



FIRE AUTHORITY MEETING: 13 FEBRUARY 2023

SUBJECT: REVENUE BUDGET 2023/2024 AND MTFS 2023/2024 to 2026/2027

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

1 INTRODUCTION

- 1.1 The purpose of this report is to present for consideration and approval by members:
- the Revenue Estimates for 2023/2024;
 - the Authority's Council Tax Requirement for 2023/2024;
 - the Council Tax Precept required to be levied on the District Councils in Tyne and Wear for 2023/2024, and
 - an updated Medium Term Financial Strategy Statement for 2023/2024 to 2026/2027.
- 1.2 A more detailed report is included in Appendix 1 for information.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/2024

- 2.1 The Final Local Government Finance Settlement for 2023/2024 was announced on 6th February 2023 and shows a small improved position to the Provisional Settlement in that the Authority will receive additional Services Grant of £0.025m.
- 2.2 The Government's Core Spending Power (CSP) for Tyne and Wear Fire and Rescue Authority will increase by £3.180m or 5.99% in 2023/2024. This is largely due to an increase in the Authority's Settlement Funding Assessment (SFA) allocation of £1.521m in cash terms (+5.78%). In addition, the government figures assume a Council Tax increase of 3.78%, made up from the revised cap set in place last year which allows an increase in precept to the maximum allowed of 2.99% and an assumption that the Authority's Tax Base will grow by 0.79%.
- 2.3 The Government has unexpectedly retained the Service Grant for 2023/2024 (although reduced to £464m nationally in the provisional settlement, it was increased by £19m to £483m in the final Settlement) which has still been allocated based on all authorities SFA's. The Authority has thus received a



revised allocation of £0.629m in total from this unexpected change in government policy.

- 2.4 The Government's figures therefore continue to include growth forecasts for Council Tax. These increases boost the CSP measure each year and are considered overly optimistic by the Authority. This year the Authority can use the additional flexibility of a £5 Band D increase which is equivalent to a 5.72% increase in Council Tax without any growth in the Tax Base. Including the added council tax flexibility means the Core Spending power assessed by the government for the Authority increases by £3.914m equivalent to a 7.37% increase for 2023/24.
- 2.5 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 2023/2024 settlement mainly due to the fact that the Government froze all business rates again for 2023/2024 and inflation was running at 10.1% (significantly higher than expected) and has fully compensated local authorities through this grant mechanism for these changes instead. The amount for 2023/2024 in the final settlement is £2.747m, an increase over the last year of £1.158m to fund the gap. Although the Authority was unaware of this scale increase in 2023/2024, it had uplifted the previous capped income to £1.621m in its MTFS, so the real net benefit to the Revenue Budget for 2023/2024 from this increase is an additional £1.126m worth of grant funding.
- 2.6 This improved position however needs to be taken in the context of past settlements as there are still funding inequities in the current system which still need to be addressed. The fact that this is a further one year Finance Settlement with one-off funding included also means that it will make budget planning more difficult compared to a clear and transparent three year settlement that would have been much more helpful to the Authority in planning its services.

3 BUDGET CONSULTATION

- 3.1 In compliance with the Authority's statutory obligations, Members and Officers have requested to meet with representatives of the North East Chamber of Commerce in February 2023.
- 3.2 The views of the meeting and any formal response from the North East Chamber of Commerce will be provided at the meeting of the Authority as appropriate.
- 3.3 It is recommended that Members take into account any views of those consulted as they consider the budget proposals and the Medium Term Financial Strategy



position.

4 REVENUE BUDGET UPDATE 2023/2024

- 4.1 The 2023/2024 Revenue Budget has been set taking full account of the funding available to the Authority this year. The Chief Fire Officer undertakes a base budget review of all delegated Budgets on an annual basis, with the intention of ensuring resources are directed at key strategic priorities as informed by the Community Safety Strategy, as well as identifying efficiency savings, which have been built into the updated Medium Term Financial Strategy (MTFS) presented at Appendix E.
- 4.2 Taking the resource position for 2023/2024 in to consideration, allows the Authority to propose a revenue budget for 2023/2024 of **£57.201m** and a Council Tax Requirement of £27.505m.

5 FIRE AUTHORITY PRECEPT

- 5.1 The Council Tax Base and the Surplus / (Deficit) on Collection Funds have now been received from the five District Councils within Tyne and Wear. The Council Tax Base for 2023/2024 is 297,836, a 1.57% increase from 2022/2023, which alone increases Council Tax precept income by £0.402m. This revised position has been taken into account in the MTFS and budget figures for 2023/2024. There is also a one-off net surplus on the Council Tax Collection Fund for 2022/2023 of £0.385m, which improves the financing of the 2023/2024 budget.
- 5.2 The Authority's local share of business rates income, as notified by the five District Councils within Tyne and Wear for 2023/2024, totals £3.415m. This compares unfavourably to the Government assessed business rates income total of £3.965m included in the settlement. Fortunately, the Authority had planned for a more realistic income collection and will receive an additional £0.155m from the District Councils as their share of the net surplus position of the business rates element of the Collection Fund for 2022/2023. In total, therefore, the Business Rates income is £0.395m less than the Government's estimate.
- 5.3 Taking all government funding, precept income and the estimated local share of business rates into consideration, it is possible to construct a balanced budget on the assumption that a £5 Band D increase in the Precept (within the capping criteria) is approved by Members. The proposed increase in Council Tax in 2023/2024 would result in a 'basic' Band D Council Tax of £92.35 from the previous years' precept of £87.35.
- 5.4 The Localism Act 2011 governs the calculation of the Council Tax Precept and the Authority has to set out its Council Tax Requirement annually, further details of which are set out in Section 5 of Appendix 1.



