



TYNE AND WEAR FIRE AND RESCUE AUTHORITY

Item No: 7

MEETING: FIRE AUTHORITY 22 JANUARY 2024

**SUBJECT: PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT
2024/25**

**JOINT REPORT OF THE CHIEF FIRE OFFICER / CHIEF EXECUTIVE (CLERK TO
THE AUTHORITY) AND THE FINANCE DIRECTOR**

1. PURPOSE OF THE REPORT

- 1.1 This report updates members on the implications of the Provisional Local Government Finance Settlement for 2024/25, which was announced by the government on 18th December 2023. More detail is included within Appendix 1 of this report and Appendix 6 sets out for members' information the agreed and submitted response to the consultation on the Provisional Finance Settlement for 2024/25. This response was agreed by members of the Emergency Committee because of the timings involved as this had to be submitted to government by 11:45am on 15th January 2024.
- 1.2 This position is unfortunately now a regular feature of the Finance Settlement consultation papers which are being announced continually very late in December with only a short (four week) period of consultation.

2. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25 – NATIONAL CONTEXT

- 2.1 The information provided in the Settlement is derived from information and data provided by the Chancellor of the Exchequer in his 2023 Autumn Budget announced on 22nd November 2023 and the policy statement issued ahead of the Settlement on 5th December 2023.
- 2.2 The summary below sets out all of the national financial information included in the published one-year Provisional Settlement for 2024/25 as follows:
 - Core Spending Power increases nationally by an average of 6.5% for all of local government assuming that all local authorities levy the maximum Council Tax increases allowed in 2024/25.
 - The LGA has commented “that the evidence of the financial strain on authorities has been growing and today’s settlement does not provide enough funding to meet the severe cost and demand pressures which have left authorities of all types warning of the serious challenges they face to set balanced budgets next year. Authorities in England continue to face a funding gap of £4 billion across this year and next and today’s announcement does not change the funding gap facing authorities.”



- They also stated that the increase is based on the assumption that councils will increase council tax bills to the maximum permitted by referendum limits and this will place a significant financial burden on households in a year of economic uncertainty and increased costs.
- The national average Core Spending Power increase for all standalone Fire and Rescue Authorities is an increase of 4.6% and was the lowest increase of all groups of local authorities. To put this into context, 31 of the 44 Fire and Rescue Authorities required the Minimum Funding Guarantee Grant which ensures CSP increases by the minimum 3% before use of reserves and council tax increases.
- Confirms the Social Care Grant funding for 2024/25 of £2.14billion for Better Care Funding and an extra £682m in Social Care Grant which increases to £4.5billion in total for 2024/25.
- It also confirmed that an additional £200m will be distributed through the Discharge Fund in order to support timely and safe discharges from hospitals into the community, this increases the overall size of the local authority component of the fund to £500m.
- The LGA commented that whilst the investments made at the Autumn Statement 2022 were welcomed it was disappointed and concerned that no further new investment was made in 2024/25 for adult social care where there was significant pressures on local authorities to be able to deliver these services across the country, indicating most councils remained worried that their budgets were still insufficient to meet all of their statutory duties and demands.
The fire service does not benefit from any of the Social Care funding streams outlined above.
- Retains the Services Delivery Grant but reduced significantly (by 84%) to £77m for 2024/25 (previously £483m). This grant is distributed to all local authorities based on their Settlement Funding Assessments (SFA) and is to help fund vital front line services although this will continue to be excluded from any proposed baseline for transitional support as a result of any new funding system changes however this funding stream does look to be getting phased out by the government as it has been reduced significantly once again.
- New Homes Bonus Funding has been allocated at £291m in total for 2024/25 similar to the level set for the previous year. Again this does not have any impact on the fire service funding.
- Provides at least a 3% increase in all local authorities Core Spending Power in 2024/25 compared to 2023/24 (known as the Minimum Funding Guarantee grant) before any decisions are taken about the use of reserves, efficiencies and council tax levels. Tyne and Wear along with another 32 Fire and Rescue Authorities were allocated this funding



out of a total of 44 authorities. This shows that CSP for the fire service was well below the national average allocations for 2024/25.

- Retains Rural Services Delivery Grant totalling £95m at last year's level to continue to provide additional support for rural areas where the government claims they face additional cost pressures. Some rural fire services benefit from this funding but metropolitan fire services such as Tyne and Wear FRA do not.
- Continues the 100% Business Rates Retention arrangements for all participating authorities, with Greater Manchester and West Midlands moving onto new 10 year trail blazer arrangements. The Greater London Authority will also continue to benefit from increased levels of business rates retention in 2024/25. This enables them all to control more of the money they raise locally.
- Increases Revenue Support Grant in line with CPI inflation of 6.7%.
- Fire and Pensions grant totaling £115m has been consolidated into the Revenue Support Grant although it will retain its existing distribution for 2024/25.
- Home Office grants will be announced in line with the announcement of the final Settlement expected in late January / early February.

