

AVON FIRE AUTHORITY

MEETING:	Avon Fire Authority
MEETING DATE:	Friday, 17 February 2023
REPORT OF:	The Treasurer
SUBJECT:	Revenue Budget and Council Tax Levels 2023-24

1. **SUMMARY**

This report outlines the latest revenue budget position following consultation. Members are asked to consider the contents of this report and agree a revenue budget and Council Tax precept for 2023/24. The report sets out two options in relation to Council Tax:

- **Option 1** – An increase in Council Tax of £5, equivalent to an increase of 6.41% (from £77.95 in 2022/23 to £82.95 in 2023/24 for a Band D Property) in line with the Governments announced specific referendum limit for fire and rescue authorities.
- **Option 2** – An increase in Council Tax of 3% (from £77.95 in 2022/23 to £80.29 in 2023/24 for a Band D Property), representing an increase of £2.34, in line with the Governments announced core referendum limit for shire counties and unitary authorities.

The recommendations set out have been based on the options appraisal within this report.

2. **RECOMMENDATIONS**

The Fire Authority is asked to:

- a) Consider the information contained in this report.
- b) Agree a Revenue Budget and Band “D” Council Tax level for 2023/24.
- c) Agree that the Fire Authority’s basic amount of Council Tax (i.e., precept per Band D property) for 2023/24 is increased to either:
 - 1) Option 1 - £82.95, an increase of £5 (6.41%) equivalent to less than ten pence per week.
 - 2) Option 2 - £80.29, an increase of £2.34 (3.0%) equivalent to less than five pence per week
- d) Make the statutory determinations which are set out in **Appendix 1**, based upon the 2 options contained in this report. A summary of these determinations and the 2 Council Tax Options are included in paragraph 5.13 of this report.
- e) Agree that precepts be issued to the Unitary Authorities in the Avon Fire Authority area in proportion to the tax base determined by them as detailed in paragraph 5.14 of this report.
- f) Note the amount of Council Tax for 2023/24 for properties in each tax band is:

g)

Amount per Council Tax Band		
Band	Option 1 Value	Option 2 Value
Band A	£55.30	£53.53
Band B	£64.52	£62.45
Band C	£73.73	£71.37
Band D	£82.95	£80.29
Band E	£101.38	£98.13
Band F	£119.82	£115.97
Band G	£138.25	£133.82
Band H	£165.90	£160.58

Treasurer to forward precept details to the Unitary Authorities as the billing authorities.

3. **BACKGROUND**

- 3.1. Legislation requires the Authority to set, before 1 March, a level of revenue budget and Council Tax for the forthcoming financial year to inform each of the four Council Tax billing authorities within the area of Avon of the level of precept required by the Authority for 2023-24. The purpose of this report is to provide the necessary financial background for consideration to be given as to what would be appropriate levels of precept for the Authority.

- 3.2. The Localism Act 2011 includes provisions which require a local authority to hold a Council Tax referendum where an authority's Council Tax increase exceeds the Council Tax "excessiveness principles" applied for that year.
- 3.3. On 19 December 2023, the Department for Levelling Up, Housing and Communities (DLUHC) announced as part of the provisional Local Government Settlement the Council Tax limit to be applied in 2023-24. This is to be 3.0% for shire counties and unitary authorities, with flexibility for an additional 2% for those authorities with responsibility for social care. In relation to the Fire Sector, a different referendum principle is to be applied which allows an increase to a Band D property by a flat cash figure of £5.
- 3.4. This report considers a draft revenue budget for 2023/24, before the use of reserves, of £49.483m based upon assumptions outlined in paragraph 5.21 of this report, and also considers the implications to this draft budget figure of two options in relation to council tax for a Band D property, Option 1 to increase council tax by a cash figure of £5, taking advantage of the additional flexibility granted by the Government for fire and rescue authorities, or Option 2 to increase council tax by 3%, in line with the additional flexibility granted to all shire counties and unitary authorities.

4. FINANCIAL IMPLICATIONS

- 4.1. The setting of a robust and resilient Revenue Budget for 2023/24 is part of an ongoing plan to deliver a sustainable budget within the confines of the restrictions placed upon the Fire Authority by Central Government in terms of reducing levels of grant, non-domestic rates redistributed by the Government, and restrictions in relation to Council Tax increases. The financial implications and risks are significant and are laid out within this report.