6. RISK MANAGEMENT

- 6.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control, the realisation of efficiencies, the most appropriate use of limited resources and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications are set out in the report and more details are provided at Appendix 1.

8. EQUALITY AND FAIRNESS IMPLICATIONS

- 8.1 There are no equality and fairness implications in respect of this report.

9. HEALTH AND SAFETY IMPLICATIONS

- 9.1 There are no health and safety implications in respect of this report.

10. RECOMMENDATIONS

- 10.1 The Authority is recommended to:
- (a) Note the revised estimate for 2022/2023, as summarised at Appendix A;
 - (b) Approve the proposed Revenue Estimates for 2023/2024, as summarised at Appendix A;
 - (c) Note the Projected Pensions Account 2023/2024 detailed at Appendix B;
 - (d) Note the associated risks and their mitigation as set out in Appendix C;
 - (e) Approve the updated position on the General Reserves and Earmarked Reserves as set out in Appendix D;
 - (f) Note the updated Medium Term Financial Strategy Statement for 2023/2024 to 2026/2027 detailed at Appendix E;
 - (g) Note the Council Tax base of 297,836 (known as Item T) for the year 2023/2024, as notified by the billing authorities within Tyne and Wear under the regulations;
 - (h) Approve the following amounts for the Authority for the year 2023/2024



which represents a Band D Council Tax increase of £5 for 2023/2024, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992 as amended:

- (i) **£63,570,733** - being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act;
- (ii) **£36,065,579** - being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) adjusted for item of the Act;
- (iii) **£27,505,154** - being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 42A(4) of the Act, as its Council Tax Requirement for the year, Item R in the formula in Section 42B of the Act;
- (iv) **£92.35** - being the amount at (iii) (Item R) above divided by the Council Tax Base (Item T), calculated by the Authority in accordance with Section 42B(1) of the Act, as the basic amount of its Council Tax for the year.

(v) Valuation Bands

	£	
A	61.57	being the amount given by multiplying the amount at (iv)
B	71.83	above by the number which, in the proportion set out in
C	82.09	Section 5(1) of the Act, is applicable to dwellings listed in a
D	92.35	particular valuation and divided by the number which that
E	112.87	proportion is applicable to dwellings listed in valuation
F	133.39	band D, calculated by the Authority in accordance with
G	153.92	Section 47(1) of the Act, as the amounts to be taken into
H	184.70	account for the year in respect of categories of dwellings
		listed in different valuation bands.

- (i) Note that under Section 52ZB of the Local Government Finance Act, the increase in the Authority's relevant basic amount of council tax for 2023/2024 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).
- (j) Approve that in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority



be issued with precepts in the amount of £27,505,154 for the financial year beginning 1st April 2023, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.



Appendix 1

DETAILED REVENUE BUDGET 2023/2024

1. BUDGET CONSULTATION

- 1.1 In compliance with the Authority's statutory obligations, Members and Officers have requested to meet with representatives of the North East Chamber of Commerce in February 2023.
- 1.2 The views of the meeting and any formal response from the North East Chamber of Commerce will be provided at the meeting of the Authority as appropriate.
- 1.3 It is recommended that Members take into account any views of those consulted as they consider the budget proposals and the Medium Term Financial Strategy position.

2. LOCAL GOVERNMENT FINANCE SETTLEMENT 2023/2024

- 2.1 **The Final Local Government Finance Settlement for 2023/2024 was announced on 6th February 2023 and shows a small improved position to the Provisional Settlement in that the Authority will receive additional Service Grant of £0.025m.**
- 2.2 Based on the Government's Settlement, the key elements for 2023/2024 are summarised below:
 - An increase in the Government's Core Spending Power of £3.180m or 5.99% increasing to £3.892m (7.32%) if the council tax £5 Band D is accepted;
 - An increase in the Settlement Funding Assessment (SFA) of £1.521m or 5.78% in 2023/2024;
 - Confirmation of the Revenue Support Grant element of the settlement. This includes core revenue grant funding allocations of Formula Grant and previous Council Tax Freeze Grants. Only the Revenue Support Grant will increase by 10.1% in line with inflation continuing the government's policy of providing at least inflationary increases for public sector services;
 - Business Rates is forecast at £3.965m, a slightly lower projection than that used by the government in 2022/2023;
 - **Government's figures include a 6.55% estimated increase in total council tax income for 2023/2024 through growth in the council tax base of 0.79% and an assumed precept increase of £5 Band D. The additional flexibility of a £5 Band D increase is equivalent to a 5.72% increase in Council Tax for the Authority without any growth in the Tax Base;**
 - Government has unexpectedly retained the Service Grant for 2023/2024



(although reduced to £483m nationally in the final settlement) which has been allocated based on the SFA of the Authority. The Authority will receive £0.629m from this unexpected change in government policy;

- Government is yet to confirm the Fire Pension Grant. This funding of £2.6m has remained a specific grant despite the government indicating this was to form part of the general grant settlement for the fire service. It has been assumed that it will be reallocated for 2023/2024;
- Allocation of fire revenue grants for New Dimensions, Fire Link initiatives and PFI have yet to be announced but are expected to remain unchanged from the previous year.

2.3 Where grant allocations are unknown, the previous year's figures have been assumed. Any variation will be reflected in or absorbed by strategic contingencies in the first instance, but reserves may need to be utilised depending on the variation of the actual grant allocations.

