

REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2023/24 REVENUE BUDGET AND CAPITAL PROGRAMME

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Background Papers:

2022/23 Revenue Budget Report to the FRA meeting on 10th February 2022 (link below)
<https://bedsfireresauth.moderngov.co.uk/ieListDocuments.aspx?CId=134&MId=443&Ver=4>

Implications:

This table provides a short statement of the impact of the recommendations in this report and/or a reference to the relevant paragraph/s in the report.

Will this report affect any of the following?

Implications	Yes/No	Impact/Reference
Financial	Yes	Throughout this report and attachments
Risk Management	Yes	Yes, medium term financial position and funding is a key item in our Corporate Risk Register
Legal	Yes	See para 8.2 below

Privacy and Security	Yes	Cyber security and associated investments are included within the budget proposals
Duty to collaborate	Yes	The Service already shares estate and this budget includes additional work and support with blue light partners, such as servicing vehicles and equipment
Health and Safety	Yes	Included in the budget is additional Personal Protective Equipment (PPE) and well as funds set aside for improved H&S with contaminants
Equality, Diversity and Inclusion	Yes	See para 8.3 below
Environmental Sustainability	Yes	The Capital Programme includes investment in efficient lighting, electric vehicles and the infrastructure to support these, as well as additional initiatives in future years.
Consultation and Communication	Yes	As per the report, there has been a consultation on the budget and Community Risk Management Plan (CRMP)

PURPOSE:

To present information to allow the Authority to:

- a. set a budget and precept level for 2023/24 in line with statutory requirements;
- b. approve a Medium-Term Revenue Plan for the period 2023/24 to 2026/27;
- c. approve a Medium-Term Capital Programme for the period 2023/24 to 2026/27;
- d. approve a Medium-Term Financial Strategy which provides the strategic context for each of the above, linking them to the Authority's corporate aims, objectives and strategic priorities.

RECOMMENDATIONS:

1. That the Fire and Rescue Authority consider this report and determine for 2023/24 that:
 - a. A Revenue Budget requirement is set at £34.748m, met as indicated in paragraph 3.7 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £25.043m and that consequently, a council tax increase of £5 up to £109.45 per Band D equivalent property, calculated as shown in Paragraph 3.7 of this report.
 - c. In order to meet the Precept requirement, the Treasurer be authorised to issue Precepts in the necessary form to each of the Unitary Councils and for the amounts indicated in Paragraph 3.10 of this report.
2. That the FRA consider and approve one of the Medium-Term Revenue Plans attached at Appendix 1 and 1a to this report, in doing so, approving the allocation of the £1m Pay Reserve to be used within 2023/24 and to also approve the 2023/24 savings and efficiencies detailed at Appendix 2.
4. That the FRA consider and approve the Medium-Term Capital Programme attached at Appendix 3 to this report, in doing so supporting the use of the £555k capital reserve over the years 2023/24 and 2024/25.
5. That the FRA consider and approve the Medium-Term Financial Strategy attached at Appendix 4 to this report and the Reserves Strategy at Appendix 5.
6. That in considering the above recommendations, the FRA note the Treasurer's statement on the robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides, attached at Appendix 6 to this report.
7. That the FRA delegate any budget amendments, following receipt of the final settlement figures, to the Treasurer and Chief Fire Officer.

1. Introduction and Background

1.1 The Authority is proposing a budget for 2023/24 that takes into account the aims and objectives of the Service and prioritises the resources available for frontline services.

1.2 It does this by:

- a. Proposing a council tax increase of £5.
- b. Proposing significant efficiency savings and appropriate utilisation of reserves.

1.3 There has been a considerable amount of work towards the 2023/24 budget setting over the past year. This has included a robust review and scrutiny of service wide budgets by the Assistant Chief Officer/Treasurer and the Principal Officers, review and challenge meetings by the Corporate Management Team and two Fire and Rescue Authority Members budget workshops. This work has covered both the revenue budget and the Capital Programme.

1.4 The budget consultation questions were approved by the Authority for consultation. The responses to the budget and Community Risk Management Plan (CRMP) consultation are covered under another agenda item at this meeting. There is a high level of support for a £5 increase as summarised below.