5. KEY CONSIDERATIONS

Local Government Finance Settlement

- 5.1. The provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2023.
- 5.2. This announcement confirmed the formula grant settlement figure for the Fire Authority to be £17.155m in 2023/24, representing an increase of £0.946m over 2022/23 (5.8%). However, after adjusting for locally retained business rates assessments, the actual cash figure of Government funding increases from £11.438m in 2022/23 to £12.036m in 2023/24, representing an increase of £0.598m (5.2%). An analysis of the changes in Government funding for 2023/24 is shown below as Table A:

TABLE A -SUMMARY OF CHANGES IN FORMULA FUNDING

Summary of Changes in Formula Funding	2022/23 £m	2023/24 £m	Variation %
Government Funding Assessment	16.209	17.155	5.8%
LESS Locally Retained Business Rates Assessment	-4.771	-5.119	7.3%
Funding Received from Central Government	11.438	12.036	5.2%

- 5.3. The announcement also confirmed changes in the amount of Services Grant to be received in 2023/24. A Services Grant element was introduced into the settlement for the year 2022/23 in recognition of vital services delivered across all tiers of local government. For Avon Fire Authority this grant has changed from £0.752m in 2022/23 to £0.424m in 2023/24, representing a reduction of £0.328m. This reduction in part reflects the fact that employers no longer have to pay an additional employers national insurance contribution that would have been paid as part the now disbanded social care levy.
- 5.4. In relation to council tax referendum principles the Government has announced the following principles to be applied in 2023/24.
- A Council Tax referendum limit of 3% (2% in 2022/23) for all shire counties and unitary authorities, London boroughs and the Greater London Authority.
 - An additional 2% for those authorities with social care responsibilities.
 - A bespoke council tax principle of up to 3%, or £5, whichever is higher, for all shire districts.
 - A bespoke additional council tax flexibility of up to £20 on Band D bills for the Greater London Authority, as requested by the Mayor of London
 - Setting no council tax referendum principles for mayoral combined authorities (MCAs).
 - Setting no council tax referendum principles for town and parish councils.
 - **A £5 referendum principle on Band D bills for all fire and rescue authorities.** A £15 referendum principle on Band D bills for police authorities and police and crime commissioners.
- 5.5. The additional flexibility of a £5 increase in Council Tax for a Band D property granted for fire and rescue authorities is of course most welcome and is in large part as a result of the significant amount of lobbying from the Sector to Government in recent months to highlight the severe impact to Service budgets of the current inflationary pressures. However, it is of course for each

authority to determine its own level of council tax within the referendum principles granted.

- 5.6. It is disappointing that the settlement is for one year only as this provides more uncertainty into future financial planning at a time of significant volatility. The Government has however issued a policy statement in relation to 2023/24 and 2024/25 local Government funding, which broadly speaking confirms that the core settlement principles for 2023/24 will be applied into 2024/25. However, it should be emphasised that this statement does not extend the additional £5 referendum principle on Band D properties for fire and rescue authorities into 2024/25.
- 5.7. In the longer-term, the Governments ambitions for Levelling Up the country has required a reassessment of commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst they now confirm that these will not be implemented in this Spending Review period, the Government remains committed to improving the local Government finance landscape in the next Parliament.
- 5.8. The consultation period relating to the provisional local Government settlement ended on 16 January 2023. A response on behalf of the Authority was submitted to the DLUHC and a copy of this is attached at **Appendix 2**.

Council Tax

- 5.9. The four Unitary Authorities have confirmed their tax bases and the Fire Authority's share of the surplus/deficits on their collection funds resulting from Council Tax and these are set out overleaf as Table B:

TABLE B – CHANGES IN COUNCIL TAX BASE

Council Tax	Taxbase			Collection Fund Surplus/(Deficit)
	2022/23	2023/24	Variance	
Unitary Authority	£	£	%	£
Bath & North East Somerset	67,854	68,610	1.114%	18,955
Bristol	127,917	129,654	1.358%	69,000
North Somerset	79,927	81,015	1.361%	59,775
South Gloucestershire	100,143	101,695	1.550%	33,693
Total	375,841	380,974	1.366%	5,513

The increase in the tax base reflects an increased number of properties in the area of Avon which in itself generates additional precept to the Fire Authority

without any increase in the level of Band D Council Tax. This increase in base from 375,841 to 380,974 generates additional precept to the Fire Authority of £0.400m in 2023/24.

- 5.10. The Fire Authority's share of the net deficit on the Collection Funds of £5,513 produces a "one-off" reduction in precept funding to the Fire Authority for 2023/24.