2.4 It is recommended that Members note the Final Local Government Finance Settlement and the assumptions made at this stage.

3. REVENUE BUDGET 2023/2024

3.1 The 2023/2024 Revenue Budget has been set taking full account of the funding available to the Authority this year and the ongoing implications anticipated for future years.

3.2 The Chief Fire Officer has also undertaken a base budget review of all delegated budgets. The main intention of this is to ensure that resources are directed to address key strategic priorities as informed by the Community Safety Strategy. The delegated budgets overall have seen a net increase of £0.140m for 2023/2024 largely due to inflationary increases in a number of ICT contracts.

3.3 Appendix A shows the summary position for the Authority and the detailed budgets. The proposed revenue budget for 2023/2024 totals £57.201m with a £5 cash increase in the Council Tax precept. The presentation of the budget information is determined by the requirements of the Service Reporting Code of Practice as it defines best professional practice in terms of financial reporting.

3.4 The proposed budget makes provision for the following:

Efficiencies

3.5 The Authority continues to achieve best value in all that it does and any actions / additional income that it can generate or any budget efficiencies achieved will be used to allow the Authority to redirect its limited resources into service priorities such as its TWFRS25 programme of work. The Authority will also be required to set out to government its efficiency and productivity plans for



2023/24 by 31st March 2023 if it decides to take up the added flexibility of increasing its Council Tax by the flat rate Band D £5 increase allowed.

Fire Revenue Grants

- 3.6 The Airwave contract relating to telecommunications services (Firelink) continues until December 2023 so fire and rescue services will continue to make use of these services. Accordingly, the Home Office has advised that they will be allocating New Burdens Fire Revenue Firelink grant funding for 2023/2024. The precise level of this grant funding was not published in the settlement. Therefore, for planning purposes, the same level of Grant as 2022/2023 has been assumed until formal notification is received.
- 3.7 The allocation of New Dimensions funding for 2023/2024 is also still unknown. As in previous years, an assumption has been made that this will be at the same level as 2022/2023 and any variation will be met by a combination of strategic contingencies or reserves as necessary.
- 3.8 The Government has typically circulated the Fire Revenue Grant determinations to Fire and Rescue Authorities in the first quarter of the financial year. It is currently expected that the remaining actual 2023/2024 allocations will be published in a similar timescale, which is not considered helpful for setting the revenue budget.

Service Pressures

- 3.9 A number of spending pressures were identified within the MTFS and have been incorporated into the final revenue budget for 2023/2024. These include:
- For the Fire Service, the green book April 2022 pay increase of £1,925 on all salary scale points has been agreed. The grey book offer for operational firefighting staff of 5% from July 2022 has been rejected by FBU members and there has been no improved offer made by the national employers side. For 2023/2024 a provision of 5% has been built in to the base budget for the grey book pay award and a further 3% included in contingencies for pay awards from July 2023. For green book, a provision of 3% has been built in to the base budget for pay awards from April 2023. Any pay award in excess of these estimated levels will become a spending pressure for the Authority to manage.
 - Local Government Pension Scheme – The Triennial Actuarial review of the Local Government Pension Scheme was undertaken and concluded in March 2020 which took effect from 1st April 2020. The provision made within the MTFS was prudent and reflected the anticipated increases to the employers' rates with no deficiency pension payments for the 3 year cycle to 2022/2023. The next Review will conclude in March 2023 and prudent provision was included within the MTFS for the potential impact of a further increase in employer contributions. However South Tyneside Council, who administer the



LGPS on our behalf, have recently notified us that the employers contribution rate for 2023/24, 2024/24 and 2025/25 will be 17.8% (a marginal reduction from the current level of 17.9%) which is welcomed and that there will continue to be no pension deficiency payments required over the next three year period (which was already anticipated in our planning forecasts).

- Firefighters Pension Scheme – The latest actuarial valuation of the Firefighters Pension Scheme was completed for 2019/2020. The output of this valuation was an updated employer contribution rate to apply from April 2019 to March 2023. The employer contribution rates resulting from the 2020 valuations have been delayed from April 2023 to April 2024 so the current rate of 28.8% has been used in setting the budget for 2023/2024.

A specific Fire Pension Grant of almost £2.7m has been allocated in the last four years to fund the increased rate. Although this funding was to form part of the wider fire services finance settlement, it remained as a specific grant in 2022/2023. At this stage allocation has not yet been confirmed but it has been assumed that it will remain a specific grant for 2023/2024 at the same amount as previous years.

- Pensions Remedy – It is anticipated that there will be additional costs associated with Pensions Remedy. However it is very unclear at this stage what these will be or where the additional cost burden will lie.
- Apprenticeship Levy – The Authority has now put effective arrangements in place to fully utilise the government's levy funds made available each year to the Authority and the outcomes are now reflected in the 2023/2024 base budget, which has helped to reduce the budgeted cost of training for recruits and other staff.
- National Insurance - On 7 September 2021, the Prime Minister announced an increase of 1.25% in Employers National Insurance rates with effect from 1 April 2022 to help pay for the impact of the coronavirus pandemic on the NHS. This was built into the 2022/2023 revenue budget. This increase however has now been reversed from 1st November 2022 and the reversal has been reflected in the 2023/2024 budget. This was also reflected in the reduction to the Services Grant allocations to each local authority.
- Energy Prices - Energy and vehicle fuel prices are increasing significantly. Prudent provision has therefore been made for continued annual increases in charges for gas, electricity and vehicle fuel over the medium term. However, it is also important to note that increases continue to be lower than anticipated because of the Authority's highly effective and proactive approach in respect of maintaining focus on reducing carbon emissions and implementing low voltage lighting on its property portfolio.