The budget includes the funding required to address the actions within the current Community Risk Management Plan (CRMP). These includes investments in Cyber preparedness and security, Digital Transformation, Fleet, Equipment, training for both operational and non-operational staff, improvement in On Call availability and investment in our estate including environmental initiatives.

1.5 The Authority's council tax precept leaflets have been electronic since 2013/14. There will therefore be a web link address on the council tax bills to the websites detailing the precept information for the unitary authorities, police and fire.

2. Government Settlement for 2023/24

2.1 The provisional settlement for 2023/24 was announced on 19th December 2022. The final settlement figures for 2023/24 are yet to be confirmed. It is anticipated that there will not be any material impact on the figures used in this report. Any minor changes will be met to/from the Transformational earmarked reserve.

Table 1 below shows a split of the 2022/23 and 2023/24 revenue grant funding and the Government's forecast total business rates funding. This is the Settlement Funding Assessment (SFA). A further detailed breakdown of this is included within the Medium-Term Financial Strategy (MTFS).

Table 1: Settlement Funding Assessment split

	2022/23 £m	2023/24 £m	£m Variance
Revenue Support Grant (RSG)	2.405	2.649	0.244
Business Rates baseline funding	5.942	6.164	0.222
Settlement Funding Assessment	8.347	8.813	0.466

- 2.2 Since the introduction of the Business Rates Retention Scheme in 2013/14, the Authority has been subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a share of this, if it decreases again the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted. In a future year, it is anticipated that the Business Rates funding will increase and the Revenue Support Grant (RSG) will cease. The RSG has still been identified in Appendix 1 in years 2024/25 onwards for transparency, albeit this funding may be included within other lines such as business rates in a future year.
- 2.3 The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £6.164m by the Department of Levelling Up, Housing and Communities (DLUHC) for 2023/24, which includes a forecast share of local business rates estimated at £2.475m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rates locally collected/allocated (the 1% share) are lower than the baseline funding level of £6.164m, we are therefore a 'top up' authority and will receive the payment of £3.689m from central government (to get back to the £6.164m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.813m shown in Appendix 1 for 2023/24 is split between £2.649m RSG funding and £6.164m Business Rates. The local share of business rates, as advised by the Unitary Authorities, is higher than the assumed £2.475m at £2.529m and therefore the top up has been reduced by this £54k in Appendix 1.

There is much volatility with business rates income and associated discounts and grants to compensate, particularly since Covid and the various support provided by Government to businesses. Any variances will be monitored and reported as part of the in-year budget monitoring reports. There will also be the impacts from the valuation appeals; the Chancellor has confirmed that there will be a business rates revaluation taking place in 2023.

The Service will also increase links with the Unitary Authorities to better understand their business rates positions and how this will impact the in-year funding position of the Authority. With material re-distribution in 2022/23, this further understanding would be beneficial.

- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive circa £150k in 2023/24 for Firelink (now reducing annually) and New Dimensions. The final figures are yet to be confirmed. Confirmation on the continuation of the Prevention and Protection grant is also required.
- 2.5 The council tax referendum cap was confirmed in December 2022 as part of the provisional settlement. The proposed council tax figure of £109.45 is a £5 increase, therefore at the capping limit. This is based on the financial need as detailed below.

3. Proposed Budget and Precept for 2023/24 and Medium-Term Revenue Plan

- 3.1 In setting a budget for 2023/24, the Authority must take into account the implications for the following years' financial strategy, namely 2024/25 to 2026/27. There are material efficiency savings over the coming years, which will require action in the short-term if they are to be secured within the planned timescales.
- 3.2 The settlement figures for 2023/24 were the fourth single year settlement. A three-year Comprehensive Spending Review (CSR) was carried out over 2022, however a single year's funding information has again provided by to Local Government (for both 2022/23 and now 2023/24).
- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2023/24 to 2026/27 and the key features of the projections, including assumptions of the level of Government funding and council tax funding.
- 3.4 The Medium-Term Revenue Plan (MTRP) assumes that the Authority will achieve year-on-year cashable efficiencies. The MTRP is attached at Appendix 1 and 1a, with the detail of the planned savings, efficiencies and income at Appendix 2.

