

## AVON FIRE AUTHORITY

<b>MEETING:</b>	<b>Avon Fire Authority</b>
<b>MEETING DATE:</b>	<b>Monday, 19 February 2024</b>
<b>REPORT OF:</b>	<b>Statutory Finance Officer</b>
<b>SUBJECT:</b>	<b>2024/25 Budget Setting and Precept</b>

### 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 2024/25. The report sets out two options in relation to Council Tax:

- **Option 1** – An increase in Council Tax of 2.99% (from £82.95 in 2023/24 to £85.43 in 2024/25 for a Band D Property) in line with the Governments announced specific 3% referendum limit for fire and rescue authorities.
- **Option 2** – No increase in Council Tax (precept remains at £82.95 for a Band D Property).

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

### 2. **RECOMMENDATIONS**

2.1 The Fire Authority is asked to:

- a) Consider the information contained in this report.
- b) Agree a Revenue Budget (**Appendix 2**) and Band D Council Tax level for 2024/25.
- c) Agree that the Fire Authority's basic amount of Council Tax (i.e., precept per Band D property) for 2024/25 is either:
  - i. Option 1 – Increased to £85.43, a 2.99% increase from 2023/24 equivalent to less than 5 pence per week
  - ii. Option 2 – Remains at £82.95

- d) Make the statutory determinations which are set out in **Appendix 1**, based upon the two options contained in this report. A summary of these determinations and the two Council Tax Options are included in paragraph 5.12 of this report.
- e) Agree that precepts be issued to the Unitary Authorities in the Avon Fire Authority area in proportion to the tax bases determined by them as detailed in paragraph 5.13 of this report.
- f) Note the amount of Council Tax for 2024/25 for properties in each tax band is:

<b>Amount per Council Tax Band</b>		
<b>Band</b>	<b>Option 1 Value</b>	<b>Option 2 Value</b>
Band A	56.95	55.30
Band B	66.45	64.52
Band C	75.94	73.73
Band D	85.43	82.95
Band E	104.41	101.38
Band F	123.40	119.82
Band G	142.38	138.25
Band H	170.86	165.90

Statutory Finance Officer 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 Fire Authority of the level of precept required by the Authority for 2024/25. 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 2024/25. This is to be 3.0%

for shire counties, unitary authorities and fire authorities, with flexibility for an additional 2% for those authorities with responsibility for social care.

- 3.4 This report considers a draft revenue budget for 2024/25, before the use of reserves, of £52.925m based upon assumptions outlined in this report, and also considers the implications to this draft budget figure of the two options in relation to council tax for a Band D property as detailed in the summary and recommendations of this report.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The setting of a robust and resilient Revenue Budget for 2024/25 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 Funding Settlement**

- 5.1 The provisional Local Government Funding Settlement for 2024/25 was announced on 19 December 2023.
- 5.2 This announcement confirmed the formula grant settlement figure for the Fire Authority to be £14.834m which is an increase from the £12.036m in 2023/24. An analysis of the changes in Government funding for 2024/25 is shown below in Table A:

**TABLE A – SUMMARY OF CHANGES IN FORMULA FUNDING**

	<b>2023/24</b>	<b>2024/25</b>	<b>Variation</b>
	<b>£m</b>	<b>£m</b>	<b>%</b>
Revenue Support Grant	5.839	6.230	6.7%
Business Rates Top Up Grant	6.197	6.197	0.0%
Additional RSG - previous Pension Grant		2.407	0.0%
<b>Funding Received from Central Government</b>	<b>12.036</b>	<b>14.834</b>	<b>23.2%</b>

- 5.3 The announcement also confirmed changes in the amount of Services Grant to be received in 2024/25. A Services Grant element was introduced into the settlement in 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 £0.424m in 2023/24 to £0.069m in 2024/25, representing a reduction of £0.355m.

5.4 In relation to council tax referendum principles the Government has announced the following to be applied in 2024/25:

- A Council Tax referendum limit of 3% (3% in 2023/24) 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.
- Setting no council tax referendum principles for mayoral combined authorities (MCAs) or town and parish councils.
- 3% referendum principle for all stand-alone Fire and Rescue Authorities.

5.5 It is disappointing that the settlement is for one year only as this provides more uncertainty for future financial planning at a time of significant volatility. This is further exacerbated by the reduction in flexibility from the £5 increase agreed for Fire and Rescue Authorities in 2023/24, despite a significant amount of lobbying from the Sector to Government throughout 2023/24 highlighting the ongoing severe impact to Service budgets of inflationary pressures. This is also a contradiction of the policy statement issued in 2023/24 which implied the same principles would be applied in 2024/25.

5.6 In the longer-term, the Governments ambitions for Levelling Up the country has required 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.

