



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

BUDGET PROPOSALS FOR 2023/24 TO 2026/27 AND OPTIONS FOR COUNCIL TAX 2023/24

Report of the Chief Fire Officer

Date: 20 January 2023

Purpose of Report:

To allow Members to consider the options for Council Tax to recommend to Fire Authority for acceptance.

Recommendations:

That Members consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of £5.00.

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1. BACKGROUND

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 The provisional finance settlement for 2023/24 was released on 19 December 2022. The final settlement for 2023/24 will be laid before Parliament in February 2023.
- 1.3 The Fire Authority approved the Medium-Term Financial Strategy (MTFS) 2023/24 to 2026/27 on 16 December 2022. The strategy considers the current financial position of the Authority and looks at the estimated budgetary position over the next four years against a backdrop of both the national and local financial position, including the levels of reserves that the Authority holds.
- 1.4 The revenue and capital budgets have been developed to ensure that the Community Risk Management Plan (CRMP) is adequately resourced. The financial implications of high-level risks identified in the Corporate Risk Register are also addressed.

2. REPORT

CAPITAL BUDGET PROPOSALS 2023/24 TO 2026/27

- 2.1 The Authority maintains a sustainable capital programme which reflects and supports the CRMP. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme which will ensure that property remains fit for purpose and is appropriately located.
- 2.2 The proposed capital programme for 2023/24 to 2026/27 is attached at Appendix A. The 2023/24 programme totals £3.995m. This will increase to reflect any slippage from the 2022/23 programme at the end of the year. Future year programmes will be kept under review.
- 2.3 The £2.5m transport capital programme includes significant investment in the Service's appliances and special appliances in line with the renewal programme. The service has experienced significant delays in delivery times for vehicles since Covid-19. In October 2022, the Finance and Resources approved slippage of £755k from 2022/23 to 2023/24 to reflect the extended delivery date, which is now included in the 2023/24 programme. The Committee also approved the pre-ordering of the Command Support Unit (included in the Special Appliances budget) and fire appliances to ensure delivery in 2023/24.

- 2.4 There has been a purposeful 2-year delay in the estates programme to manage Minimum Revenue Provision (MRP) which is the service's debt costs. This will be reviewed once the Futures 25 efficiency strategy is complete and the impact on services is known.
- 2.5 The ICT programme has been developed in line with the CRMP commitments. Alongside the ongoing replacement and updating of equipment and software, the programme includes plans to replace the Tri Service Control and Mobilising system. This is a joint procurement exercise with Leicestershire and Derbyshire Fire Services. The £2m budget for the replacement system is indicative only at this stage and may require revising once the procurement exercise is finalised.
- 2.6 The capital programme can be funded from capital receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.7 **CAPITAL RECEIPTS** – these are received from the sale of assets and can be used to fund either the revenue cost of transformational projects, to fund capital expenditure or to reduce borrowing. The flexible use of capital receipts strategy was approved at Fire Authority on 16 December 2022. It is not proposed to fund any transformational projects using capital receipts during 2023/24.
- 2.8 **GRANT FUNDING** – there is no anticipated capital grant funding available at present to support the 2023/24 capital programme, although the service does sometimes use revenue grants to help fund capital projects.
- 2.9 **REVENUE AND RESERVES** – the 2023/24 to 2026/27 programme does not propose the use of funding from revenue or reserves.
- 2.10 **BORROWING** – the proposed 2023/24 capital programme set out in Appendix A will be largely funded from borrowing. The related costs will be tested for affordability as part of the prudential code for capital finance to be considered by Fire Authority on 24 February 2023. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2023/24 TO 2026/27

- 2.11 The MTFS and budget guidelines approved by Fire Authority on 16 December 2022 projected that it would be difficult to set a balanced budget in 2023/24. This was largely due to the impact of increased inflation and the effect is likely to have on pay awards in both 2022/23 and 2023/24 and uncertain income streams.
- 2.12 At the time of writing the MTFS report, it was anticipated that there would be a £2.1m deficit in the 2023/24 budget. Since the MTFS was written, the Government has released the draft Local Government Finance Settlement for 2023/24. The main changes to assumptions are detailed in Table 1 below.