Options appraisal

- 5.11. This report considers two options as follows:

- **Option 1** – An increase in Council Tax of £5, equivalent to an increase of 6.41% (from £77.95 in 2022/23 to £82.95 in 2023/24 for a Band D Property) in line with the Governments announced specific referendum limit for fire and rescue authorities.
- **Option 2** – An increase in Council Tax of 3% (from £77.95 in 2022/23 to £80.29 in 2023/24 for a Band D Property) in line with the Governments announced core referendum limit for shire counties and unitary authorities. This option would require an additional £1m to be taken from Reserve balances in 2023/24 and increase unidentified efficiency savings to be found over the period of the Medium Term Financial Plan (MTFP) from £1.2m to £2.3m.

- 5.12. Whilst the report considers two options for changes in council tax it is of course for the Authority to decide on the required level of council tax for next year, within the Government referendum limits, and therefore may wish to consider alternative options to those included in this report. It should be noted that a 1% increase in council tax generates additional revenue to the Service budget of £0.297m. So, for instance, should the Authority wish to consider an option of increasing a Band D property by 5%, in line with the maximum that can be applied to those authorities with responsibility for social care, then it will be necessary to utilise an additional £0.419m from reserves in 2023/24 over and above Option 1.

- 5.13. The statutory determinations under the two options are set out in **Appendix 1**. A summary of these determinations under the two options are shown in Table C:

TABLE C – SUMMARY OF STATUTORY CALCULATIONS

Summary of Statutory Calculations 2023/24	Option 1 £'000	Option 2 £'000
Gross Expenditure	56,222	56,222
Less: Income	- 6,739	-6,739
Net Revenue Budget before use of reserves	49,483	49,483
Use of Reserves	- 600	-1,613
Net Budget Requirement	48,883	47,869
Less: Share of locally retained Business Rates	- 4,802	-4,802
Government Support	- 12,036	-12,036
Share of City Region Deal	- 298	- 298
Share of Collection Fund Net Surpluses	- 145	-145
Amount met by Council Tax	31,602	30,588
Band D Council Tax	82.95	80.29

- 5.14. The precepts that would be issued to the Unitary Authorities in the Avon Fire Authority area in proportion to the tax base determined by them under the two options are detailed in Table D:

TABLE D – PRECEPTS 2023/24

Precepts 2023/24		Option 1 Precept £	Option 2 Precept £
Unitary Authority	Tax Base		
Bath & North East Somerset	68,610	5,691,190.38	5,508,688.07
Bristol	129,654	10,754,799.30	10,409,919.66
North Somerset	81,015	6,720,169.37	6,504,670.26
South Gloucestershire	101,695	8,435,600.25	8,165,091.55
Total	380,974	31,601,759.29	30,588,369.54

- 5.15. The amount of Council Tax for 2023/24 for properties in each tax band under the two options is shown in Table E overleaf:

TABLE E – COUNCIL TAX BANDS 2023/24

Amount per Council Tax Band		
Band	Option 1 Value	Option 2 Value
Band A	£55.30	£53.53
Band B	£64.52	£62.45
Band C	£73.73	£71.37
Band D	£82.95	£80.29
Band E	£101.38	£98.13
Band F	£119.82	£115.97
Band G	£138.25	£133.82
Band H	£165.90	£160.58

Comparison of Council Tax levels 2023/24

- 5.16. A comparative analysis of 2022/23 Band D Council Tax levels for all FRAs is included at **Appendix 3**. This comparison shows that for the current year our Band D Council Tax of £77.95 represents the 12th lowest level. Council Tax levels range from £68.03 to £109.69 with an average of £83.46.

Precept Consultation

- 5.17. It is a legislative requirement under Section 65 of the 1992 Local Government Finance Act that precepting authorities consult with non-domestic ratepayers on plans for expenditure in the forthcoming financial year.
- 5.18. In order to fulfil this requirement a consultation survey combining the proposals for the Service Plan and revenue budget was published on 4th January 2023 and publicised through social media channels, bulletins and newsletters and targeted emails to key partners, Chambers of Commerce across the service area and local MPs.
- 5.19. The results of this survey on the budget questions were that of 329 responses 78% of respondents agreed (24%) or strongly agreed (54%) that Avon Fire and Rescue Service provides value for money and with only 7% disagreeing. With regard to the proposed £5 increase in the precept as per Option 1 of this report, 75% of respondents agreed (27%) or strongly agreed (48%) that this was reasonable with only 13% disagreeing. The response profile can be found at **Appendix 8**.