2.3 The following (Band D) Council Tax Referendum principles to be applied in 2024/25 were also announced in the Settlement:

- A core referendum principle of up to 3% will apply to Shire County Councils, Shire Unitary Authorities, Metropolitan districts and London Boroughs;
- All Social Care authorities will in addition be able to set a 2% Adult Social Care precept without a referendum;
- Shire districts will have a referendum principle of up to 3% or a Band D increase of £5, whichever is the higher;
- Fire and Rescue Authorities will have a principle of up to 3%;
- A maximum of a Band D increase of £13 for Police and Crime Commissioners (PCC) and Police Authorities;
- The non-police element of the GLA will have a referendum principle of £24.26 at a Band D level;
- There are bespoke Council Tax principles for Thurrock, Slough and Woking Borough councils;
- No referendum principles for Mayoral Combined Authorities except where the Mayor exercises Police and Crime Commissioner functions. In these cases the PCC principle will apply (Band D increase of £13);
- There are also no referendum principles for Town and Parish Councils.



3. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25 – IMPLICATIONS FOR THE AUTHORITY

3.1 The Provisional Settlement for 2024/25 for the Authority is detailed in Appendix 2 and in summary shows that the Authority's Core Spending Power (CSP) has increased by 4.26% in 2024/25 compared to the adjusted 2023/24 level, which continues to be below the national average increase for all standalone Fire and Rescue Authorities (FRA's) of 4.6%.

The CSP figures provided assumes that the Authority will increase Council Tax by the 2.99% Band D increase allowed in the Settlement (the maximum allowed before a referendum is required) although the government also continue to assume growth in the tax base of 0.88% in 2024/25. It is disappointing that the Authority still receives a lower finance settlement compared to most other FRA's despite having some of the greatest needs and demands on its services. The Settlement is also significantly below the national average increase of 6.5% despite the intensive lobbying carried out by all Fire and Rescue Authorities in conjunction with the National Fire Chiefs Council (NFCC).

It is also very important to note that the increases indicated above are predicated on a number of underlying assumptions and issues that could have a further financial impact on the real resource position of the Authority for 2024/25:

- Government continues to assume that the Authority can grow its Council Tax base by 0.88% in 2024/25 and will also increase its precept by at least 2.99% (the maximum permitted).
- Government have assumed that there is no Business Rates detriment to the income yield expected in 2024/25 despite the continued adverse trading conditions post Covid and the continued impact of the cost of living crisis on businesses. The assumption is that income will increase from £3.965m (2023/24) to £4.156m in 2024/25 (which is considered optimistic in the circumstances).
- The government has fully funded both the freeze in business rates for 2024/25 and the concessions outlined in their Autumn Budget. September's CPI of 6.7% was used and this means that the annual inflation increases applied to business rates and all concessions will thus remain fully protected, which is welcomed. It must be pointed out however that the Safety Net Threshold set at £15.604m for the Authority has not been properly adjusted to take into account any reduction in business rates income from the adverse impact Covid has had on business rates collection in the region, which is considered overly optimistic.
- Services Grant which according to the government was one-off funding for 2022/23 has been retained once more in 2024/25 although this has been reduced significantly on this occasion. The continuation of this grant is welcomed but this funding is now only worth £0.099m compared



to the £0.629m received in 2023/24. With another one year settlement it is again not certain if this grant is to remain a permanent feature of future finance settlements but as the level of grant has reduced to only £77m in total down from the amount allocated nationally in 2023/24 of £483m, it is becoming less significant.

- 3.2 The Draft Revenue Budget for 2024/25 is based on the Budget Planning Framework principles presented to members in December 2023 which now takes full account of the detail within the Provisional Local Government Finance Settlement for 2024/25 and also recognises some of the additional cost pressures resulting from the increased pay awards for 2023/24 and also the continued inflationary implications of the cost of living crisis. The main conclusion from the Settlement, in overall terms, is that the impact of the increases to grant funding for 2024/25 is a better financial settlement than the position anticipated in the Budget Planning Framework 2024/2025, although additional cost pressures and the final resources position for the revenue budget at the time of writing this report have yet to be finalised for 2024/25.
- 3.3 The Table on the following page sets out the main changes to the resources position compared to the current MTFS forecast for 2024/25 although this will be subject to change as more information is known. A more detailed and refined MTFS will therefore be provided to members in February as part of the revenue estimate process.