Table 1 – Changes in Assumptions Since the Medium-Term Financial Strategy

	MTFS	Current	Difference £'000
RSG increase	5%	10.1% (CPI)	289
Services Grant	£650k	£421k	(229)
NNDR Section 31 Grant	£730k	£1,000	270
Council Tax increase	2.95%	£5	833
Total			1,163

- 2.13 The 1-year finance settlement did not provide settlement data for 2024/25 although the Local Government Finance Policy Statement published in December did provide some indication that funding would increase in line with inflation for 2024/25 and that Authorities would have the flexibility to increase Council Tax by up to 3%.
- 2.14 The main pressures on budgets and/or changes in assumptions are detailed below.

ECONOMIC CLIMATE

- 2.15 The current economic climate remains very uncertain with many external influences. The war in Ukraine has impacted fuel and food supplies across the world. The emergence of new variants of Covid has impacted on supply chains, particularly in China. Collectively, these has caused inflationary pressures across the world.
- 2.16 In November 22, CPI (Consumer Price Index) inflation fell back to 10.7% after reaching a peak of 11.1% in October 22. The Bank of England are expecting inflation to fall gradually over the first quarter of 2023 as earlier increases in energy and other goods prices drop out of the annual comparison. It is likely that this will continue to influence both 2022/23 and 2023/24 pay awards.
- 2.17 The Bank of England interest rate has increased from 0.75% in April 2022 to 3.50% in December. There are further increases to come, and markets are currently expecting rates to peak around 4.5%.
- 2.18 The quarterly estimate of Gross Domestic Product (GDP) fell by 0.2% in Quarter 3 (July to September) 2022. With the drag on economic activity from high inflation having grown in recent months, GDP is at risk of contracting further through the winter. There are already signs that economic activity is losing momentum as production fell due to rising energy prices, and the Bank of England has warned that the UK could be in recession from Q4 2022 until the first half of 2024.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

2.19 The 2022-2025 CRMP was approved by Fire Authority on 25 February 2022. The delivery of the CRMP is linked closely to the MTFS to ensure that resources are matched to key workstreams. The annual delivery plan, which sits behind the CRMP identifies priority areas where investment is needed. An additional £150k has been included in the 2023/24 proposed budget to support areas such as additional investment in operational training (£72k), and investment in ICT (£41k).

FUTURES 25 EFFICIENCY PROGRAMME

- 2.20 The service made £1.6m of temporary savings in order to set a balanced budget for 2022/23. This included carrying vacant posts, and temporary reductions in repairs and maintenance. These savings were not sustainable in the long term and were built back into 2023/24 budgets. After one off grant was also removed it was anticipated that there would be a shortfall of £2m in 2023/24, rising to over £3m in 2024/25. On the back of these projected shortfalls, work commenced on developing an efficiency strategy.
- 2.21 Since the 2022/23 budget was approved there have been significant additional financial pressures on the Service. Revised inflation and pay award assumptions during the autumn increased amount of required savings from the efficiency strategy.
- 2.22 The Futures 25 efficiency strategy was initially presented to Policy and Strategy Committee in May 2022 with a further report being considered by Fire Authority in September 22. In its initial phase the Workforce Review has identified £250k of savings through the disestablishment of support staff posts across several departments through the consolidation of primary management grade posts.
- 2.23 The Workforce Review has identified that a wider change and improvement programme is required. This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service. This is a significant piece of work and is expected to be completed during 2023/24.
- 2.24 The third strand of Futures 25 is being delivered via a Fire Cover Review which has looked at the structure and budget associated with the operational wholetime establishment. This strand is being delivered in partnership with ORH, a sector leading expert with extensive experience in advising emergency services. This work has resulted in a proposal to save £2m from operational budgets by reducing the number of appliances in the Service from 30 to 28 and reducing the ridership by 44 posts. This proposal was in a period of public consultation until 23 December 2022. A final decision will be made at Fire Authority on 24 February 2023 when there is full clarity over the budget position for 2023/24.