Locally Retained Business Rates

- 5.20. Details of the Fire Authority's share of locally retained business rates, payable under the 50% Business Rates Retention Scheme are shown overleaf

together with the Fire Authority's share of the surplus / deficits on their collection funds resulting from locally retained business rates:

TABLE F – LOCALLY RETAINED BUSINESS RATES 2023/24

Locally Retained Business Rates				Collection Fund Surplus/(Deficit)
Unitary Authority	2022/23	2023/24	Variance	£
	£	£	%	£
Bath & North East Somerset	562,621	645,738	15%	53,480
Bristol	2,100,377	2,193,452	4%	34,000
North Somerset	549,977	663,764	21%	61,303
South Gloucestershire	1,189,584	1,299,154	9%	1,530
Total	4,402,559	4,802,108	9%	150,313

- 5.21. In addition to the above, an amount of £1.927m is to be received in 2023/24 from Central Government to provide compensation for the cumulative impact on Locally Retained Business Rates of the various Government policy changes to the business rates multiplier that have been introduced. This amount is to be paid by way of a Section 31 grant which means that it cannot be assumed that it will continue in the future and is therefore to be treated as revenue income as opposed to mainstream Government funding.

Budget Construction and Development

- 5.22. A draft revenue budget for 2023/24 and an analysis of changes from 2022/23 are included as **Appendix 4** and **Appendix 5** to this report. A summary of the changes from the 2022/2023 budget is shown in Table G overleaf.

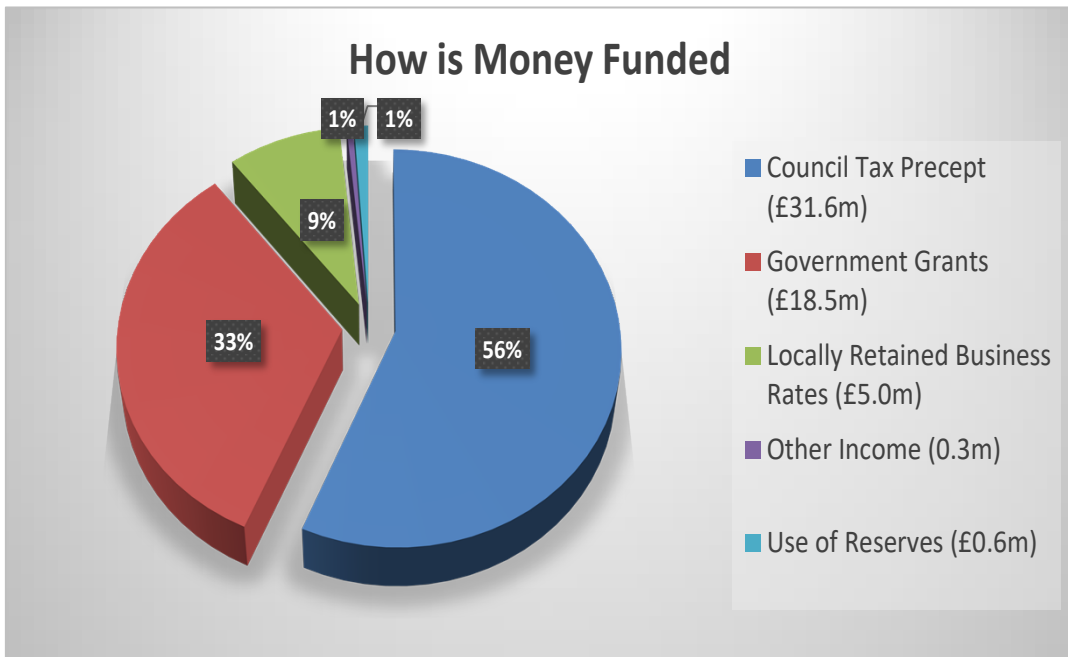
TABLE G – DRAFT REVENUE BUDGET REQUIREMENT 2023/24

Development of the 2023/24 Draft Budget	Option 1 £'000	Option 2 £'000
Core Budget 2022/23 (Restated)	44,537	44,537
- add back use of reserves 2022/23	419	419
Base Budget 2022/23	44,956	44,956
Pay awards and inflation	3,240	3,240
Other Spending Pressures	1,807	1,807
Transformation and Change savings		-
- Employees	- 272	- 272
- Other	- 248	- 248
2023/24 Revenue Budget Requirement before use of reserves	49,483	49,483
Use of Reserves	- 600	- 600
Additional use of reserves to fund shortfall		- 1,014
2023/24 Revenue Budget Requirement after use of reserves	48,883	47,869
Funding		
- Locally Retained Business Rates	- 4,802	- 4,802
- Central Government Support	- 12,036	- 12,036
- City Region Deal	- 298	- 298
- Collection Fund Surplus	- 145	- 145
Amount required from Council Tax payers after use of reserve	31,602	30,588
Assumed tax base	380,974	380,974
Council Tax	£ 82.95	£ 80.29
Council Tax Increase	£ 5.00	3%
Budget Increase (excluding use of reserves)	10%	10%