	Adjusted Current MTFS 2024/25 £m	Amended MTFS 2024/25 £m	Changes £m
Cost Pressures:			
Fuel, Utility and Inflationary cost increases	-0.100	-0.150	-0.050
Full year Impact of 2023/24 Pay Awards	Nil	TBD	TBD
Operations Communications additional cost	Nil	TBD	TBD
Additional proposed RCCO	-0.250	-0.500	-0.250
Pension Grant ***	-0.000	-2.593	-2.593
Total Additional Costs	-0.350	-3.243	-2.893
Resources:			
Top Up Grant	12.405	12.713	0.308
Revenue Support Grant ***	10.407	13.471	3.064
Compensation Indexation Grant	2.802	3.217	0.415
Service Delivery Grant	Nil	0.099	0.099
*Council Tax (1.99% v 2.99%)	28.053	28.327	0.274
**Business Rates Share	3.415	3.415	Nil
Funding Guarantee Grant	Nil	0.126	0.126
Total Resources	57.082	61.373	4.286
Net Budget change in year	56.732	58.130	1.393
Remaining Resource to meet additional cost pressures in the revenue budget for 2024/25, and importantly addresses the existing MTFS funding gap for the year of £1.114m.			

*no assumed growth in the council tax base

**no change assumed at this stage until notifications are received from our 5 district councils, as government estimates are not considered as accurate.

*** Pension Grant included of £2.593m (already taken into account in MTFS)

- 3.4 The Authority's Core Spending Power (CSP) increase in 2024/25 has benefitted from the funding changes announced in the Provisional Settlement which has seen increases across most of its resources. The Settlement saw the unexpected continuation of part of the Services Grant in 2024/25 although the allocation (£0.099) is significantly reduced from the £0.629m received in 2023/24. It remains unclear if this is to be a permanent feature of future grant settlements although the national allocation of £77m is significantly lower than the allocation of £483m from 2023/24.

The Table also assumes members will accept the 2.99% Band D Council Tax increase which generates almost £0.516m of additional funds in 2024/25 provided the Tax Base also grows by the assumed increase the Government has included of 0.88%. If there is no growth then the amount of additional funds reduces to only £0.276m.



With the government also fully compensating for inflation at 6.7% (September 2023 CPI) for both RSG and Business Rates protections means the control totals and share for the Authority has increased accordingly between settlements for 2024/25. The additional funds are then compared to those figures already assumed in the MTFs.

This has meant that the Authority has received a positive net addition to its resources of £1.393m for 2024/25 when it is in desperate need of additional resources to meet its ongoing budget commitment gap already identified of £1.114m for 2024/25 and therefore only has additional funds of £0.279m (if council tax growth is excluded) to meet the additional cost pressures which will be significant once all pay awards and general inflation implications have been fully costed - which are still to be determined (TBD).

It should also be noted that any detriment to Business Rates or Council Tax for 2023/24 will not be known until the end of January and could also impact on the final budgeted resources position too.

- 3.5 The service has seen a lower settlement of 4.26% than the average increase across all standalone FRA's (4.6%) which is not surprising since the grant formulae has been retained with no plans to review this until sometime in the next Parliament. It is also clear from the Finance Settlement that the Fire Service as a sector has received the lowest increase across all other public sector bodies for 2024/25 which is hugely disappointing despite extensive lobbying of government for a fairer share of resources. The Authority's increase of almost 4.3% compares to the national average increase for all local authorities of 6.5% and unfortunately continues the trend of lower than average resource allocations in past settlements, emphasising the continuing potential inequalities in the current funding system.

More information on the Authority's Core Spending Power is detailed in Appendix 3. The net increase in resources shown in the Authority's CSP shows that, in summary, the Fire Authority continues to see its resources eroded by more than the national average by a further 2.0% and is also at least 0.3% below the average increase for the fire service as a whole.

This means that the Authority's funding position although slightly improved does little to resolve some of the main issues it faces particularly the lack of infrastructure investment that all FRA's need to update their Operational Communications systems and other key capital upgrades. The fact the Authority was already projecting a budget shortfall of over £1.1m in 2024/25 means there is little real new funding growth from this settlement. It is also the case that this is the sixth one year settlement in a row which means that it continues to make financial and service planning much more difficult for the Authority compared to a clear and transparent multi-year settlement that would be much more helpful to the Authority in planning its service priorities over the medium term.