- General inflation - CPI inflation is currently running at 10% and the MPC estimates it to remain over 10% in the short term, reducing to around 2% by the end of 2023. High inflation impacts on the costs of most of the goods and services the Authority procures. The impact of inflation has been assessed and an amount set aside in contingencies.
- Capital Financing - No prudential borrowing has been included within the medium term financial position at this stage, but the position will be continuously reviewed to ensure that the future use of resources reflects best value and can be adapted to enable strategic priorities of the Authority to in the future as required. However the current position of using reserves to fund the Authority's Capital Programme in the longer term is not sustainable and borrowing will need to be considered as appropriate as the Authority assumes the government will continue its policy of not providing capital funding to the fire service.

Capital Programme

- 3.10 The 2023/2024 Capital Programme is presented for Members' attention elsewhere on today's Agenda. With no specific capital funding provided by the government since 2014/2015, it is proposed to fund the majority of the Programme through earmarked Capital and other Reserves, as well as RCCO. The Authority continues to monitor its available resources to fund the Capital Programme.

Revenue Implications of the Capital Programme

- 3.11 The Capital Programme has been reviewed to identify any revenue implications. These can be contained within the Revenue Budget as presented and take into account the proposed £0.250m of RCCO in 2023/2024. This allocation may be reviewed during the financial year as required.

General Balances and Earmarked Reserves

General Balances Policy

- 3.12 In considering a prudent minimum level of balances, the Authority considers:
- known commitments against balances in future years;
 - volatile elements of service delivery, which make accurate prediction of expenditure more difficult;
 - financial risks faced by the Authority and the measures in place to mitigate them or meet them financially, as outlined in the Financial Risk Analysis at Appendix C.
- 3.13 Taking account of the level of risk within this Authority, which has increased under the new government funding regime, the retention of a minimum level of general fund balances of approximately £4.1million is considered prudent after taking into consideration the following:



- the unknown impact of future government funding settlements on the Fire and Rescue Authority;
- a significant modernisation programme which brings with it both financial and change management risks;
- the uncertainty regarding price and pay inflation, including energy prices and the impact of potential further cost changes;
- uncertainty regarding the future funding for national projects;
- uncertainty of the impact of the localised council tax benefit scheme on the amount of precept income;
- uncertainty created by the continuing implications of the EU exit and its impact on both public sector funding and the cost of goods and services;
- continued uncertainty on the amount of business rates allocated from its constituent councils and its appropriateness to adequately fund local government especially in uncertain economic times;
- Any remedy to local authority (including Firefighter) pension schemes regarding McCloud / Sergeant that will impact on the Authority's finances.
- Financial Risks identified in the analysis included at Appendix C.

Minimum Level of General Fund Balances

- 3.14 The estimated balance of the General Fund as at 31st March 2023 and 31st March 2024 is £4.090m. Based on the Financial Risk Analysis attached to this report, a level of uncommitted general balances of £4.1m is considered reasonable. The current balance represents 7.15% of the proposed revenue budget for 2023/2024 and is within the range specified.

Earmarked Reserves

- 3.15 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFS and Financial Risk Analysis. A Statement of the Estimated Earmarked Reserves and Provisions and their planned usage in 2023/2024 is provided at Appendix D for information.
- 3.16 The reserves have been subject to a thorough review by senior management of the Authority, including the Finance Director, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority.
- 3.17 It is recommended that the Authority considers the above and approves the proposed revenue estimates for the year ended 31st March 2024 as detailed in Appendix A.

4. MEDIUM TERM OUTLOOK

- 4.1 An updated Medium Term Financial Strategy Statement is set out at Appendix E. This has been prepared taking account of all available supporting Strategies and Plans and the following main areas:



- National Economic Context – announcements regarding future funding, precept expectations and national economic prospects and projects;
- Local Funding Position:
 - the budget decisions made in finalising the 2023/2024 Revenue Budget;
 - the position and policies in relation to General Fund Balances and Major Reserves;
- Spending Pressures and Commitments; and
- Revenue implications of the Capital Programme.

4.2 The projected budgets in future years are based on a series of assumptions and there is a large degree of uncertainty regarding a number of factors, including:

- The general economic position and especially the continued impact of EU exit;
- The future of Fire Service grant funding for New Dimensions and Firelink;
- Funding implications of the Pensions Grant;
- Any remedy to local authority (including Firefighter) pension schemes regarding McCloud/Sergeant that could impact on the Authority's finances;
- Impact of continued higher inflation than government forecasts used to allocate grant funding and the higher costs of goods and services;
- The government's optimistic assumptions of high and sustained levels of growth in the council tax base and annual increases to the precept in line with CPI;
- The actual level of the Council Tax Base in each district which will continue to be affected by the current economic position and the localisation of council tax benefit arrangements;
- The level of business rates income receivable from each district and the unpredictable impact of the pandemic on future income generation,
- The level of deficits on the Collection Fund that create a budget pressure because of the continued detrimental impact of the pandemic;
- The level of pay awards and inflation; and
- The impact of national projects and any possible implications of a rebalancing of the regions throughout the UK.