CORPORATE RISK REGISTER

2.25 The corporate risk register is regularly reported to the Finance and Resources Committee. The five highest risks facing the Authority at present are:

- Employee Engagement – due to pay dispute, equality and diversity engagement and pension disputes
- Mobilising – procurement of new mobilising system
- Inability to set a balanced budget in current economic climate
- Firefighters Pension Scheme – impact of and uncertainty around ongoing national legal cases
- Workforce Sustainability.

2.26 The financial implications of these risks have been addressed in both the capital and revenue proposed budgets and in the Reserves Strategy approved by Fire Authority in December 2022.

PAY AWARD

2.27 The FBU is currently balloting on whether to accept a 5% pay award for 2022/23. The budgets have been estimated reflecting the 5% 2022/23 pay offer and a further 4% for 2023/24. Any developments in pay negotiations will be reflected in the budget report to Fire Authority on 24 February 2023.

2.28 Support staff received a flat rate increase of £1,925 for 2022/23 which averages around a 4% increase. This is reflected in the budget figures included in this report. A 4% pay award has been assumed for 2024/25.

2.29 Whilst pay settlements for support staff are implemented from 1 April, Firefighter pay settlements are implemented from 1 July each year, which means that there is a slightly delayed financial impact. The full year costs of a 1% pay award for all staff is in the region of £350k. An alternative to the above assumptions would be that firefighters are awarded 6% in 2022/23 and all staff receive 5% in 2023/24. If this were to happen there would be additional costs in the region of £550k which would need to be met from either in year savings or from reserves.

ENERGY COSTS

2.30 The service procures both gas and electric from a not-for-profit public sector framework which purchases energy in bulk, and usually outperform market averages on our behalf. Gas costs are expected to increase by 70% in 2023/24 and electricity by 48%. Work is ongoing to improve the efficiency of buildings and minimise usage of energy.

2.31 Fuel inflation was 21% in November 22. The service's fuel budget for 2022/23 was 470k per year but expenditure is set to be nearer £700k (excluding that recharged to the police). The 2023/24 budget has been increased accordingly.

PENSIONS

- 2.32 The remedying legislation for the McCloud case is expected to be passed in October 2023. This will address the transition arrangements into the 2015 firefighters' pension scheme were found to be discriminatory. As an interim measure, the service has implemented a Memorandum of Understanding (MoU) between the Local Government Association (LGA) and the Fire Brigades Union (FBU), although the original endorsement of this by the government has since been withdrawn. There is a risk that additional costs could be incurred as a result of implementing the MoU but this was felt to be justified given the risk and associated costs, of further court cases against the Authority. The service has a £200k earmarked reserve to mitigate against these costs. Further information on this can be found in the Firefighter Pension Scheme Immediate Detriment Review report considered by Policy and Strategy Committee on 1 April 2022.
- 2.33 The remedying legislation is expected to increase the overall costs of the Firefighters' Pension Scheme. These are expected to be largely funded by Central Government but additional costs falling to the Fire Authority cannot be ruled out. This is included in the General Fund reserves risk register.
- 2.34 Another pensions case, Matthews and O'Brien, has identified discriminatory conditions against part time workers. Once rectifying legislation has been passed through Parliament, this is expected to lead to further backdating of the Modified pension scheme from 2006 to when On-call firefighters first joined the fire service. When the Modified scheme was created, backdated costs were met by the Government, but as of yet there is no certainty that this will happen if the scheme is backdated further.
- 2.35 Both of these remedies are having a large impact on the workload of staff dealing with the cases and additional resources were allocated in 2022/23 in order that this work can be undertaken.
- 2.36 There will also be a significant impact on the pension administration team who will be implementing the changes required. This will require a very significant amount of additional work and costly amendments to the software used to support the pension administration function. These costs will be re-charged to the service. The service received a £125k grant to help fund these costs which is currently being held in Earmarked Reserves.
- 2.37 The 2016 Government Actuaries Department (GAD) revaluation of the firefighter's pension fund resulted in a headline rate increase of 12.4% of employer pension costs, which equated to £2.5m for the service. The Home Office agreed to fund £2.3m of this pressure in 2019/20 but has been kept at the same cash value, leaving increases in costs due to pay inflation to be met by the service. The £2.3m grant is expected to continue into 2023/24, and discussions are ongoing for this now to be added to the baseline funding for the authority rather than being paid as a Section 31 grant. The results of the 2020 valuation are expected over the coming months and could potentially