- 3.5 Based on the assumptions and proposals within this report and appendices, Table 2 below details the key budget information. The budget requirement for 2023/24 is recommended to be set as detailed in Appendices 1 and 1a, depending on which pay award assumption the FRA agrees to adopt for 2022/23 and 2023/24. Key assumptions include the continuation of the Government grant funding the Firefighters employer pension contributions increase, the continuation of the reduced Services Grant, the council tax referendum cap in 2025/26 and 2026/27 and Firefighters and non-operational staff pay awards. Assumptions and Uncertainties are detailed in the MTFs.
- 3.6 The three Unitary Authorities have confirmed their taxbases for 2023/24. This revised taxbase figures, when compared to the 2023/24 taxabse forecast at the time of setting the 2022/23 budget, will increase the council tax income to the Authority by £0.188m.
The forecast Collection Fund figures are included on line 53 in the income section of the MTRP.
- 3.7 Appendix 1 details the Government funding of RSG. It should be noted that in a future year, it is anticipated that RSG will cease and the equivalent funding, or potentially at a revised level, will be included within business rates. For transparency, it is currently still shown separately in Appendix 1 line 48. The RSG for 2023/24 increases by £244k when compared to the 2022/23 figure. It should be noted that the reduction of Services Grant (at £179k for the Authority) has paid for this increase in RSG across the fire sector. The reduction also takes into account the cancellation of the planned increase in employer National Insurance Contributions.

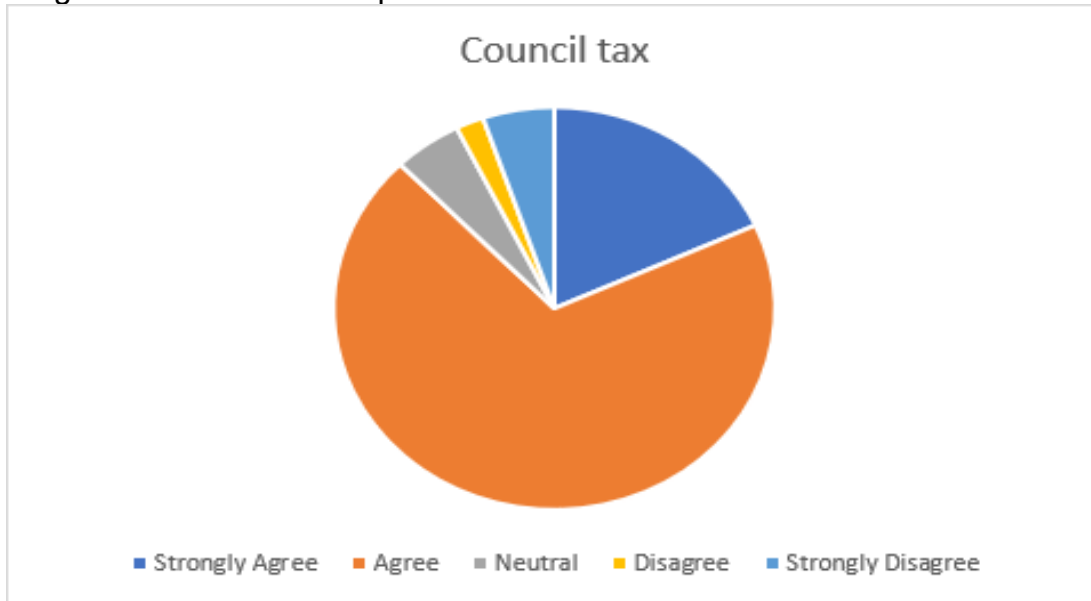
Table 2: Key Budget Information

	2022/23 £m	2023/24 £m	Change £m
Budget Requirement (£m)	33.819	34.748	0.929
<u>Funded by:</u>			
Precept Requirement (£m)	23.401	25.043	1.642
Central and Local Government Funding (£m)	8.747	8.813	0.066
Section 31 Business Rates grant (est)	0.382	0.392	0.010

S31 Multiplier Cap grant (est)	0.488	0.658	0.170
Collection Fund surplus/(deficit) incl spreading of prior year	0.345	(0.389)	(0.688)
Use of Collection Fund Deficit Reserve	0.046	0	(0.046)
Services Grant (new from 2022/23)	0.410	0.231	(179)
Funding Total (£m)	£33.819	£34.748	
Tax Base (Band D equiv. properties)	224,040	228,807	4,495
Band 'D' Council Tax	£104.45	£109.45	£5