4.3 There are a range of options to be explored and, if necessary, implemented, to meet the demands placed on the budget, including:

- reducing the base budget, through the generation of further efficiency savings, implementing alternative financing options, or reducing services on a risk assessed basis;
- utilisation of balances to meet cost pressures and through other means to offset costs;
- generating additional income, including maximising resources through external funding streams;
- working with other Fire and Rescue Authorities and other key partners to increase collaboration, co-operation and agree actions that will lead to improvements in efficiency and generate cost savings; and
- identifying areas of priority for additional investment if resources are available



to achieve ongoing revenue savings (Invest to Save Initiatives).

- 4.4 In accordance with Part 2 of the Local Government Act 2003, there is a requirement for the Finance Officer to report upon the robustness of the estimates and the minimum level of reserves. In making the statement, the Finance Officer relies on information provided to him by other officers of the Authority, as part of the budget setting process. This process involves reasonable checks and other verification, which are undertaken in accordance with the overall system of internal control to validate the information provided.
- 4.5 A full risk analysis has been undertaken on the level of general balances and reserves held by the Authority. Further information is given in Appendix D regarding the adequacy of the reserves.
- 4.6 The Finance Director, in his role as Finance Officer, states:

'Based upon the information used in determining this Revenue Budget 2023/2024 report, including specifically:

- the Risk Analysis set out at Appendix C;
- the Earmarked Reserves and Provisions set out at Appendix D, and
- the updated Medium Term Financial Strategy summary set out at Appendix E.

The Revenue Budget is considered robust and the level of reserves is considered to be sufficient for 2023/2024 after an assessment of the financial risks faced by the Authority has been taken into account.'

- 4.7 It is recommended that Members note the updated Medium Term Financial Strategy Statement and the Finance Officer's comments on the robustness of the estimates, the adequacy of reserves and the risks in the Revenue Budget.

5. FIRE AUTHORITY PRECEPT

Council Tax Options

- 5.1 A late decision by Government has allowed further flexibility from the 2.99% capped increase in 2022/2023, whereby all Fire and Rescue Authorities can increase their Council Tax by a flat rate £5 at Band D. This alone is equivalent to a 5.76% increase in income.
- 5.2 The Localism Act 2011 provides for the provision of referendums to allow a veto of 'excessive' council tax increases. This effectively places a limit on council tax increases and if authorities exceed the government limits, the public will be able to vote to agree or veto any considered 'excessive' increase. The potential additional costs of a referendum and rebilling would be significant (in excess of £1m). Therefore, any proposal to increase council tax above the Government's principles would need careful consideration as, regardless of the outcome of the



vote, there would be costs which could, in effect, negate the benefits from the proposed council tax increase.

- 5.3 Taking these factors into account, alongside the revenue resources, the base budget and efficiency proposals in year, it is proposed that Members agree an increase in Band D Council Tax of £5, equivalent to an increase of 5.72%, and complying with the council tax 'referendum' regulations.

Calculation of the Precept

- 5.4 The calculation of the Council Tax Requirement (precept) takes into account the Authority's proposed Net Revenue Budget, Government funding and the local share of business rates. Allowance also has to be made for the Authority's share of any surplus or deficit on the five District Council's council tax collection fund and business rates collection fund.
- 5.5 The estimated balances at the year ending 31st March 2023 on the billing authorities' Collection Funds in respect of Council Tax are as follows:

	£
Gateshead	48,046
Newcastle	233,096
North Tyneside	61,305
South Tyneside	25,053
Sunderland	17,838
Total Surplus	385,338

- 5.6 The estimated balances at the year ending 31st March 2023 on the billing authorities' Collection Funds in respect of Business Rates are as follows:

	£
Gateshead	(23,552)
Newcastle	92,830
North Tyneside	23,124
South Tyneside	(11,654)
Sunderland	73,835
Total Net Surplus	154,583

- 5.7 Assuming a net budget of **£57,200,549** is approved, the calculation of the Council Tax Requirement (precept) is shown in the following table:

2023/2024	£	£
Fire Authority's Net Budget Requirement		57,200,549
Less: Revenue Support Grant	(10,202,866)	
Top-Up Grant	(12,162,239)	



SFA Adjustment	(2,747,080)	
Service Delivery Grant	(628,716)	(25,740,901)
Local Share of Business Rates		(3,414,573)
		28,045,075
Less: Estimated net surplus on Collection Fund at 31 st March 2023 (Council Tax)	(385,338)	
Less: Estimated net surplus on Collection Fund at 31 st March 2023 (Business Rates)	(154,583)	(539,921)
Council Tax Requirement / (Precept)		27,505,154

Council Tax Base

- 5.8 The 'council tax bases' of the five District Councils are used to calculate the proportion of the Fire Authority's total precept to be levied on each Authority. The tax base is the estimated full year equivalent number of chargeable 'Band D' dwellings with two or more liable adults in respect of which tax will be received.
- 5.9 The 'council tax bases' for 2023/2024, as notified to the Fire Authority, and the total precepts proposed to be levied are set out in the table below:

District Council	Council Tax Base	Precept £
Gateshead	53,355	4,927,334
Newcastle	68,667	6,341,397
North Tyneside	62,692	5,789,606
South Tyneside	39,503	3,648,102
Sunderland	73,619	6,798,715
Total	297,836	27,505,154

Calculation of Fire Authority's Basic Council Tax

- 5.10 The Basic Council Tax for the Fire Authority is calculated by dividing the total precept by the aggregate of tax bases as shown below:

$$\begin{array}{rcl}
 \frac{\text{Council Tax Requirement}}{\text{Total Council Tax Base}} & = & \text{Basic Council Tax (at Band D)} \\
 \frac{\text{£27,505,154}}{297,836} & = & \text{£92.35}
 \end{array}$$