result in a similar increase in employer pension costs which would need to be built into future years budgets.

MINIMUM REVENUE PROVISION (MRP)

- 2.38 Minimum Revenue Provision (MRP) is the amount required to pay debt costs relating to prior year capital programmes. MRP levels in 2023/24 slightly reduce from 2022/24 due to some older capital projects now being fully accounted for and no longer attracting MRP. These exceed the new projects for which MRP now needs to be paid. However, there are increases of £328k and £552k in 2024/25 and 2025/26 respectively to reflect the new additions as the vehicle programme catches up.

COUNCIL TAX

- 2.39 The Council Tax base is calculated on the estimated full year equivalent number of chargeable dwellings expressed as the equivalent number of Band D dwellings in the Council's area after allowing for dwelling demolitions and completions during the year, Council Tax exemptions, discounts, disabled reliefs and premiums, and the estimated collection rate. It is usual for the Council Tax base to increase year on year by an average of 1.35% to reflect new build properties, thus providing additional income to the service. The increase in Council Tax base will be confirmed by Billing Authorities at the end of January 2023.
- 2.40 There remains a £97k deficit charged to the Council Tax Collection Fund in 2023/24 due to the £291k 2020/21 deficit caused by the impact of Covid-19 which is being charged over a three-year period. There is a corresponding additional government grant of £48k to help cover these losses.
- 2.41 It was announced in the Autumn Statement that the government is giving local authorities in England additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% (from 2%) per year from April 23. The Local Government Finance Policy Statement released in December 22 gave the fire sector the flexibility to increase this up to £5.
- 2.42 A 2.95% additional increase in Council Tax will create additional funding in the region of £826k, and £5 in the region of £1,659k (compared to a nil increase).

BUSINESS RATES

- 2.43 From 1 April 2023, the rateable values of all non-domestic properties in England will be updated to reflect the property market as at 1 April 2021. This has the effect of re-setting the baseline for Non-Domestic Rates (NDR). Under the current system, precepting authorities retain any growth above their Baseline. NFRS has benefited from this retained growth since the last revaluation. It was initially thought that the revaluation would result in a loss of this growth, but there has been a significant amount of new industrial buildings along the county's transport networks which should result in an increase in rateable income.

2.44 As part of the Autumn Statement on 17 November, the Chancellor announced:

- A transitional relief scheme to limit bill increases caused by changes in rateable values
- A 2023/24 Retail, Hospitality and Leisure 75% rate relief scheme
- A freezing of business rates multipliers, meaning that there will be no inflationary increases in charges to businesses.
- A new Supporting Small Business relief scheme.

2.45 The Authority will be compensated for lost income from these measures by way of additional Section 31 Grant. Further details regarding the top up grant element of this compensation were released in the Local Government Finance Settlement on 19 December and this has been built into the Business Rate income estimates.

2.46 The service will receive information from billing authorities at the end of January regarding the business rate collection figures from local businesses, including business rate growth, revaluation estimates, related appeals and remaining expected Section 31 grant. This may bring in additional income of up to £300k.