- 5.23. As indicated in the above table, on the basis that Option 1, an increase in council tax of £5, is agreed then a balanced budget is presented including utilisation of Reserve balances of £0.600m. Should the decision be taken to agree Option 2, an increase of 3%, then it will be necessary to utilise an additional £1.014m from reserves in 2023/24 to set a balanced budget.

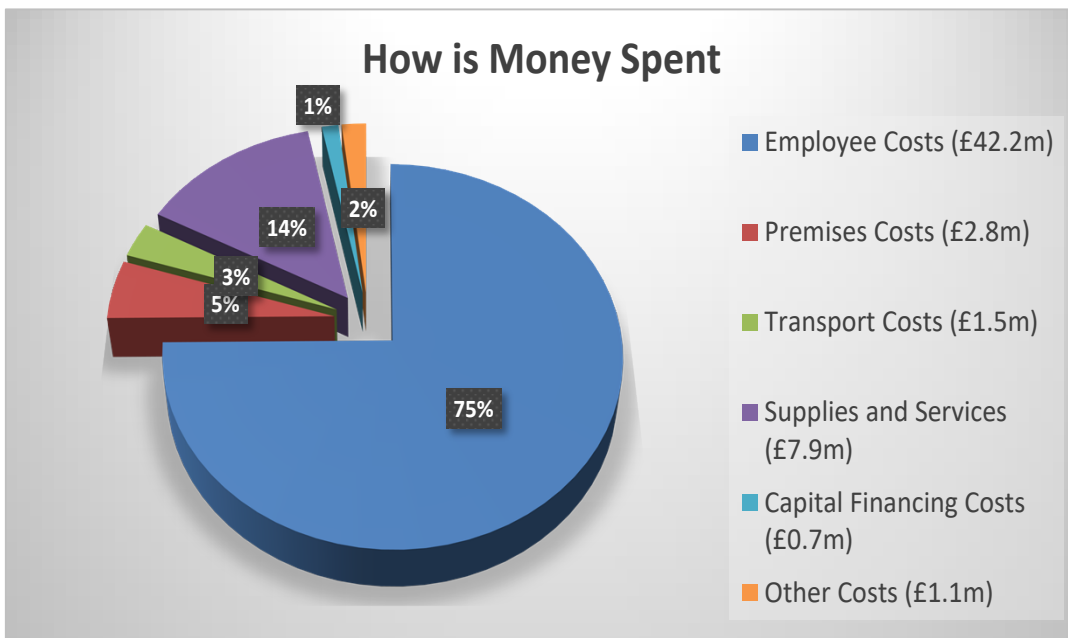
Sources of Funding – 2023/24

- 5.24. The sources of funding for the 2023/24 budget, based on Option 1, totals £56m. An analysis is shown in the following chart:



Spending 2023/24

5.25. The following chart shows a summary of where the money will be spent in 2023/24:



Section 25 Report

- 5.26. It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the “Chief Finance Officer” to the Authority reports on the robustness and the adequacy of the level of reserves. The Act requires the Fire Authority to have regard to the report in making its decisions.

