

Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND FINANCE COMMITTEE

25 NOVEMBER 2021

2022/23 BUDGET AND MEDIUM-TERM FINANCIAL PLAN

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

- 1 The purpose of this report is to advise members of the proposed timetable for the consideration and approval of the 2022/23 budget and Medium-Term Financial Plan (MTFP).

Background

- 2 In view of the uncertainty surrounding future government funding, three MTFP models were presented to the Authority for approval in February 2021:

- Best Case – based upon a 2% increase in settlement funding from 22/23 onwards
- Mid Case – based on no further increase in settlement funding from 22/23 onwards
- Worst Case - based on a 5% reduction in settlement funding from 22/23 onwards

All 3 Scenarios were based on:

- Inflation and Pay Awards of 2% per annum
- Council Tax Increase of 2% per annum
- Council Tax Base growth of 0.5% per annum

- 3 The financial position for each of the MTFP models is summarised in table 1 below:

Table 1: Medium Term Financial Plan Models – Financial Position (as approved)

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Best Case	0	-0.626	-0.848	-0.964
Mid Case	0	-0.809	-1.218	-1.525
Worst Case	0	-1.269	-2.114	-2.836

Settlement Funding

- 4 The Autumn Budget and Spending Review 2021 outlined an apparently generous settlement for local government. However, this needs to be viewed against a backdrop of financial pressures faced by local councils in areas such as Adult Social Care and a significant increase in the rate of inflation potentially as high as 5% this year. In addition, local authorities will only be allowed to raise council tax by up to 2% each year without a referendum.
- 5 The position regarding settlement funding for individual authorities will not be known until the provisional settlement is announced in December. Early indications are that for 2022/23, fire authorities may receive an inflationary increase on the current years funding figure. This would align with our best case MTFP scenario in Table 1 above.
- 6 The government is also in the process of undertaking a full review of how funding is allocated and redistributed between local authorities (The Fair Funding Review). However, it has been confirmed that the Fair Funding Review has been further delayed due to COVID-19 and will not feature in the settlement figures for 2022/23.

Council Tax

- 7 The impact of COVID-19 on council tax receipts has been significant. Initial indications are that there will be a shortfall in council tax receipts of more than £250,000 in 2021/22. Any forecast deficit on the council tax collection fund for 2021/22 is added to the Authority's 2022/23 budget requirement.

Efficiency Savings

- 8 Further work has been undertaken to develop savings options to deal with a significant reduction in funding should the need arise. Some of the options involve changes to crewing arrangements which will impact on emergency response standards. These options were discussed with members together with alternative savings options at the Strategic Planning Day held on 29 October 2021.
- 9 A summary of the options discussed is set out in table 2 below:

Table 2: Summary of Savings Options

Option	Saving £m	Response Standards Impact
Service Headquarters	0.200	None
Phase 2 of the Service Structure	0.078	None
Review of SLT and Middle Managers	0.328	None
SRU Unit Crewed	0.196	Least
Remove 1 x station TRV	0.196	Least
Ride with a crew of 4 an all appliances	0.720	Least
2 x stations 1 pump and 1 TRV	1.439	Greater
2 x stations 2 nd pump to day crewing	0.698	Greater
2 x stations to day crewing	0.794	Greater
2 x stations removal of 2nd pump	1.803	Greatest
2 x stations to RDS only	1.293	Greatest

- 10 Further work will be undertaken over the coming months to develop savings options in line with the views expressed by members and staff on the proposals.

Revenue Expenditure

- 11 The budget for 2021/22 was set at £29.338M. The process of constructing the “standstill” budget for 2022/23 has commenced which will provide a comparison with the total available resources.

- 12 Whilst the quantum of pay awards, inflation and pension costs in future years will be difficult to estimate accurately, the budget process will need to incorporate a realistic view on these elements.
- 13 The current MTFP includes an allowance for pay increases of 2% over the medium-term and includes annual price inflation of 2% each year. There is growing evidence that these assumptions may no longer be appropriate in view of current economic conditions.
- 14 Each additional 1% in firefighters pay costs £170,000 and for the whole workforce costs in the region of £195,000. A 1% increase in inflation costs in the region of £70,000.
- 15 In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the FPS as part of the reforms of the schemes amounted to unlawful discrimination. The Government appealed this decision however, the appeal was unsuccessful, and the Court required steps to be taken to compensate employees who were transferred to the new schemes. The remedy proposed by Government will result in all affected members transferring back to their original pension scheme. This has the potential to increase the employer contribution to the FPS by a further £450K per annum which will feature in the next revaluation of the FPS and possibly lead to increased employer contributions in future years.
- 16 Any increase in the cost of pay, employer pensions contributions or the rate of inflation above the levels included in the current MTFP would further increase the deficit position set out in table 1.
- 17 In the knowledge that this is again a particularly challenging budget round, the revenue budget will be constructed using a zero-based approach with the emphasis on the identification of further savings during the process.

Capital Expenditure

- 18 The current MTFP includes provision for major building works at Darlington fire station, Sedgfield fire station and the Training Centre. These works will be complete in the current financial year and no further major works are planned at this stage.
- 19 The capital programme also includes planned expenditure on the replacement of vehicles, equipment, and ICT together with some provision for minor improvements to existing buildings. The revenue implications of the capital programme will need to be incorporated into the 2022/23 budget and the MTFP.

Consultation

- 20 Consultation on budget plans for 2022/23 will include a combination of:
 - Consultation via the Authority's website
 - Community Risk Management Plan (CRMP) Consultation
 - Area Action Partnerships / Parish Councils (Durham)
 - Town / Parish councils / forums (Darlington)

- 21 The Authority also has a statutory obligation to consult non-domestic ratepayers and dates are in the process of being finalised for this element of the consultation.

Next Steps

- 22 To consider the available options in preparation for the final budget decisions, it is proposed that the Audit and Finance Committee meets between now and January to:
- Consider savings options
 - Consider the settlement information
 - Consider outline revenue and capital budgets in accordance with the parameters set out in this report
- 23 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2022/23 together with an associated Medium-Term Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 16 February 2022.
- 24 A proposed budget timetable is attached at Appendix A for information. Some of the dates are still to be confirmed however, updates will be provided as the dates are finalised.

Recommendations

- 25 Members are **recommended to agree** that:
- The 2022/23 revenue budget is prepared at a standstill position, highlighting requirements for any inflationary contingencies and inescapable commitments.
 - The Audit and Finance Committee considers the budget matters as outlined in this report and makes appropriate recommendations to the meeting of the Fire Authority on 16 February 2022.