2.47 The business rates reset has been delayed until the next parliament and has not been reflected in the figures included in this report.

RESERVES

2.48 Taking account of the spending position reported in the budget monitoring report elsewhere on this agenda, total reserve levels held at 1 April 2023 are expected to be £9.8m.

2.49 The general fund reserve is predicted to be £5.3m at 1 April 2023 although it should be noted that this may change once the pay award is agreed should it differ from the 5% assumed in the current budget monitoring. This remains above the minimum level set by Fire Authority in December 2022 of £4.5m.

2.50 The earmarked reserves are expected to be in the region of £4.5m by 31 March 2023. These reserves are earmarked for known projects or items of one-off expenditure. They include reserves of £1.126m to provide budget pressure support and £0.9m to deliver the Futures 25 Efficiency Strategy to create future years savings.

FINANCING THE BUDGET

2.51 The Authority primarily receives income from Central Government, Business Rates and Council Tax. The Government announced the provisional finance settlement for 2023/24 on 19 December 2022. The final settlement for 2023/24 expected in February 2022. Experience shows that there is likely to be little change from the provisional figures.

- 2.52 Funding for 2024/25 and beyond will be determined in the Autumn of 2023. A 5% inflationary increase has been assumed for 2023/24 and 2% for 2024/25 to 2026/27. Pay awards have been assumed at 4% and 2% over the same period. There is a risk that funding will be increased at a lower rate than inflation and pay awards which would then create an additional budget pressure in these years.
- 2.53 The Authority will continue to receive the £2.3m grant in 2023/24 to cover the increased costs of firefighter pension employer contribution. It has been assumed that this grant will be paid at the same level with no inflationary increase for 2024/25 to 2026/27.
- 2.54 The Council Tax base and business rate figures will not be known until the end of January 2023 and figures are based on assumptions for this report.
- 2.55 Business Rate section 31 compensation grants other than those related to the BR Top Up grant will not be known until the end of January and have been estimated for the purpose of this report.

OUTLOOK FOR 2023/24 TO 2026/27

- 2.56 At its meeting on 16 December 2022, the Fire Authority recommended that the Finance and Resources Committee provide guidance to Fire Authority in respect of the options for Council tax limited to either a Council Tax freeze or an increase in Council Tax within the referendum limit of £5 for 2023/24. To aid this Committee in this task, figures for three options have been prepared:
- A Council Tax Freeze for 2023/24 to 2026/27.
 - A 2.95% increase in Council Tax for 2023/24 to 2026/27; and
 - A £5 increase in Council Tax for 2023/24 and 2.95% increase for 2024/25 to 2026/27.
- 2.57 Detailed expenditure budgets have been prepared the four years 2023/24 to 2026/27, which can be found in Appendix A. The budget for 2023/24 will not be finalised until February 2023, when the surplus or deficit on collection fund and the tax base are confirmed by the billing authorities and the final finance settlement is released.
- 2.58 In making predictions about budget financing some other assumptions have been made. These are:
- That the firefighter pay award for 2022/23 will be settled at 5%; A 1% additional increase in pay would result in an increase in budget requirement of approximately £290k.
 - The 2023/24 pay award for all staff will be agreed at 4%. The effect of a 1% additional increase in pay for all staff would be approximately £260k in 2023/24 with a full year effect of £350k in future years (see sections 2.27 to 2.29).

- Inflation will reduce to around 5% during 2023/24 and down to 2% from 2024/25 onwards.
- Pension Grant (£2.34m) remains flat cash. However, if this is built into RSG in future years it will attract an inflationary increase.
- The 2023/24 tax base will increase annually by 1.35%.
- The actual settlement is the same as the provisional settlement.
- Revenue Support Grant will rise in line with predicted inflation in 2024/25 and future years (5% assumed for 2024/25 and 2% thereafter).