- 3.6 In Appendix 4 and Appendix 5 there is more detail on the comparable CSP information amongst fire authorities for 2024/25, over the last 9 Year period and



since austerity began in 2010/11 and also how they compare to the national position across England (where this information is made available).

This information provides important context to members despite the improved funding position. It is already well known, despite the improved Settlement for 2024/25, that Tyne and Wear has suffered some of the worst funding reductions since 2010/11 using the government's own measure of resources and continues to see a lower settlement despite the 'improving' position.

It is also important to recognise that this information relates to funding and completely ignores the significant cost pressures also faced by the Authority since austerity began which it has also had to manage within its existing Revenue Budget. Higher inflation and pay awards will still need to be managed as part of the budget planning process, despite the increase in resources for 2024/25.

- 3.7 It has been confirmed that the Authority will receive the same allocation of £2.593m from the total funding of £115m from the Home Office for the increased fire pension costs although this has now been consolidated into the Finance Settlement which protects the funding allocation annually now. The loss of transparency of this grant funding however is a concern for future finance settlements.
- 3.8 In summary a more favourable funding Settlement than assumed although in reality there is only very limited flexibility to meet the known and additional cost pressures that are inevitable from higher inflation during 2024/25 and the required investment in infrastructure. Pay award inflation may still be an issue for 2024/25 although no public pay claims have been received to date.

The Settlement also shows that the government has matched increases in grant to inflation which has boosted funding to help meet the higher costs from the still very high inflation levels now being experienced.

The retention of the Services Grant in 2024/25 is welcomed but it is very concerning that the level of grant has been significantly reduced (84%) at a time when inflation is still well above the government's target of 2%. Hopefully this will become a permanent feature of the Finance Settlement and is reset at a more appropriate level nationally to help meet the additional inflationary costs faced by all public sector authorities.

It is also hoped that the government returns to 3 year settlements after this year and announces them much earlier in order to help authorities to better plan their services over the medium term with greater certainty. Fairness should be at the centre of the grant funding system and this is clearly in urgent need of review.

- 3.9 The Authority's response to the Government's consultation on the Provisional Finance Settlement is set out in Appendix 6 for Members information and replicates some of the main messages contained within this report.



4. REVIEW OF GENERAL BALANCES AND RESERVES

- 4.1 As in previous years, a full financial risk analysis of general balances and earmarked reserves will have been undertaken prior to the submission of the final budget proposals to the Authority in February. As part of this analysis, the level of uncommitted general balances will be reviewed in light of the latest Authority decisions and the final budget position.

5. RECOMMENDATIONS

- 5.1 The Authority is requested to:
- a) Note the contents of the report which includes the updated Draft Revenue Budget resources position for 2024/25 taking into account the implications of the provisional local government finance settlement at this stage;
 - b) Endorse the comments made on the Authority's behalf to the government's consultation on the Provisional Grant Settlement for 2024/25;
 - c) Note that the final Revenue Budget and Precept for 2024/25 will be presented at February's Authority meeting together with an updated and more detailed MTFS.



Appendix 1

DRAFT REVENUE BUDGET 2024/25

1. PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2024/25

- 1.1 On 18th December 2023, the Secretary for Levelling Up, Housing and Communities, Michael Gove MP, announced the 2024/25 Provisional Funding Settlement and launched a consultation on the proposed settlement ending on 15th January 2024.
- 1.2 The Provisional Settlement sets out the Government's Core Spending Power (which measures total available resources for all local authorities) for 2024/25 which has increased nationally and overall by 6.5% using this measure.
- 1.3 Under the Retained Business Rates funding arrangements for Local Government implemented from April 2013, 50% of the Business Rates collected will be retained by local authorities. There are a number of local authority's trialing both a 100% and 75% Business Rates retention models in preparation for the new proposed funding system which has been further delayed until the next Parliament according to the government.
- 1.4 The Government has retained the safety net threshold for each authority to limit the losses on Business Rates income collected in any one year. This has been increased from £14.917m to £15.604m for 2024/25 based on the Authority's local share funding baseline figure of £16.869m which was increased by CPI inflation in the Settlement. It is very unlikely however that activation of the Safety net will be called upon for most top up authorities in 2024/25 and the continual increases in the safety net adds additional risk to Authorities (who bear any Business Rates losses up to the threshold amount). For this Authority it means that business rates would have to fall by £1.265m before any government funding would be triggered. The important point to note is that the Authority would lose almost £1.3m in resources before the government would step in and prevent any further financial loss. It does not make good the £1.3m already lost in such circumstances.
- 1.5 The Localism Act provides for the provision of referendums to veto excessive council tax increases. This effectively places a limit on council tax increases and if authorities exceed Government limits then the public must be able to vote to agree or veto any considered 'excessive' increase.
In the Provisional Settlement the minister announced that the referendum threshold principles would be subject to an increase of no more than 3% for most local Authorities. For this Authority this means an increase of below 3% is allowed for 2024/2025. More flexibility is being provided for District Councils whereby they can increase by up to 3% or a flat rate increase of £5 at Band D whichever is the greater, and the Police and Crime Commissioners can increase by a flat rate increase of £13 at Band D (a reduction of £2 on last year's



