

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 7 DECEMBER 2022
REPORT OF: HEAD OF FINANCE
AUTHOR: WENDY BEBBINGTON

SUBJECT: 2023-24 DRAFT BUDGET, COUNCIL TAX AND
MEDIUM-TERM FINANCIAL PLAN

Purpose of Report

1. To present the Authority's draft 2023-24 budget and the current Medium Term Financial Plan (MTFP). To allow Members to determine whether officers should arrange a consultation about a council tax increase.

Recommended: That Members

- [1] note the information relating to the 2023-24 budget setting together with the MTFP.
- [2] authorise officers to arrange a consultation concerned with a council tax increase of 2.99%.

Background

2. The Authority is required to approve an annual budget and set a council tax precept by mid-February. As part of the budget setting process, the Authority must consider all relevant factors including the likely impact of policy options, the economic climate, funding and the demands on the Service.
3. This is the first of two budget reports with the final report being considered by the Authority in February 2023. This report provides the context in which the 2023-24 budget is likely to be set. It reviews the funding and spending assumptions and the potential impact of the current economic climate. It is written at a time of considerable uncertainty and therefore, it would not be surprising if some of the budget assumptions and elements of the MTFP will need to be updated to a greater degree than has been the case in the past.

Information

Government Funding

4. The Chancellor delivered his Autumn Statement on the 17th November 2022 setting out the Government's update on its plans for the economy based on the latest forecasts from the Office for Budget Responsibility (OBR) and

comes at a time of significant economic challenge for the UK and global economy.

5. Whilst there was no direct mention of fire and rescue services within the Annual Statement, there was assurance that the current spending review would remain in place. For the years beyond the current Spending Review period, planned departmental resource spending is expected to continue to grow, but slower than the economy, at 1% a year in real terms until 2027-28.
6. Outside of the direct funding, there were several areas of potential support in relation to business rates, both in terms of payment and in the income received. From 1 April 2023, business rate bills in England will be updated to reflect changes in property values since the last revaluation in 2017. A package of targeted support worth £13.6 billion over the next 5 years was included in the Statement. English Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs
7. Finally, while delivering overall spending restraint, the Government is prioritising further investment in the NHS and social care, and in schools. Supporting these two public services is the government's priority for public spending.

Council Tax

8. The Authority is a precepting authority which means that part of the council tax bill for each of the four local authorities within Cheshire provides funding to the Authority. It is the responsibility of the Authority to set the level of precept as part of the budget setting process.
9. As part of the Autumn Statement, the Government is giving Local Authorities in England (including the Fire Authority) additional flexibility in setting council tax by increasing the referendum limit for increases in council tax to 3% per year from April 2023. This could enable the Authority to increase the council tax by 2.99% in 2023-24; 1% more than the previous limit. An increase of 2.99% would increase council tax by £2.47 per annum (Band D) and provide circa £960k per annum for the Authority. The 2.99% increase has been included in the MTFP, but there is still a shortfall of £971k which will need to be covered by savings; these are yet to be identified. Any savings not achieved will add to the following year's savings target, which will be Year 1 of the 2024-2028 Community Risk Management Plan period.
10. In addition to the precept rate, funding from council tax can also change due to increases in the taxbase. The taxbase is the number of council tax bills issued by the local authorities, adjusted for benefits, discounts and debt etc. As new houses are built or the adjustments amended, the taxbase can increase, providing further funding to the Authority whether the actual precept level increases or not. The MTFP includes an assumed increase in taxbase

in line with the estimates provided by the Local Authorities who compile the data.

11. Officers believe that it would be prudent to consult on an increase in council tax of 2.99%.

Medium Term Financial Plan (MTFP)

12. Appendix 1 is the current MTFP and is derived using the following assumptions:

| | |
|--------------------------------|------|
| Pay inflation (2023) | 2% |
| Standard non pay inflation | 2% |
| <u>Non-standard Inflation:</u> | |
| Electricity | 52% |
| Gas | 123% |
| Water | 13% |
| Business rates | 20% |
| Fuel | 5% |

13. The MTFP has been compiled based on the assumption that the savings required in each year are agreed and delivered in full. Any savings not achieved will add to the following year's savings requirement.
14. Over the past few weeks, officers have developed a list of budget proposals and savings for the 2023-24 budget. These are currently being scrutinised by the Service Leadership Team. Early indications show that there is £1.5m in growth demands with some call on reserves offset by savings proposals of approximately £0.9m. Full details of these proposals will be presented to Members for scrutiny at their Planning Day in January 2023.
15. Members will see that the MTFP includes a council tax increase of 2.99% from 2023-24 onwards. Obviously, this is only illustrative at this point. Even with this level of increase in council tax there are some clear budget challenges ahead.

