this was previously expected to cease after 2022/23;
- Precept increase to be amended to 2.99% in line with revised referendum spending limits;
- Revised pay award estimates in years 2 and 3 of the planning period.

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

- Revenue Support Grant (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 2.99% from 2023/24
- Pay award of 5% (grey) and 6% (green) in 2023/24, reducing to 4% in the following two years
- Continuation of pensions grant
- Continuation of s31 grants, Rural Service Delivery Grant and Service Grant

The Government published its local government finance policy statement on 12 December 2022, which set out its intentions for the finance settlement over 2023/24 and 2024/25. Confirmations within the document included an increase in revenue support grant of 10.1%, continuation of a number of grants, and most significantly, greater flexibilities on precept setting for the Fire sector, allowing an increase of up to £5 before a referendum is required.

This development enabled the Authority to deal with this year's inflationary pressures, and also re introduce some modest growth into the budget:

- To explore the recommendations made following the On Call Sustainability Review, and
- To create technical advantage to support service delivery and improvement into the medium term.

The position following these developments was:

	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure budget proposed by the Committee	-25,654	-26,791	-27,709
Income	25,365	26,778	27,878
Surplus / - deficit on revenue budget	-289	-13	169

4 Provisional Grant Settlement 2023/24

The provisional finance settlement was announced on 15 December 2022. Although the Spending Review is for a three year period, the settlement provided numbers for 2023/24 only, although the previous statement indicated where policies would continue into 2024/25.

The main points of the settlement were:

- Revenue Support Grant has increased by 10.1%
- Rates and top up grant increased by 6.75%
- Rural Services Delivery Grant has continued in cash terms
- Service Grant has continued, with a reduction due to the cancellation of the planned national insurance increases from 2022/23
- S31 grant income for rates compensation is £340k higher than expected.
- Council tax referendum spending limit for 2023/24 is confirmed at £5 for the Fire sector, reverting to 3% in 2024/25

Pensions grant will continue to be payable, to offset increases in employer contributions following the revaluation of the Fire pension schemes.

5 Council Tax Base and Collection Fund

Council Tax Base

The council tax bases for Shropshire Council and Telford & Wrekin Council have been approved for 2023/24 and total growth of 2.32% has been confirmed, raising additional precept of £84,000. Officers will continue to liaise with officers in constituent authorities on the medium term estimates on base growth to inform planning options.

Collection Funds

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 are repayable over three years.

6 Future Growth and Investment

As well as the expenditure numbers shown above, 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, members will be aware of the strategic reviews that were introduced in 2022/23, as part of the Authority's new Service Plan. These will run through the four year strategic planning period.

These 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.

A total of £200,000 was allocated to the Service Transformation Board Staff Reserve in 2022/23 to ensure that these projects and reviews are adequately resourced.

Consideration was also given to the ongoing resource requirements as these reviews are completed. The more favourable settlement has allowed the Authority to re-introduce some modest growth into the revenue budget, with priority given to recommendations following the On Call Sustainability Review and the creation of technical advantage to support service delivery and improvement into the medium term.

7 Consideration of Precept Increases

The Council Tax referendum spending limit has been increased to £5 for fire and rescue authorities, and this is in part due to co-ordinated lobbying by the local members of Parliament, National Fire Chiefs Council, the Local Government Association and the Home Office. This increase ensures that the Service will be able to meet its inflationary pressures, whilst continuing to strive for no degradation to service delivery.

It is prudent to consider a range of precept increase options and the consequences of these options. The maximum (£4.89 is allowable to keep below the limit) is shown in the table, along with lower monetary increases. The original maximum increase of 2.99% is also shown.

Precept Increase	Surplus / (Deficit) £'000		
	2023/24	2024/25	2025/26
£5.00 – 4.6%	280	148	338
£4.00 – 3.75%	124	-17	166
£3.50 – 3.3%	41	-104	75
£3.18 – 2.99%	-17	-163	12

The revenue consequences of the capital programme from 2023/24 will be considered later on the agenda, and indicative costs to be added to the revenue budget are as follows:

Cumulative Capital Charges		
£'000		
2023/24	2024/25	2025/26
112	366	571

A precept increase of £5.00, or 10p per week, would enable the Authority to cover inflationary pressures and also service its capital programme, but would still require a contribution from reserves or a reduction in expenditure.

Precept increases lower than the maximum of £5.00 would require higher contributions from reserves which are not sustainable. In addition, any growth may have to be reconsidered.

As part of the new Service Plan, an Efficiency Review will be undertaken to identify improvements across the Service, which will produce cashable savings and productivity improvements. Fire and Rescue Services in England will be set efficiency targets against non-pay budgets, and these will be reported to the Home Office as part of an Efficiency and Productivity Plan. It is not expected that these savings will be found through a reduction in frontline staff, and any savings should be reinvested.

Some of the efficiencies and productivity improvements will be identified through the introduction of technology into areas that support frontline delivery. Therefore it is essential that investment is made into technological improvements to continue the Service's transformation.

The other area of priority for growth is the On Call Sustainability Project and implementation of some of its recommendations. A number of factors were looked at within the review including greater flexibility of contracts, more opportunities for development and increased recruitment, but also pay. It should be recognised that the Service relies on the effectiveness of the On Call system and as such there is an ongoing imperative to make the role of On Call firefighter as attractive and fulfilling as possible. Therefore, investment in this area of the organisation is essential to maintain nationally leading levels of performance.

It should be borne in mind that this flexibility is for one year only, with the limit reverting to 3% from 2024/25.

8 Medium Term Budget Considerations

The budget position for 2023/24 has been updated to reflect the information available following the settlement, and some elements of the 2024/25 settlement have been indicated in the government's policy statement.

While the finance settlement for 2023/24 is more favourable than anticipated and will cover the inflationary pressures faced by all authorities, continued single year settlements hamper medium term planning and sustainability.

The Fire Authority’s strategy has been to assess the consequences of its decisions across the planning period, which enables timely strategic decisions to be implemented.

Assumptions have been revised to better reflect the Authority’s likely position following the single year settlements. The Fair Funding Review, which would improve the distribution of funds across local authorities, is unlikely to be carried out within the next two years. This would negate the need for local authorities to rely on council tax to fill any funding gaps.

As in previous budget cycles, the years following 2023/24 are estimates only, and will be updated when further information becomes available.

9 Final Budget Options

A further increase to the base revenue budget of £40,000 has been identified, this relates to hydrants management. Additional funds are required to return the Service to its planned inspections programme with the current provider.

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below – this is based on the council tax flexibility of £5.00. 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 4.60% (£5.00) to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

	2023/24	2024/25	2025/26
	£000	£000	£000
Expenditure budget proposed by the Committee	-25,694	-26,831	-27,749
Funded by:			
Revenue Support Grant and Business Rates Income	5,569	5,725	5,840
Other Grants	1,181	988	988
Council Tax	19,277	20,225	21,219
Collection Fund	-93	0	0
Total	25,934	26,938	28,047
Surplus / -Deficit	240	107	298

10 Financial Implications

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

11 Legal Comment

There are no legal implications arising directly from this report.

12 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

13 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.

14 Appendices

There are no appendices attached to this report.

15 Background Papers

There are no background papers associated with this report.