Statement on the Robustness of the 2023/24 Revenue Budget

- 5.27. The net revenue budget requirement for 2023-24 has been assessed as £49.483m before use of reserves. In arriving at this figure, a detailed assessment has been made of the risks associated with each of the budget headings and the adequacy in terms of supporting the goals and objectives of the Fire Authority as included in the Service Plan.
- 5.28. It should be emphasised that these assessments are being made for a period up to the 31 March 2024, during which time external factors outside of the control of the authority may arise which will cause additional expenditure to be incurred. The most significant example of this is the impact of Coronavirus pandemic, then further compounded by the ongoing war in Ukraine.
- 5.29. Details of those budget heads that are most at risk from these uncertainties are included as **Appendix 6**, together with details of the action taken to mitigate each of these identified risks.
- 5.30. Local Government and the fire sector are currently in a period of significant uncertainty over funding and cost pressures going forward. It is possible that further real terms cuts will be made to fire funding which when combined with changes to the potential changes to the Business Rates Retention scheme and the Relative Needs Assessment Reviews could result in significant changes to available resources. Unfunded pension schemes and legal challenges over pension terms represent a significant risk to the Authority going forward. It is therefore vitally important that resourcing and investment decisions are made which minimise risks going forward to enable the Authority to be as resilient as possible in future years.
- 5.31. Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the MTFP is an important tool to aid financial planning which provides forecasts of indicative budget requirements over a four-year period covering the years 2023-24 to 2026- 27. These forecasts include only prudent assumptions in relation future pay awards and prices increases, which will need to be reviewed in light of pay settlements and movement in the Consumer Prices Index.
- 5.32. The Fire Authority has a good track record of delivering required efficiency savings. The MTFP includes forecasts of unidentified savings of £1.0m by 2026/27 based upon Option 1, increasing to £2.0m based upon Option 2. This

is based on currently known planning assumptions and assumes only prudent increases in Government grant funding. It will be important that proposals are developed to identify future areas for efficiency savings and the rebalancing of resources to meet the potential future financial challenges.

- 5.33. The estimates and budget contained within this and previous reports are based on sound financial principles and robust data collection and as such the Treasurer believes they can be relied upon to set the Fire Authority's precept for 2023/24.

Adequacy of the Level of Reserves

- 5.34. Total Reserve balances as at 31 March 2023 are forecast to be £15.149m made up of General Reserve (uncommitted) of £1.5m, Capital Reserves of £9.275m and Earmarked Reserves (committed) of £4.374m. This level is anticipated to decrease by the end of the current financial year due to planned expenditure to be funded from earmarked reserves.
- 5.35. The agreed General Reserve balance of £1.5m represents 3.1% of the Net Revenue Budget, equivalent to approximately 12 days of Service spending. Whilst the Fire Authority has previously agreed to maintain a minimum level of £1.5m this will need to be reviewed annually as part of the Reserves Strategy to assess its adequacy in light of changing circumstances including global events such as the COVID-19 pandemic.
- 5.36. It is pleasing that the Fire Authority has not experienced the need to call on general reserve balances in the last five years to fund emergency spending. However, the importance of holding adequate levels of general reserves has been highlighted on a number of occasions in recent times, the impact of flooding and the problems experienced by the global financial markets.
- 5.37. An analysis of the estimated reserves and the purpose for which they are held is shown in **Appendix 7**.
- 5.38. The Authority's Reserves Strategy is reviewed annually, most recently in June 2022, and is available on the Authority's website at www.avonfire.gov.uk.
- 5.39. It is the Treasurer's view that the budget proposed together with adequate levels of Reserve balances is sufficiently robust for 2023/24 and that Managers are committed to taking the necessary action to deliver the budget.

6. RISKS

- 6.1. This report primarily supports Corporate Risk 20 (Funding and Resource Pressure Risk) already identified within the Corporate Risk Register. This report and the financial considerations around levels of revenue budget and

precept support the ongoing mitigations to reduce this risk as far as possible within the confines of local government funding restrictions.

7. LEGAL/POLICY IMPLICATIONS

7.1. As contained within this report, namely:

- The Fire Authority is required by statute to set a legal budget.
- Members need also to consider the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides.
- The final decision on the level of the Fire Authority's budget, and responsibility for its adequacy, rests on the Members of the Fire Authority. In arriving at their decision Members should have regard to all relevant factors, including the views of consultees and the interests of Council taxpayers, but Members' first obligation is to meet the statutory duties referred to above.

8. BACKGROUND PAPERS

Held within Finance Department.

9. APPENDICES

1. Revenue Budget Statutory Calculations 2023/24
2. Response from the Treasurer to the Provisional 2023/24 Local Government Finance Settlement Consultation
3. Comparable Band D Council Tax Levels for all FRAs in 2022/23
4. 2023/24 Draft Budget Analysis
5. Analysis of Budget Changes from 2022/23
6. Financial Risk Identification and Management Action
7. Estimated Reserves Balances as of 31 March 2023.
8. Extract of Survey Results Relating to Revenue Budget

10. REPORT CONTACT

Claire Bentley, Head of Finance
Kevin Woodward, Temporary Treasurer

PLEASE NOTE THAT MINOR FINANCIAL ADJUSTMENTS WILL BE MADE AT THE MEETING, DUE TO THE TIMING OF A REVISED PAY OFFER FOR EMPLOYEES UNDER THE GREY BOOK CONDITIONS OF SERVICE.