- 5.11 A Basic Council Tax (at Band D) of £92.35 for the year 2023/2024 represents a £5 cash increase as compared to the 2022/2023 level.
- 5.12 Based on the Council Tax Requirement of £27,505,154 (known as Item R) and a basic Council Tax of £92.35 (R / T), it is recommended that the Authority adopts the following resolutions:

That for the year ended 31st March 2024:

- (i) the 'council tax base' for the whole of the Authority's area be noted as 297,836 (known as Item T);
- (ii) the 'basic amount of council tax' be £92.35 and the amount of council tax for each category of dwelling be approved as set out below:

Valuation Band	(Proportion of 'Basic Amount')	Council Tax
		£
A	6/9	61.57
B	7/9	71.83
C	8/9	82.09
D	9/9	92.35
E	11/9	112.87
F	13/9	133.39
G	15/9	153.92
H	18/9	184.70

- (iii) Under Section 52ZB of the Local Government Finance Act, the increase in the Authority's relevant basic amount of council tax for 2023/2024 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).
- (iv) Approve that in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority be issued with precepts in the amount of £27,505,154 for the financial year beginning 1st April 2023, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.

REVENUE ESTIMATES 2023/2024

SUMMARY OF ESTIMATES

Actual 2021-22 £'000	Original Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000		Original Estimate 2023-24 £'000
6,525	6,156	6,396	Community Safety	7,045
43,962	45,812	45,844	Fire Fighting & Rescue Operations	48,687
141	212	212	Corporate & Democratic Core	219
65	(494)	(494)	Non Distributed Costs	(495)
(59)	(41)	(41)	Interest on Balances	(613)
0	2,291	2,201	Contingencies	4,266
500	500	500	Injury Pensions	500
			Capital Financing Costs:	
1,858	1,832	1,832	- Debt Charges	1,816
(3,651)	(4,479)	(4,479)	- Reversal of Capital Charges	(4,479)
2,784	250	250	- Revenue Contribution to Capital	250
			Pensions IAS19:	
2,210	(620)	(620)	- Pension Interest Cost and Expected Return on Pensions Asset	(620)
(4,520)	(85)	(85)	- Contribution to IAS 19 Pension Reserve	(85)
49,815	51,334	51,516		56,491
48	152	(30)	Transfer to/(from) Reserves and Balances	710
49,863	51,486	51,486		57,201
			Less:	
8,989	9,263	9,263	Revenue Support Grant	10,203
11,457	11,457	11,457	Top Up Grant	12,162
3,842	3,341	3,341	Business Rates Share	3,415
811	1,589	1,589	SFA Adjustment	2,747
(47)	222	222	Collection Fund - Council Tax Net Surplus / (Deficit)	385
(2,086)	(1,072)	(1,072)	Collection Fund - Business Rates Net Surplus / (Deficit)	155
826	0	0	Local Council Tax Support Scheme	0
0	1,072	1,072	Service Delivery Grant	629
23,792	24,800	24,800		29,696
24,751	25,614	25,614	To be met from Precept	27,505
289,014	293,239	293,239	Council Tax Base	297,836

COMMUNITY SAFETY

Actual 2021-22 £'000	Original Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000		Original Estimate 2023-24 £'000
4,209	5,589	5,823	Employee Expenses	6,227
288	66	66	Premises Related Expenditure	77
66	53	53	Transport Related Expenditure	48
239	172	172	Supplies and Services	172
2,698	1,121	1,127	Support Services	1,493
7,500	7,001	7,241	Total Expenditure	8,017
975	845	845	Less Income	861
6,525	6,156	6,396	Total Budget	7,156

FIRE FIGHTING & RESCUE OPERATIONS

Actual 2021-22 £'000	Original Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000		Original Estimate 2023-24 £'000
29,203	32,146	32,146	Employee Expenses	33,325
2,212	2,638	2,638	Premises Related Expenditure	2,757
289	346	346	Transport Related Expenditure	388
3,519	7,917	7,917	Supplies and Services	7,978
0	0	0	RCCO	0
13,941	7,715	7,747	Support Services	9,734
49,164	50,762	50,794	Total Expenditure	54,182
5,202	4,950	4,950	Less Income	4,896
43,962	45,812	45,844	Total Budget	49,286

MANAGEMENT & SUPPORT SERVICES

Actual 2021-22 £'000	Original Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000		Original Estimate 2023-24 £'000
11,122	7,912	7,985	Employee Expenses	9,403
200	170	171	Premises Related Expenditure	172
644	653	653	Transport Related Expenditure	664
1,699	1,674	1,673	Supplies and Services	1,749
3,514	3,336	3,336	Capital Charges	3,336
17,179	13,745	13,818	Total Expenditure	15,324
17,179	13,745	13,818	Less Income	15,324
0	0	0	Total Budget	0

CORPORATE & DEMOCRATIC CORE

Actual 2021-22 £'000	Original Estimate 2022-23 £'000	Revised Estimate 2022-23 £'000		Original Estimate 2023-24 £'000
9	44	44	Supplies and Services	49
87	112	112	Cost of Member Services	114
45	56	56	Support Services	56
141	212	212	Total Expenditure	219
0	0	0	Less Income	0
141	212	212	Total Budget	219