limits). The supplementary increase to help councils pay for Social Care has also been retained at an additional 2% in 2024/25.

IMPACT ON TYNE AND WEAR FIRE AND RESCUE AUTHORITY

- 1.6 The Government's Core Spending Power for Tyne and Wear Fire and Rescue Authority will increase by £2.548m or 4.26% in 2024/25 to £62.352m compared to an adjusted £59.803m in 2023/24. This includes the 2.99% council tax increase and the government's assumption of growth in the Council Tax Base.
- 1.7 The breakdown of the total Core Spending Power is shown in Appendix 2. This is the overall funding available to the Authority including Council Tax, Locally Retained Business Rates and other government funding. This may have to be reviewed once the final Local Government Settlement has been announced in late January or early February.

SETTLEMENT 2024/25

- 1.8 As set out in 1.6 above the Authority's indicative Core Spending Power in 2024/25 will increase by 4.26% to £62.352m assuming the 2.99% Band D increase in council tax is approved by the Authority.
- 1.9 The changes include:
 - The government unexpectedly retained the Service Grant for 2024/25 (although reduced to only £77m nationally) which has been allocated based on all authorities SFA's. The Authority has received £0.099m from this change.
 - The government figures assume a Council Tax increase of 3.78% made up from the revised cap which allows an increase for the fire service of below 3% (2.99%) and an assumption the Authority's Tax Base will grow by 0.88%. This is another reason the Authority's Core Spending Power for 2024/25 has improved although set out below are the other reasons for this improved overall funding position. It should be noted however that the Authority takes a much more prudent estimate of council tax income than that set out in the Settlement.
 - The Settlement Funding Assessment (SFA) has been increased, by 4.67%, which is a cash increase of £1.418m in 2024/25. The figures are thus higher than those already forecast in the current Budget Planning Framework 2024/25 by £1.521m in total. This is mainly because both Revenue Support Grant and top up grant were uplifted by inflation but Business Rates was frozen in line with the government's measures to freeze business rates again for 2024/25 because of the adverse impact of multiple adverse economic factors culminating in the current cost of living crisis on businesses.
 - The Government continues to allocate the Authority Compensation for the Under-indexing of Business Rates Income which provides funding to make up the gap between the capped business rates increase applied by the government (over a number of years now) in order to protect small



businesses from the statutory inflationary increases. The amount has increased higher than expected in the 2024/25 Settlement mainly due to the fact that the government froze all business rates once more for 2024/25 and inflation was running at 6.7% (still significantly higher than expected) and has fully compensated local authorities through this grant mechanism for these changes as agreed. The amount for 2024/25 is £3.217m, an increase over last year of £0.469m to fund the gap, although the Authority had already uplifted the previous capped income to £2.802m in its MTFs, so the real net benefit to the Revenue Budget for 2024/25 from this increase is an additional £0.415m worth of grant funding.

- The Government is projecting Business Rates to increase to £4.156m in 2024/25 compared to £3.965m in 2023/24 (which is still considered optimistic) for the Authority bearing in mind the detrimental impact Covid, the continuing war in the Ukraine, the EU exit and the cost of living crisis has had on businesses in the last year. The previous year's estimate was already considered optimistic based on past business rates received by the Authority and the fact every year the amount collected is usually under the estimates provided by each of the Authority's district councils, which tends to create a deficit position to that expected. This optimistic projection for Business Rates is another reason why the Core Spending Power for 2024/25 is higher than budgeted in the MTFs. The MTFs and budget for 2024/25 however includes lower more realistic figures for both Council Tax and Business Rates income growth based on local knowledge of what is achievable and may also need to be revised lower once more information is received from its district councils.
- The net impact of all of the above changes to the Authority's MTFs is additional funding of £1.693m.
- The Core Spending Power measure however importantly excludes spending pressures faced by the Authority over the next financial year. These continue to be refined and will be updated to show the final position for 2024/25 and beyond but are expected to be significant in the current economic climate.