2.59 Clearly there remain several uncertainties around both the pay award and funding. Applying the above assumptions, the impact of a nil increase in Council Tax in each of the four years 2023/24 to 2026/27 is set out in Table 2.

Table 2 – Budget Deficit with Nil Council Tax Rise

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	49,638	52,057	54,365	55,753
Revenue Support Grant (RSG)	(5,619)	(6,189)	(6,498)	(6,628)	(6,761)
Business Rate (BR) Income	(2,925)	(3,217)	(3,378)	(3,446)	(3,515)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,638)	(8,020)	(8,181)	(8,344)
Council Tax (0%)	(27,692)	(28,066)	(28,445)	(28,829)	(29,218)
Budget Deficit	153	2,188	3,376	4,942	5,575

2.60 Table 2 shows that with no increases in Council Tax levels there will be a deficit of £2.188m in 2023/24. This will rise to £3.4m in 2024/25. It increases further to £5.6m by 2026/27.

2.61 The 2023/24 deficit would increase to £2.7m should a 6% pay increase be awarded to firefighters for 2022/23 and 5% to all staff in 2023/24 (see section 2.29).

2.62 Table 3 below shows the impact of a 2.95% increase in Council Tax across all years.

Table 3 – 2.95% Council Tax Increase 2023/24 to 2026/27

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	49,638	52,057	54,365	55,753
Revenue Support Grant (RSG)	(5,619)	(6,189)	(6,498)	(6,628)	(6,761)
Business Rate (BR) Income	(2,925)	(3,217)	(3,378)	(3,446)	(3,515)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,638)	(8,020)	(8,181)	(8,344)
Council Tax (2.95%)	(27,692)	(28,892)	(30,147)	(31,454)	(32,818)
Budget Deficit	153	1,362	1,674	2,316	1,975

2.63 Table 3 shows that even with a 2.95% increase in Council Tax there would be a significant deficit of £1.362m in 2023/24 rising to £1.8m in 2024/25 and to £2m in 2026/27.

2.64 The 2023/24 deficit would increase to £1.9m should a 6% pay increase be awarded to firefighters for 2022/23 and 5% to all staff in 2023/24 (see section 2.29).

2.65 A significant level of savings would need to be implemented in order to balance the budget over the coming years, even with a 2.95% increase in Council Tax.

2.66 Finally, Table 4 brings together the budget requirement if Council Tax is increased by £5 in 2023/24 and 2.95% each year thereafter.

Table 4 – £5 Council Tax Increase 2023/24 and £2.95% in Following Years

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	46,006	49,638	52,057	54,365	55,753
Revenue Support Grant (RSG)	(5,619)	(6,189)	(6,498)	(6,628)	(6,761)
Business Rate (BR) Income	(2,925)	(3,217)	(3,378)	(3,446)	(3,515)
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	(2,340)
BR Top up Grant	(7,277)	(7,638)	(8,020)	(8,181)	(8,344)
Council Tax (£5 / 2.95%)	(27,692)	(29,725)	(31,015)	(32,360)	(33,765)
Budget Deficit	153	529	806	1,410	1,028

- 2.67 The above table shows that the estimated deficit position for 2023/24 would reduce to £529k should a £5 increase in Council Tax be approved in February. This increases to £806k in 2024/25 and £1m by 2026/27.
- 2.68 The 2023/24 deficit would increase to £1.1m should a 6% pay increase be awarded to firefighters for 2022/23 and 5% to all staff in 2023/24 (see section 2.29).