- 3.8 The Authority's Officers and Treasurer recommend that the Council Tax increase of £5 should be implemented. This is based on need, particularly with the inflationary pressures, pay awards, planned essential spend on revenue and capital and the utilisation of reserves. As the current MTRP shows that there will be a future funding need with material savings and efficiencies to deliver too. The results of the 2023/24 budget consultation support this increase, please see the CRMP/Consultation Report also being presented to this meeting of the FRA. The consultation responses are summarised below in Diagram 1, in respect of supporting a £5 council tax increase. From 439 responses at the time of writing this report, 80 respondents strongly agreed, 305 agreed (a combined 88% in support) and 22 were neutral. 9 disagreed with 23 strongly disagreeing.

Diagram 1: Consultation question on a £5 Band D council tax increase



Inflationary pressures have continued to intensify during the 2022/23 financial year. Consumer Price Index (CPI) inflation has sat above the Bank of England's 2% target since May 2021 and averaged 10% in Quarter 3 of 2022/23. This rise in inflation mainly reflects the significant increases in global and tradeable goods prices. The rise in energy prices, exacerbated by the economic impact of Russia's invasion of Ukraine, continues to have a direct effect on CPI inflation.

For the Authority, this directly impacts on the price of services, vehicles, equipment, utilities and staffing costs. As can be seen from Appendix 1, even with the £5 council tax increase for a Band D property, the Authority will be using just under £2m of reserves in each of the years 2023/24 and 2024/25 to balance the budget and investments

contained within. The resulting financial commitments show a balanced four year medium term position (Appendix 1), with the Transformational Reserve fully utilised. There is the proposed use of the capital reserve, to reduce further the pressures on the revenue budget. If these reserves were not allocated to 2023/4 and 2025/25, the impact on the use of the Transformational reserve would be over £500k greater. As strategically planned, the Authority has a Pay reserve at £1m, should there be an event where the pay award is greater than budgeted. This event has happened, so this is proposed to be allocated too within 2023/24 as strategically planned. It was proposed elsewhere on this agenda in the budget monitoring report, that a new allocation to the pay reserve will be made at the end of 2022/23 from the Business Rates redistribution now the Government has finalised the 2021/22 business rates. This would be utilised against pay awards above that budgeted.

Within the proposed, as per the table at the foot of Appendix 1, there is a continued allocation for strategic initiatives (£250k) and Green/Environmental improvements (£200k).

There is planning time between now and 2026/27 to implement those identified and additional savings and efficiencies. However, these do need to be researched, planned and implemented, so there is a significant lead time for large scale savings and efficiency options.

- 3.9 Table 3 below details the council tax per band. As there is a proposed £5 increase from the 2022/23 level, there is a change across all the valuation bands. The council tax of £109.45 equates to, for a Band D equivalent property, 30 pence per day for the Fire and Rescue Service.

Table 3: Council Tax Per Band:

Valuation Band	Tax Payable Compared to Band D (Expressed in Fractions)	Council Tax for Band £	Charge per week £
A	6/9	72.97	1.40
B	7/9	85.13	1.64
C	8/9	97.29	1.87
D	1	109.45	2.10
E	11/9	133.77	2.57
F	13/9	158.09	3.04
G	15/9	182.42	3.51
H	2	218.90	4.21

In summary, the taxbase of 228,807 Band D equivalents, multiplied by the Band D council tax of £109.45 equals the precept of £25.043m.

- 3.10 Pursuant to the provisions of the Local Government Finance Acts 1992 and 1999 and all other relevant statutory powers, it is recommended that the Assistant Chief Officer/Treasurer issues Precepts in the necessary form to each of the Unitary Councils indicated in Table 4 below, Column 1, requiring those Authorities to make payments of the sum indicated in Column 2 in eleven equal instalments. Column 3 details the amounts that the local authorities will pay the Authority from their collection of Business Rates. This is 1% of their estimated net rates yield for 2023/24. These figures are before adjustments of the prior years deficit spreading.