SETTLEMENT FUNDING ASSESSMENT (SFA) FOR 2024/25

- 1.10 The Settlement Funding Assessment (SFA) comprises of three elements as indicated below:

Retained Business Rates - reliant on a 2% share of each district council's local share;

Revenue Support Grant - determined by central government and the funding reductions/changes are routed through this allocation each year;

Top Up Grant - fixed, until the next planned reset in the next Parliament.



1.11 The SFA total of £30.340m is, in summary, made up of:

Retained Business Rates (per Govt)	£4.156m
Revenue Support Grant (includes Pension Grant)	£13.471m
Top Up Grant	£12.713m

RETAINED BUSINESS RATES

1.12 According to the government's funding assessment, the forecast income from Business Rates for 2024/25 for the Fire Authority is £4.156m which is an increase from the projection used by the government in 2023/24. This represents the amount of business rates the Authority can expect, according to the government, in total from the five constituent councils in Tyne and Wear. Any variation to this figure has to be met by the Authority if it is short, but it will gain from any additional income above the level assessed by the government. The risk, however, is that with business rates appeals, both backdated and current year, government business rate projections may be considered optimistic especially in light of the detrimental impact of the coronavirus and other economic factors affecting all businesses in the last year. The Authority will not be notified of its business rates income until each district council has determined its total business rates for 2024/25 which it must do by no later than 31st January 2024.

1.13 Consequently, the Authority's local share of business rates will be reported when the final budget is set; this may incur an additional financial risk to the Authority if our actual share is significantly different from that included in our MTFS for the year which currently is £3.415m based on a more prudent assessment, although actual business rates data will inform the final outcome provided from the five district councils in due course.

REVENUE SUPPORT GRANT

1.14 The amount of Revenue Support grant to be received by the Authority is £13.471m. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. The Authority, as set out in the Chancellors Autumn Budget is seeing its RSG funding increased (6.7%) in line with inflation which continues the government's policy of providing at least inflationary increases for public sector services. This Grant also now includes the Pensions Grant allocation of £2.593m which was paid to the Authority as specific grant funding in previous years (and as such is not new monies). The MTFS assumed an increase of 2%, so there is additional RSG for the Authority on a like for like basis (which includes the adjustment for the Pensions Grant allocation) of £472k from this variation. It is important to note that the Settlement data in the MTFS was predicated on inflation using CPI.



TOP-UP GRANT

- 1.15 The amount of Top-Up Grant to be received as part of the Local Government Finance Settlement has also increased from £12.162m to £12.713m. This element of the funding has been increased by CPI of 6.7% for 2024/25, although business rates was frozen once more by the government. This element of funding tends to be one of the more certain elements within the current funding regime.

COMPENSATION FOR UNDER-INDEXING BUSINESS RATES

- 1.16 The Government has allocated the Authority a grant of £3.217m in 2024/25 to fund the gap between the capped business rates applied to all businesses and the rate of inflation. The funding each year is increased both by any further government concessions (which is the case for 2024/25) as all business rates were frozen once again as they were in accordance with government policy over the past few years. This grant therefore is uprated by inflation to ensure the 'lost business rates' funding from all concessions does not diminish the income due to local government in real terms.

OTHER REVENUE GRANT FUNDING NOT IN SFA

- 1.17 There are other revenue funding streams that the Authority receives from the Home Office in respect of New Dimensions Grant, Fire Link Grant, PFI Grant and other specific grants relating building safety, but at this stage this funding has not been released as part of the Settlement. The budget currently assumes no significant changes for this funding (except where already notified) for 2024/25 at this stage on the basis the government has stated it is honouring these grants in 2024/25. Grant funding streams will be confirmed and allocations for 2024/25 will inform the final Budget position once they are made available which is expected to be around the time of the Final Local Government Finance Settlement 2024/25 at the end January / early February.

COUNCIL TAX INCOME (PRECEPT)

- 1.18 Funding settlements the Authority receive are predicated on the assumption that Council Tax precept increases will be taken in full by Members. This in effect forces the Authority to make annual Council Tax precept rises to avoid a revenue budget shortfall. The Authority continues to set its precept each year and relies on each district council within Tyne and Wear to collect the council tax income on its behalf. The Authority is awaiting the council tax base information from each Council to be able to assess if this will have an impact on the precept collectable in 2024/25. Current planning in the MTFS was based on no growth in the Tax Base (because of the adverse impact of the pandemic), along with a proposed 2.99% increase (the maximum allowed by government at that time without the need for a referendum) in the precept. This has been confirmed by the government in the Settlement allowing all Fire Authorities to increase their precept by 2.99%. The amount this is expected to raise from



Council Tax assuming no growth in the Tax Base is currently £28.327m and this has been used for budget planning purposes. It is however currently still very difficult to project the exact yield from Council Tax for 2024/25, until final confirmation is received from our 5 district councils.