BUDGET OPTIONS

- 2.69 The Futures 25 Efficiency Strategy was discussed in sections 2.20 to 2.24. Fire Authority has a legal obligation to set a balanced budget for 2023/24 and will need to use a blend of savings from the Efficiency Strategy, income from Council Tax and the use of reserves to do this.
- 2.70 A Council Tax increase of £5 raises £1.6m additional funding compared to no increase in Council Tax and £830k compared to 2.95% increase. Furthermore, if this increase were to be approved for 2023/24 it remains in the base and provides security of funding for future years.
- 2.71 The Authority holds £1.126m of earmarked reserves set aside for budget pressure support. This is not sufficient to cover the projected deficit should Council Tax be frozen or increased by 2.95%. Both options would require significant savings still to be made from the Futures 25 Efficiency Strategy.
- 2.72 A £5 increase would still require £529k to be met from a mixture of savings or reserves but this would be far more manageable and would also leave a level of reserves available to assist with future year budget management.
- 2.73 For a Band D household, a £5 increase would see Council Tax rise to £89.57 per annum. The impact of increases on other bands and of 2.95% increases are given in the table below:

Table 5 – Impact of 2.95% and £5 increase in Council Tax

Band	Annual Council Tax 2022/23 £	2.95% Increase 2023/24 £	£5 Increase 2023/24 £
A	56.38	58.04	61.38
B	65.78	67.72	70.78
C	75.17	77.39	80.17
D	84.57	87.06	89.57
E	103.36	106.41	108.36
F	122.16	125.76	127.16
G	140.95	145.11	145.95
H	169.14	174.13	174.14

2.74 At its meeting on 16 December 2022, the Fire Authority recommended that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:

- The options for Council Tax to be recommended to the Fire Authority will be limited to either a Council Tax freeze or an increase in Council Tax within the referendum limit (£5 in the provisional finance settlement);
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

2.75 The effect of zero, 2.95% and £5 increases in Council Tax are set out in Tables 2 to 4 above and show a significant deficit for the three years.

2.76 A comparison of the deficit if Council Tax is increased by 0%, 2.95% and £5 in each of the four years of the budget strategy is shown in the table below:

Table 6 – Comparison Between Council Tax Options

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Budget Requirement	49,638	52,057	54,365	55,753
Total External Funding	(19,384)	(20,236)	(20,594)	(20,959)
Balance to be met locally	30,254	31,821	33,771	34,794
Council Tax Yield (0%)	(28,066)	(28,445)	(28,829)	(29,218)
Council Tax Yield (2.95%)	(28,892)	(30,146)	(31,454)	(32,818)
Council Tax Yield (£5)	(29,725)	(31,015)	(32,360)	(33,765)
Budget Shortfall (0%)	2,188	3,376	4,942	5,575
Budget Shortfall (2.95%)	1,362	1,674	2,316	1,975
Budget Shortfall (£5)	529	806	1,410	1,028

2.77 If Fire Authority were to approve a 0% or 2.95% increase in Council Tax a significant level of savings would be required which would most likely impact on the delivery of front-line services. A £5 increase would provide a more manageable deficit although this would still be dependent on the level of pay award agreed for both 2022/23 and 2023/24.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report, although the achievement of budgetary savings in future years will undoubtedly have an impact.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2023/24 but may acknowledge potential budget shortfalls for future years.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 Council Tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.
- 8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

That Members consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of £5.00.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Capital Programme 2023/24 to 2026/27

10 YEAR CAPITAL PROGRAMME	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
TRANSPORT	£'000	£'000	£'000	£'000
Pumping Appliances	834	2,820		
Special Appliances	1,355	1,665	400	150
Light Vehicle Replacement	186	48	120	376
Rural Unit	100			
Sub Total	2,475	4,533	520	526
EQUIPMENT				
Replacement Duty Rig	100	100	50	
Fire Hood - Contaminants		150		
BA Sets				250
Gas Tight Suits	50			
Radios		300		
Holmatro RTC Equipment			900	
Gas Monitoring				35
Sub Total	150	550	950	285
ESTATES				
Access and Inclusion	500	250		
Training Development Centre	500			
Electric Vehicle charging points	25	100		
Estate energy reduction and Decarbonisation	50	250		
Sub Total	1,075	600		
I.T. & COMMUNICATIONS				
ICT Capital Programme - Replacement Equipment	220	230	180	200
Mobile Computing	-	90		
HQ Core Switch Upgrade				50
Appliance handheld Airwave Radios	30			
HR Upgrade		51		
Payroll, Finance and Occy health Upgrade	30		30	
Sub Total	280	371	210	250
Emergency Services Mobile Communications				
MDT Replacement Project	15			
Tri-Service Control & Mobilising System		2,000		300
Sub Total	15	2,000		300
TOTAL	3,995	8,054	1,680	1,361