Projected Pensions Account 2023/2024

EXPENDITURE	£	INCOME	£
Ongoing Pensions	27,907,377	Employers Contributions	6,743,531
Current and projected 2009/2010 retired firefighter pension costs		New Employers contributions, dependent upon which scheme, based on percentage of firefighter pay	
Lump Sum Payments	4,037,016	Employees Contributions	2,932,722
Lump sum amount paid to firefighters on retirements projected to occur in 2016/2017		Current firefighter contributions, dependent upon which scheme	
Ill Health Lump Sums	-	Ill Health Contributions	
Lump sum amount paid to firefighters retiring on ill health grounds		From 2006/2007 onwards, the Authority is required to contribute 4 x pensionable pay for higher-tier ill health retirements and 2 x pensionable pay for lower-tier retirements	
		Ill Health Contributions (2021/2022) -	
		Higher Tier	-
		Lower Tier	-
		Ill Health Contributions (2022/2023) -	
		Higher Tier	-
		Lower Tier	-
		Ill Health Contributions (2023/2024) -	
		Higher Tier	-
		Lower Tier	-
Transfers Out	-	Transfers In	-
Where firefighters transfer out of the firefighters pension scheme to another pension scheme, a cash transfer value is paid across to reflect the value of pension rights accrued		New recruits can transfer into the firefighters pension scheme and a sum to reflect the value of their existing pension rights earned is paid to the Authority upon transfer	
		Top Up Grant	22,268,140
		Grant to be received from the DCLG to balance the Pension Account	
	31,944,393		31,944,393



Appendix C

Medium Term Financial Strategy – Financial Risk Analysis

Impact of the outcome of the future Spending Reviews and Proposed Changes to Local Government Funding

A one year Finance Settlement with one-off funding included makes budget planning difficult.

Risk is that funding will not increase in line with inflation and the funding cuts have a significantly greater impact on the Authority's financial position than currently envisaged as a result of the unknown factors. Assumptions beyond 2023/2024 are based on indicative data released by Government as part of the 2023/2024 settlement, adjusted for best local knowledge and information currently available, and will be updated regularly for the impact of government reviews of funding and related announcements.

Business Rates Retention Scheme

Risk is that each district council does not collect the level of income indicated, which would then filter through to a reduction to the funding received, becoming a budget pressure in future years.

Risk that the Government's safety net level in the new arrangements is not directly linked to the level of business rates collectable and as such has been set too low.

From notifications of each district's business rates, the projected position for 2023/2024 is indicating a deficit over the government's assessment of business rates income, provided the level of business rates notified is actually collected in the year.

These risks will be mitigated by regular monitoring of the actual positions on collection with each of its district councils to identify issues and to take corrective action where possible. The Authority has earmarked funding in a separate reserve to address this risk should it arise.

Council Tax Support Scheme

Risk that the new Council Tax Benefit schemes are determined by each district council so the Authority has little real influence over the schemes which could impact on the collectable income. This will become transparent when the surplus/deficit position on the Collection Fund is reported by each district.

The risk will be mitigated by regular monitoring of the actual positions on collection with each of its district councils, to identify issues and to take corrective action where possible. This action will complement funding that the Authority has earmarked in a separate reserve to address this risk should it arise.

Inflation

Risk is that pay and price increases may exceed the levels provided for within the MTFS.

This is very unlikely to occur due to the realistic provisions made:

- Prudent provision has been made for all employees' pay awards;
- Expenditure in respect of most of the budget heads can be either influenced or controlled.
- Provision has been made in the Authority's budget for the rise in inflation.

Debt Charges

Risk is that Debt Charges will be greater than budgeted.

This is very unlikely to arise due to:

- The current level of variable rate debt is low in comparison to the fixed-rate level of debt;
- The impact of the increase in interest rates has been considered. Future increases are expected to be gradual;
- The economic outlook is that base rates are likely to remain low over the course of the coming year and the Treasury Management Strategy can be adjusted to minimise the impact of any significant increases;

Investment Interest

Risk is that income generated will not match budget provision.

This is unlikely to arise in relation to investment income as a prudent rate of return has been included in the budget which reflects the investments made to date, the prevailing market conditions and the economic forecasts for the year ahead.

Other sources of income are small in the context of the overall budget.

Contingencies

Risk is that the contingency provision will be insufficient to meet the needs identified.

This is unlikely to occur due to:

- Prudent estimates included for each category of contingency provision;
- Specific contingencies are created for all known spending pressures;
- The total contingency provision is deemed sufficient in the context of the net revenue budget;
- Past experience suggests an underspending against the contingency provision;
- Can, if required, be supplemented by use of reserves should the need arise.

Risk Management

Risk is that all risks have not been identified and that major financial consequences may result.

This is very unlikely to occur due to:

- Existence of Bellwin Scheme;
- A corporate risk profile in place, which is regularly and formally reviewed, and action is taken to mitigate and manage risks;
- Authority risk management action plans developed;
- Comprehensive self and external insurance arrangements are in place;
- An adequate self insurance fund.

Financial Planning

Risk is that a major liability or commitment currently exists but has not been taken into account in the financial planning of the Authority.

This is unlikely to arise due to:

- The existence of a comprehensive Medium Term Financial Strategy process with regular updates during the year;
- Benchmarking and networking with other senior finance staff in other Authorities who are likely to identify similar liabilities.

Revenue Budget - Budgetary Control

Risk is that the budget will be overspent in the year.

This is very unlikely to occur due to:

- Monthly budget monitoring procedures;
- Quarterly Revenue Budget Budgetary Control reviews undertaken, reported to the Authority and corrective action agreed or set in train;
- Financial Procedure Rules relating to delegated budgets provide for virements and carry forward of under / over spending to be used / met in the following financial year;
- Clear budget management responsibilities in place;
- Demonstrable track record.