- 1.19 The localisation of council tax arrangements introduced from 2013/14 poses an additional risk each year for the Authority as the individual council tax schemes determined annually by each district council could impact on the Authority's collectable income. The extent of this will be clarified by the end of January 2023 when the district councils are obliged to advise the Authority of their surplus/deficit position on their Collection Funds and projections of their council tax base for 2024/25. This then allows the authority to estimate its expected council tax income for 2024/25. This will be reported as part of the final revenue budget.
- 1.20 The table below summaries the 2024/25 provisional estimated resources position for Tyne and Wear Fire and Rescue Authority from the Provisional Settlement data.

Summary of resources position 2024/25	Amount £m
Projected Income from Council Tax Precepts (no growth)	28.327
Top up Grant	12.713
Revenue Support Grant **	13.471
Business Rates (MTFS)*	3.415
Services Grant	0.099
Compensation for under-indexing Business Rates	3.217
Funding Guarantee Grant	0.126
Potential Total Estimated Resources (Settlement)	61.368
MTFS Estimated Resources (reported in February 2023)**	59.675
Change in resources (at this stage)	+1.693

* The Authority's Business Rates estimate from the govt is currently £4.156m with no detriment because of external factors eg cost of living crisis / Ukraine War / EU exit etc.

** Pension Grant included of £2.593m to enable a true comparison.

It is important to note that costs have already increased by at least £0.300m in 2024/25 as a result of known cost pressures in particular areas of the revenue budget but work is still ongoing to assess the pay awards impact on the full year for 2024/25. These were settled above the 3% allowed in last year's budget and therefore need to be part funded in the budget for 2024/25. The net impact on the MTFS at this stage is a net overall increase in resources of £1.393m although more work is still required before the revenue budget can be finalised. It is important to note that the MTFS approved by members last February showed a resources shortfall of £1.114m for 2024/25 which still needs to be addressed and the resources position if confirmed will address this funding gap, but this will still depend on the final outcome of the revenue budget for 2024/25.



Members will also need to consider whether to accept the proposed maximum Council Tax increase of a 2.99% increase in light of final information on resources as part of the budget setting process.

- 1.21 Comments on the Settlement which formed part of the Authority's consultation response are set out in Appendix 6 for Members information and endorsement.

2. SERVICE PRESSURES

- 2.1 A number of spending pressures were identified within the Budget Planning Framework and have been incorporated into the draft budget for 2024/25. They include:
- Inflation
 - Firefighter Pension Increase
 - Best estimate of Pay Awards from 2024/25
 - Pay award provision for 2024/25 (based on affordability)
 - Unitary charge uplift for 2024/25
 - Utility cost increases

These will continue to be refined in order to finalise the revenue budget position.

3. OVERALL POSITION

- 3.1 The implications of the provisional settlement are better than anticipated especially as the Chancellor was expected to cut some public sector areas in his Autumn Budget which did not happen. Local Authorities are however still facing significant cost pressures because of the implications of the unfunded high pay awards in 2023/24 and the prospect of having to meet continuing higher costs of goods and services in 2024/25 because inflation is still stubbornly high.

There is also the prospect of another set of pay awards in 2024/25 that may exceed the proposed and affordable budget provision set by the Authority.

The government has retained the Services Grant (which was to be one-off funding in 2022/23) which is welcomed and something this Authority lobbied hard for, but it is concerning that this funding (which was specifically established to help fund inflationary cost pressures as part of previous Settlements) has been reduced by 84% to a revised total nationally of £77m. The Authority has seen this grant reduce accordingly from £629k to £99k in 2024/25 as a result.

As inflation was 6.7% in September 2023 this also has played a large part in increasing the funding allocated to local government via the Business Rates Retention system and the positive impact on Revenue Support Grant and Top up Grant. The government have also provided more flexibility for Council Tax with a 2.99% increase for the fire service although the sector lobbied hard for continuation of the £5 Band increase which was not supported by the government and is the main reason the fire service CSP is not as high as parts of the public sector who have been given much more flexibility.