TO BE FINANCE BY	Budget 2023-24	Budget 2024-25	Budget 2025-26	Budget 2026-27
	£'000	£'000	£'000	£'000
Borrowing	685	8,044	1,670	1,351
Capital Receipts	3,310	10	10	10
Revenue / Earmarked Reserves				
TOTAL	3,995	8,054	1,680	1,361

APPENDIX B

CASH LIMIT					
	Revised Budget 2022/23	Budget 2023/24 £000's	Budget 2024/25 £000's	Budget 2025/26 £000's	Budget 2026/27 £000's
<u>Employees</u>					
Direct Employee Expenses	35,844	37,991	39,054	39,903	40,702
Indirect Employee Expenses	382	464	460	456	465
Pension	918	1,064	1,097	995	1,015
	37,144	39,519	40,611	41,354	42,182
<u>Premises</u>					
Repairs and Maintenance of Buildings	772	826	911	1,007	1,027
Energy Costs	751	1,160	1,299	1,455	1,484
Rents	365	421	484	556	567
Rates	897	1,043	1,101	1,163	1,186
Water	75	85	89	93	95
Fixture and Fittings	1	1	1	1	1
Cleaning and Domestic Supplies	407	448	493	542	553
Grounds Maintenance Costs	24	26	29	32	33
Premises Insurance	16	22	24	26	27
Refuse Collection	37	37	37	37	38
	3,345	4,069	4,468	4,912	5,010
Transport					
Direct Transport Cost	1,341	1,818	1,830	1,838	1,875
Recharges	3	3	3	3	3
Public Transport	8	7	7	7	7
Transport Insurance	188	153	169	186	190
Car Allowances	238	238	238	238	243
	1,778	2,219	2,247	2,272	2,317
Supplies & Services					
Equipment Furniture and Materials	667	663	666	667	680
Catering	53	51	51	51	52
Clothes Uniforms and Laundry	457	455	494	537	548

Printing Stationery and Office Expenses	29	30	30	31	32
Services	572	682	691	722	736
Communications and Computing Expenses	1,834	2,097	2,197	2,293	2,339
Grants and Subscriptions	36	33	33	33	34
Miscellaneous Expenses	86	86	86	86	88
	204	212	215	218	222
	3,938	4,309	4,463	4,638	4,731
<u>Third Party Payments</u>					
Other Local Authorities	908	950	1,086	1,105	1,127
Private Contractors	-	-	-	-	-
	908	950	1,086	1,105	1,127
<u>Support Services</u>					
Finance	122	127	127	127	130
Corporate Services	45	45	45	45	46
	167	172	172	172	175
<u>Sales Fees & Charges</u>					
Customer and Client Receipts	- 374	- 425	- 428	- 431	- 440
	- 374	- 425	- 428	- 431	- 440
<u>Other Income</u>					
Government Grants	-	-	-	-	-
Grants/Reimbursements and Contributions	3,245	3,305	3,149	3,055	3,116
Interest	- 397	- 436	- 436	- 436	- 445
	- 20	- 138	- 138	- 138	- 141
	-	-	-	-	-
	3,662	3,879	3,723	3,629	3,702
<u>Capital Financing Costs</u>					
Interest Payments	883	983	1,112	1,371	1,398
Debt Management Expenses	1,878	1,721	2,049	2,601	2,953
	2,761	2,704	3,161	3,972	4,351
BUDGET	46,005	49,638	52,057	54,365	55,753