Table 4: Precepts (before Collection Fund prior year spreading adjustments)

Unitary Councils (1)	£ (2) Council Tax £'000	£ (3) Business Rates £'000
Bedford Borough	6,835	814
Luton Borough	5,993	603
Central Bedfordshire	12,215	1,112
Total	25,043	2,529

- 3.11 At the time of writing this report, the Business Rates (NNDR1) returns from the Unitary Authorities have not been received. The above figures are based on the most recent information received. Therefore confirmation of the Section 31 grants have also not been received from all three authorities. Updates will be captured in the first 2023/24 budget monitoring report presented to the FRA in 2023/24, as well as the latest position on Business Rate Reliefs Section 31 Reconciliations.
- 3.12 Financial scenario planning.
The attached appendices includes two scenarios, with different pay award assumptions (Appendix 1, Firefighters pay award of 5% in 2022/23 then 5%, 3%, 2% and 2%. Appendix 1a ^% in 2022/23, then 4%, 3%, 2% and 2%) . Other scenarios also explored by the Treasurer include:

- A lower referendum cap in years 2025/26 and 2026/27, with a view that it could reduce back down to 2%. As expected, this would create significant funding pressures and result in a large Transformational Reserve at the end of the medium term. Should this be anticipated nearer the time, mitigation work will commence well in advance of need.
- An alternative pay award scenario with 6% in 2022/23, then 5%, 3%, 2% and 2%, again resulting in a material medium term gap. Should a 6% pay award be agreed and backdated from July 2022, a new reserve has been proposed to manage some of this potential financial pressure either from the 2022 pay award or another year.

3.13 In addition to the Authority's own council tax, there are separate council taxes for the Police, the local authorities of Central Bedfordshire, Bedford, Luton and where applicable their town/parish councils.

4 **Use of Balances:**

4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. This risk assessment undertaken, and referred to in the MTFs, suggests that the minimum level of balances, taking all known risks into account along with the gross expenditure requirement, should be in the order of at least £2.4m for 2023/24. This equates to 7% of the Authority's budget requirement and is circa the average of combined fire authorities. This is after a comprehensive review and setting up of specific ear-marked reserves of £1.605m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2022/23 year end underspend as identified in the Budget Monitoring report that has been presented to the Authority at this meeting, is allocated to a Pay and Pensions Reserve to support any pay award variances above those budgeted for (currently for firefighters at 5% for July 2022 and 2023 as part of this budget report, but these could be higher hence the reallocation to the reserve). This is also taking into account that the £1m previously set aside has been allocated for use in 2023/24 (as identifiable in the funding table at the foot of Appendix 1), so an appropriate new contribution to ensure there is again a reserve here, required due to potential pay awards above those budgeted.

The Transformational reserve is planned to be £2.498m at the 2022/23 year end, prior to any year end underspend allocation. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2023/24 to 2024/25 budgets and beyond (this is the scenario forecast in Appendix 1, with Appendix 1a showing a deficit over the medium term). This is detailed at the foot of the MTRP in Appendix 1.

- 4.2 The reserves strategy is attached at Appendix 5. In summary, the strategy in recent years has been to increase the Transformational ear-marked reserve with underspends and budgeted contributions to enable this to be used for transformation initiatives and future years' budget setting processes.

As detailed in the MTRP, it is forecast that the Transformational earmarked reserve will be used over the medium term to close any budget gaps in the financial years 2023/24 to 2026/27 and to invest in transformational efficiencies and the environmental agenda. This strategy will ensure that additional savings and efficiencies are introduced in a planned and effective manner over the years.

For 2023/24 and 2024/25, it is proposed to allocate the capital reserve of £555k over these two years to ease the pressure on the revenue budget. This reserve is unearmarked and has remained unchanged for many years. In addition, the slipped capital funding has been reduced by £0.100m. This is following a detailed review of the capital items that the reserves were allocated to and the rescheduling of these over the forthcoming years that have new budgets allocated to them. This therefore releases previously allocated capital monies to support the capital programme and therefore less revenue contributions in 2023/24 and 2024/25.

A review of the earmarked reserves has enabled the Treasurer, in accordance with discussions with FRA Members at the second budget workshop in January 2023, to set up a £200k earmarked reserve for spend on Contaminants related work.