Capital Programme Implications

Risk is that funding will not be available as planned or that over spending may occur.

This is unlikely to happen due to:

- Prudent level of capital receipts retained;
- Quarterly Capital Programme Budgetary Control reviews undertaken through Resources Board, reported to the Authority and corrective action agreed or set in train;

- Revenue Contribution to Capital and prudential regime gives added flexibility in terms of financing the Capital Programme.

Reductions to the Revenue Budget

Risk is that planned reductions to the Revenue Budget will not occur or are unachievable.

This is unlikely to occur due to:

- The reductions to budgets planned have all been subject to due diligence and there are no significant barriers to implementation;
- The budgetary control processes that are in place will identify any shortfall and remedial action will be taken;
- Contingencies exist to safeguard against the non-realisation of some of the efficiency reductions.

Income from Business Rates and Council Tax

Risk is that forecast levels of income from Business Rates and Council Tax are not achieved.

This is unlikely to occur due to:

- A prudent approach taken in setting the forecast income levels;
- The establishment of enhanced monitoring processes to identify any shortfall and remedial action will be taken;
- Provision exists to meet any shortfall in business rates income above the safety net threshold;
- Government interventions may also be made depending on circumstances (eg in year losses additional grant funding).

Availability of Other Funds

Risk is that the Authority could not call on any other funds to meet unforeseen liabilities.

This is very unlikely as the Authority has a range of other funds which, whilst earmarked, are not wholly committed, so could be used in an emergency.

Appendix D

Statement of Earmarked Reserves and Provisions

Title and Purpose of Earmarked Reserve / Provision	Estimated Opening Balance (01/04/23)	Estimated Movement in 2023/2024	Estimated Closing Balance (31/03/24)
	£000	£000	£000
Insurance Reserve Reserve held to protect the Authority from unexpected volatility from changes in legislation that could be retrospective, unknown exposures that may arise in the future, and to cover a possible shortfall in the eventual settlement in respect of MMI.	1,021	0	1,021
PFI Smoothing Reserve Reserve established to smooth the impact of the PFI scheme on the Authority's revenue budget over the 25 year life-span of the scheme.	7,858	(1,467)	6,391
Budget Carry Forward Reserve Reserve established to fund the slippage of specific items of revenue expenditure.	1,498	(1,254)	244
Transformation and Reform Reserve Reserve covers expected costs following a review of the organisational changes required for the Authority to operate more effectively.	12,999	(9,786)	3,213
Capital Development Reserve Reserve created to fund medium term and long term capital and revenue developments.	2,138	(2,138)	0
Medium Term Planning Reserve Reserve established to plan for future grant reductions and the effects of localisation of business rates retention.	4,269	0	4,269
Injury Pension Reserve Negative reserve established to absorb the difference that would arise on the General Fund Balance from recognising the over claimed pensions top up grant as a long term liability. As annual repayments are made, the reserve will be reduced.	(6,139)	500	(5,639)
Total Reserves that prevent an increase in revenue budgets	23,644	(14,145)	9,499
Resilience Reserve Reserve to enable appropriate contingency	3,500	0	3,500

Title and Purpose of Earmarked Reserve / Provision	Estimated Opening Balance (01/04/23)	Estimated Movement in 2023/2024	Estimated Closing Balance (31/03/24)
	£000	£000	£000
arrangements to be put in place to ensure continued service delivery.			
New Dimensions Reserve Reserve to be used to provide for any adverse effect of potential changes in grant arrangements and to provide resources to support delivery of the Urban Search and Rescue response.	582	(70)	512
ESMCP Reserve Reserve to finance the Emergency Services Mobile Communications Project	1,080	(1,080)	0
Total Reserves to support service delivery requirements	5,162	(1,150)	4,012
Total Reserves	28,806	(15,295)	13,511

MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27
(Amended for the Final settlement)

Appendix E

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Base Budget	52,002.63	57,200.55	58,195.40	59,126.15
Net Cost Pressures	5,197.92	994.85	930.75	949.38
Net Expenditure	57,200.55	58,195.40	59,126.15	60,075.53
Resources:				
Government Funding				
Top Up Grant	12,162.24	12,405.48	12,653.59	12,906.67
Revenue Support Grant	10,202.87	10,406.92	10,615.06	10,827.36
Business Rates Share	3,414.57	3,414.57	3,414.57	3,414.57
Services Delivery Grant	628.72	0.00	0.00	0.00
SFA Adjustment	2,747.08	2,802.02	2,858.06	2,915.22
	29,155.47	29,029.00	29,541.29	30,063.82
Other Resources				
Council Tax Income	27,505.15	28,052.51	28,610.75	29,180.11
Collection Fund - Council Tax (Deficit) / Surplus	385.34	0.00	0.00	0.00
Collection Fund - Business Rates (Deficit) / Surplus	154.58	0.00	0.00	0.00
	28,045.08	28,052.51	28,610.75	29,180.11
Total Income	57,200.55	57,081.51	58,152.04	59,243.93
Real Funding gap in year	0.00	1,113.89	974.11	831.60
Cumulative gap before use of reserves	0.00	1,113.89	2,088.00	2,919.60
Planned use of reserves	0.00	1,113.89	974.11	831.60
Total Resources	57,200.55	58,195.40	59,126.15	60,075.53

	2023/24	2024/25	2025/26	2026/27
Resources - summary				
Council Tax	27,890	28,053	28,611	29,180
Business Rates	3,569	3,415	3,415	3,415
Government Funding	25,741	25,614	26,127	26,649
Totals	57,201	57,082	58,152	59,244