Costs have also increased significantly since the last MTFs was reported in February 2023 and the net income or benefit at this stage in the budget preparation process shows a net improved financial position of £1.393m, however most if not all of this will be utilised to meet the known funding deficit already identified for 2024/25 of £1.114m.

Although the revenue budget has not yet been finalised as indicated in paragraph 1.20 above, the overall funding gap remaining in the current MTFs of £1.8m will still need to be resolved by future finance settlements.

- 3.2 There is still work to be completed before a final revenue budget for 2024/25 can be presented for consideration by members and most of the outstanding issues are summarised in Section 6 which can impact on the final budgeted position.

4. GENERAL FUND BALANCES, EARMARKED RESERVES AND PROVISIONS

- 4.1 As in previous years, a full financial risk analysis of general balances and major earmarked reserves will be undertaken prior to the submission of the final budget proposals. As part of this analysis, the level of uncommitted general balances will be reviewed in light of the latest Authority decisions and the final budget proposals agreed.

5. CAPITAL PROGRAMME

Capital Grant Funding

- 5.1 Since 2015/16 the Authority no longer receives any capital grant funding from the government which has and continues to be a feature of Local Government Finance Settlements for the fire service. The Authority is therefore having to self-fund its Capital Programme from reserves and where possible from its revenue budget.

Prudential Indicators

- 5.2 Members will be aware that Government support for capital expenditure has previously been provided by supported revenue allocations through Formula Grant that allow authorities to control the amount that they borrow without seeking government approval. The basic principle is that authorities are free to borrow as long as their capital plans are affordable, sustainable and prudent. As a control mechanism to ensure this occurs, all authorities must follow a prudential code. This involves the setting of various prudential limits that must be decided upon by the Authority as part of the budget process.



Prudential indicators must be set covering the following areas:

- Affordability;
- Prudence;
- Capital Expenditure and Capital Commitments;
- External Debt;
- Treasury Management.

As part of the budget process, these prudential indicators will be updated and reported to the Authority in February for approval.

Capital Financing

- 5.3 The Capital Programme for 2024/25 is still under review, and the final position will be reported to Members in February. Given the financial position planned for the Authority over the medium term (to 2027/28), consideration will be given to the financing arrangements of the Capital Programme in the context of balancing the overall revenue budget position for the Authority and achieving, as far as possible, the agreed objectives of setting a sustainable budget.
- 5.4 The various options available for financing the Capital Programme will be kept under review until the Revenue and Capital Budgets are finalised to ensure that the optimum use is made of the available resources. These options include:
- Revenue Contributions to Capital Outlay (RCCO) funding permitting;
 - Use of the earmarked Capital Development Reserve;
 - One-off Funding received in year;
 - Capital Receipts;
 - Other financing arrangements where considered appropriate.

Revenue Implications Arising from the Capital Programme

- 5.5 The Capital Programme has been aligned to the MTFS and will include all approved capital projects, the main features being completion of the new tri station at Hebburn, the acquisition of a new Operational mobilising communications system to be fully operational from November 2025 (this is a significant, complicated and costly scheme of works) and there are also a number of other major essential capital schemes which will need to be funded from the Capital Development Reserve on a phased basis and from the Revenue budget as funding is made available. At this stage, the planning assumption is that the revenue implications for 2024/25 will require an additional RCCO contribution of £250k to help fund essential schemes in year although this position may change as the budget is further developed.

6. OUTSTANDING ISSUES IN EARLY JANUARY

- 6.1 It must be stressed that the figures presented are indicative only at this stage and there were a number of significant and outstanding issues and some



financial assumptions made will be clarified prior to submission of the final budget proposals outlined on today's agenda.

6.2 The outstanding issues are as follows:

- Review of inflation provision in light of escalating costs
- Review of pay award provision subject to affordability
- Final preparation of the budget requirement for 2024/25 is still ongoing at this stage, and will be subject to variation;
- Update the MTFS following announcement of the provisional finance settlement and this will be further updated as necessary to reflect any changes that the government make to the Final 2024/25 Settlement;
- Awaiting notification of the Council Tax Bases of Billing Authorities for 2024/25, this will directly impact on the Precept total;
- Awaiting notification of any net surplus/deficit on the collection fund of the Billing Authorities for council tax for both 2023/24;
- Awaiting notification of business rates income from each council for 2024/25:
- Confirmation of the decision from the Authority to approve the Council Tax Precept by the 2.99% Band D increase for 2024/25;
- Confirmation of other revenue grant funding allocations; and
- Confirmation of any rebate from the Business Rates Levy Account.

**Tyne and Wear Fire
and Rescue Authority**