5. Proposed Medium-Term Capital Programme

- 5.1 As anticipated, there is no Government funding or bidding round for capital in the 2023/24 budget. This was the position for the 2016/17 to 2022/23 financial years too. The Authority, in 2012/13 and before, used to receive an annual capital grant of £1m.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is a budgeted base budget revenue contribution of circa £2m per annum (with fluctuations) from 2023/24 onwards towards capital expenditure. This is with the assumption that core Government capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions. To note, as previously discussed with Members, a £200k earmarked reserve has been set aside for Contaminants work.

5.2 The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2023/24 Capital Programme.

5.3 Key items of note in the proposed 2023/24 Capital Programme of £2.258m are:

- Investment in our vehicle fleet and operational equipment. To maintain efficient, economic and effective appliances with appropriate equipment.
- Investment in ICT including infrastructure and cyber security.
- Investment in improvements and modernisation of our buildings, including environmental initiatives and EDI works.

6. Proposed Medium-Term Financial Strategy (MTFS)

6.1 The Medium-Term Financial Strategy, attached at Appendix 4, is a document that sets out the Authority's financial strategy for the next four years. It focuses on the 2023/24 revenue budget and capital programme, but also sets the scene for future years.

6.2 The MTFS details the reserves policy, planning assumptions behind the budget figures and other considerations that must be taken into account when setting the strategy, such as the taxbase, efficiencies and shared services.

7. Robustness of Estimates and Adequacy of Reserves

7.1 The Local Government Act 2003 places a duty on the Section 112/151 Officer (Treasurer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. The Treasurer's statement is attached at Appendix 6.

8. Implications

8.1 **Financial:**

- 8.1.1 The resource implications are detailed throughout this report and appendices, particularly in the MTFs. For clarity, no new borrowing is proposed.
- 8.1.2 The Treasurer's statement comments on the robustness of the estimates and adequacy of the Authority's reserves with reference to risks identified.

8.2 **Legal:**

- 8.2.1 The Authority is required by section 40 of the Local Government Finance Act 1992 to set a balanced budget before 1 March in the financial year preceding that for which the budget is set.

Under section 25(1) of the Local Government Act 2003 the responsible finance officer (namely the Chief Finance Officer of the Authority under section 112 of the Local Government Finance Act 1988) is required to report to Members on:

- The robustness of the estimates made for the purposes of the calculations of the budget
- The adequacy of the proposed financial reserves

Section 25(2) of the Local Government Act 2003 requires that Members have regard to the report in making their decisions.

Section 42A of the Local Government Finance Act 1992 also requires the Authority to have regard to the level of reserves for meeting estimated future expenditure when calculating the net budget requirement.

8.3 Equality, Human Resources, Environmental, Policy, Other:

8.3.1 Equality Act 2010

The Equality Act 2010 is a modern, single and streamlined legal framework to effectively tackle disadvantage and discrimination. The protected characteristics covered under the Act are: Age, Race, Sex, Gender reassignment, Disability, Religion or belief, Sexual orientation, Marriage or civil partnership and Pregnancy and maternity.

The general equality duty is set out under Section 149 of the Equality Act 2010 and aims to help public bodies meet the specific duties. The aim of the general equality duty is to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

Public bodies must take into consideration the advancement of equality into their day-to-day business and must exercise their functions, having due regard to:

- remove or minimise disadvantages suffered by people due to their protected characteristics.
- take steps to meet the needs of people from protected groups where these are different from the needs of other people.
- encourage people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

Organisations must have adequate and accurate equality evidence, properly understood and analysed, to provide the root of effective compliance with the general duty. Evidence of compliance must be recorded and stored.

8.3.2 Equality and Human Rights Commission

The Human Rights Commission has the power to enforce the duty, if a public authority does not comply with the general duty. Failure to comply can be challenged by means of a compliance notice to the High Court.

8.3.3 Human Rights Act 1998

Public sector organisations are also subject to the Human Rights Act 1998. The purpose of the Act is to support a culture of respect for everyone's human rights by embedding the principles of dignity, equality, respect, fairness and autonomy through improved public services, and for public service providers to use the tool to improve the quality of services.

8.3.4 BFRS will undertake the 'Due regard' of the budget building process to mitigate any adverse impact on protected groups, and beyond.

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GAVIN CHAMBERS
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