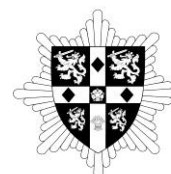


Safest People, Safest Places

County Durham and Darlington
Fire and Rescue Authority



AUDIT AND FINANCE COMMITTEE

30 NOVEMBER 2022

2023/24 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 2023/24 budget and Medium- Term Financial Plan (MTFP).

Background

- 2 At the Strategic Planning Day on 10 October members received an update on the financial pressures facing the Authority including the impact of unfunded pay awards, inflation, and rising interest rates. Details of three potential financial scenarios looking at a best, mid and worst-case position were outlined. The predicted shortfall in funding in 2023/24 ranged from £0.633M to £3.560M across the scenarios. Members were also reminded of the uncertainty surrounding future funding and the reliance on council tax receipts which now accounted for 63% of the Authority's funding.

Autumn Statement 2022

- 3 On 17 November, the Chancellor of the Exchequer Jeremy Hunt announced the Autumn Statement 2022 in a speech in the House of Commons. The Statement was Mr Hunt's first major fiscal event as Chancellor and was accompanied by the Office of Budget Responsibility's Economic and Fiscal Outlook, although the detail of the forecasts was scaled back from recent years.
- 4 Headlines from the Autumn Statement include:
 - Inflation expected to be 9.1% in 2022, 7.4% in 2023 and 0.6% in 2024.
 - Increased council tax flexibilities for local authorities: 3% basic plus 2% Adult Social Care precept. It is expected that fire and rescue council tax flexibility will be at least 3% although this is not confirmed. The council tax referendum principles will be set out in the provisional local government finance settlement in December.
 - Local Government Resource Departmental Expenditure Limit (DEL) is to increase by 33% from 2022-23 to 2023-24.
 - DELs in the next Spending Review to increase in real terms plus 1%.

Settlement Funding

- 5 The position regarding settlement funding for individual authorities will not be known until the provisional settlement is announced in December. The Chancellor of the Exchequer has made it clear that he is looking to find £60bn of spending cuts and tax rises to help shrink the government's medium-term budget gap however it is expected that any spending cuts will be delayed until 2025/26.
- 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 and will not feature in the settlement figures for 2023/24.

Council Tax

- 7 The impact of COVID-19 on council tax receipts in recent years has been significant. Initial indications are however that there should not be any further shortfall in council tax receipts in 2022/23. The council tax referendum limit will be formally announced alongside the provisional settlement in December.

Options to Balance the Budget

- 8 Further work has been undertaken to develop 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 further discussed with members at the Strategic Planning Day held on 10 October 2022.
- 9 A summary of the options discussed is set out in table 1 below:

Table 1: Summary of Options to Balance the Budget

Option Number	Option	Saving £m	Response Standards Impact
1	Service Headquarters	0.200	None
2	Phase 2 of the Service Structure	0.013	None
3	Review of SLT and Middle Managers	0.445	None
4	SRU Unit Crewed	0.208	Least
5	Remove 1 x station TRV	0.208	Least
6	Ride with a crew of 4 an all appliances	0.749	Least

7	2 x stations 1 pump and 1 TRV	1.381	Greater
8	2 x stations 2 nd pump to day crewing	0.695	Greater
9	2 x stations to day crewing	1.023	Greater
10	2 x stations removal of 2nd pump	1.913	Greatest
11	2 x stations to RDS only	1.398	Greatest

- 10 Options 1-3 in the table above are complete and the savings will be built into the 2023/24 budget and the MTFP. 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 2022/23 was set at £30.202M. The process of constructing the “standstill” budget for 2023/24 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% increase in pay for the whole workforce costs in the region of £250,000. A 1% increase in inflation costs in the region of £75,000.
- 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 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

- 17 The current MTFP includes provision for major building works at Wheatley Hill fire station. These works will be complete in summer 2023 and no further major works are planned at this stage.

- 18 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 2023/24 budget and the MTFP.

Next Steps

- 19 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 options to balance the budget
 - Consider the settlement information
 - Consider outline revenue and capital budgets in accordance with the parameters set out in this report
- 20 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2023/24 together with an associated Medium-Term Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 15 February 2023.
- 21 A 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

- 22 Members are requested to note the report.