Capital Programme

16. Up to 2014, the Authority received capital grants from the Government in support of its capital programme. Since then, all capital investment has been funded from the Authority's own reserves unless specific funding was available. The level of reserves currently held will not be sufficient to fund the current and proposed capital programmes and further borrowing will be required, the impact of which has been included in the MTFP.

Reserves

17. Section 25 of the Local Government Act 2003 requires the Treasurer to present a report assessing the adequacy of the unallocated reserves in the context of operational demands together with corporate and financial risks facing the Authority. This will be presented as part of the budget report in February.
18. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and neither too excessive nor too modest. Members need to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate given the current funding arrangements and proposed spend.
19. As part of the MTFP and Budget Report, a Reserves Strategy was approved by the Authority in February 2022. This set out the reserves held and their intended usage. This will be updated and presented to the Authority in February 2023.

Risks

20. While there are always risks associated with financial assumptions, these assumptions are reviewed and benchmarked against other fire and rescue services within the region. When any material change takes place the MTFP is updated and reported to the Authority.
21. Although there are indications that the Government funding will be in line with the last spending review, it does not detail individual organisation's allocations so until the actual financial settlement is published each December, there remains a risk that the amount may change.
22. Finally, while close consultation with the four Local Authorities is on-going, the risk that the forecast for the taxbase used for council tax and the business rates allocated to the Authority may be materially different. This could, of course be better or worse than expected.

Legal Implications

23. The Authority is required to approve a balanced budget and set its precept charge on the council tax by mid-February 2023.

Equality and Diversity Implications

24. This is a strategic report that does not contain detailed proposals that have any equality and diversity implications. A particular proposal may have such implications but will be identified as each is assessed.

Environmental Implications

25. This is a strategic report that does not contain detailed proposals that have any environmental implications. A particular proposal may have such implications but will be identified as each is assessed.

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BACKGROUND PAPERS: NONE**

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base Budget | £44,419 | £44,419 | £47,136 | £47,850 | £48,948 | £50,072 |
| Inflation (pay related) | | £683 | £697 | £710 | £725 | £782 |
| Inflation (non-pay) | | £904 | £374 | £382 | £392 | £424 |
| Commitments | | £536 | £26 | £26 | £26 | £0 |
| Growth – permanent & one-off | | £1,538 | £0 | £0 | £0 | £0 |
| Transfer to reserves - base budget | £2,264 | £1,608 | £1,608 | £1,608 | £1,608 | £1,608 |
| Total Base Budget | £46,683 | £49,688 | £49,841 | £50,576 | £51,699 | £52,886 |
| Transfer from revenue reserves - one off items | -£79 | £0 | £0 | £0 | £0 | £0 |
| Transfer from revenue reserves - covid | -£17 | -£750 | -£488 | £0 | £0 | £0 |
| Total Budget | £46,587 | £48,938 | £49,353 | £50,576 | £51,699 | £52,886 |
| Funding: | | | | | | |
| Government - Settlement Funding Assessment | -£13,438 | -£13,537 | -£13,637 | -£13,680 | -£13,724 | -£13,768 |
| Section 31 Business Rates Grant | -£1,595 | -£1,000 | -£800 | -£800 | -£800 | -£800 |
| Collection Fund (surplus)/deficit - business rates | £1,042 | £800 | £500 | £500 | £500 | £500 |
| Precept (Council Tax) | -£31,956 | -£33,360 | -£34,713 | -£36,211 | -£37,771 | -£39,398 |
| Collection Fund (surplus)/deficit - council tax | £14 | £0 | £0 | £0 | £0 | £0 |
| 2022-23 Services Grant Allocation | -£654 | | | | | |
| Total Funding | -£46,587 | -£47,097 | -£48,650 | -£50,191 | -£51,795 | -£53,466 |
| Budget Shortfall | £0 | £1,841 | £703 | £385 | -£96 | -£580 |
| Identified Savings | £0 | -£870 | -£383 | -£20 | -£19 | £0 |
| Budget Shortfall - net of savings | £0 | £971 | £320 | £365 | -£115 | -£580 |
| Precept (Council Tax - Band D) | £82.48 | £84.95 | £87.49 | £90.11 | £92.80 | £95.57 |
| Forecast % increase | 1.99% | 2.99% | 2.99% | 2.99% | 2.99% | 2.99% |