5.7 The consultation period relating to the provisional local Government settlement ended on 15 January 2024.

### **Council Tax**

5.8 The four Unitary Authorities have confirmed their tax bases and these are set out below in Table B:

## **TABLE B – CHANGES IN COUNCIL TAX BASE**

<b>Council Tax</b>	<b>Taxbase</b>		
	<b>Unitary Authority</b>	<b>2023/24</b>	<b>2024/25</b>
Bath & North East Somerset	68,610	69,256	0.94%
Bristol	129,654	134,752	3.93%
North Somerset	81,015	81,449	0.54%
South Gloucestershire	101,695	102,386	0.68%
<b>Total</b>	<b>380,974</b>	<b>387,843</b>	<b>1.80%</b>

The increase in the tax base reflects an increased number of properties in the four unitary areas making up the area of Avon Fire Authority, as well as an update to Bristol City Council's council tax compensation arrangements, which in itself generates additional precept to the Fire Authority without any increase in the level of Band D Council Tax. The increase in base from 380,974 to 387,843 generates additional precept to the Fire Authority of £0.570m before any increase in precept is applied.

- 5.9 The Fire Authority's share of the net deficit on the Collection Funds is £145k which produces a "one-off" increase/reduction in precept funding to the Fire Authority for 2024/25.

### **Options appraisal**

- 5.10 This report considers two options as follows:
- **Option 1** – An increase in Council Tax precept of 2.99% (from £82.95 in 2023/24 to £85.43 in 2024/25 for a Band D property) in line with the Governments announced specific referendum limit for fire and rescue authorities.
  - **Option 2** – No increase in Council Tax precept, the only increase would be the additional funding generated by the increase in Council Tax base as detailed in this report and would require additional efficiencies of £0.962m to be generated in 2024/25.
- 5.11 Whilst the report considers two options for the updated 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 the Authority 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 income to the Service budget of £0.321m. So, for instance, should the Authority wish to consider an option of increasing a Band D property by 1.99% in line with previous referendum limits, then it will be necessary to utilise additional reserves in 2024/25 over and above Option 1.

- 5.12 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**

<b>Summary of Statutory Calculations 2024/25</b>	<b>Option 1 £'000</b>	<b>Option 2 £'000</b>
Gross Expenditure	61,823	60,862
Less: Income	- 8,899	- 8,899
Net Revenue Budget before use of reserves	52,925	51,963
Use of Reserves	- 672	- 672
Net Budget Requirement	52,253	51,291
Less: Share of locally retained Business Rates	- 4,685	- 4,685
Government Support	- 14,835	- 14,835
Share of City Region Deal	- 331	- 331
Share of Collection Fund Net Surpluses	56	56
Amount met by Council Tax	32,458	31,496
Band D Council Tax	85.43	82.95

- 5.13 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 2024/25**

Precepts 2024/25		Option 1 Precept	Option 2 Precept
Unitary Authority	Tax Base	£	£
Bath & North East Somerset	69,256	5,916,529.83	5,744,775.25
Bristol	134,752	11,511,863.36	11,177,678.40
North Somerset	81,449	6,958,188.07	6,756,194.55
South Gloucestershire	102,386	8,746,835.98	8,492,918.70
Total	387,843	33,133,417.24	32,171,566.90

- 5.14 The amount of Council Tax for 2024/25 for properties in each tax band under the two options is shown in Table E overleaf:

**TABLE E – COUNCIL TAX BANDS 2024/25**

<b>Amount per Council Tax Band</b>		
<b>Band</b>	<b>Option 1 Value</b>	<b>Option 2 Value</b>
Band A	56.95	55.30
Band B	66.45	64.52
Band C	75.94	73.73
Band D	85.43	82.95
Band E	104.41	101.38
Band F	123.40	119.82
Band G	142.38	138.25
Band H	170.86	165.90

**Precept Consultation**

- 5.15 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.
- 5.16 In order to fulfil this requirement a consultation survey combining proposals for the Service Plan and revenue budget was published on 21 December 2023 and publicised through social media channels, bulletins and newsletters.
- 5.17 The results of this survey on the budget questions as at 31 January 2024 were that of 274 responses 75% of respondents agreed (26%) or strongly agreed (49%) that Avon Fire and Rescue Service provides value for money with only 7% disagreeing. With regard to the proposed 2.99% increase in the precept as per Option 1 of this report, 73% of respondents agreed (22%) or strongly agreed (51%) that this was reasonable with only 8% disagreeing.

**Locally Retained Business Rates**

- 5.18 Details of the Fire Authority's share of locally retained business rates, payable under the 50% Business Rates Retention Scheme are shown below together with the Fire Authority's share of the surplus/deficits on their collection funds from locally retained business rates:

**TABLE F – LOCALLY RETAINED BUSINESS RATES 2023/24**

Locally Retained Business Rates				
	2023/24	2024/25	Variance	Collection Fund
Unitary Authority	£	£	%	Surplus/(Deficit)
				£
Bath & North East Somerset	645,738	693,000	7%	- 607
Bristol	2,193,452	2,193,452	0%	56,000
North Somerset	663,764	667,685	1%	- 24,557
South Gloucestershire	1,299,154	1,130,480	-13%	85,240
<b>Total</b>	<b>4,802,108</b>	<b>4,684,617</b>	<b>-2%</b>	<b>116,076</b>

5.19 In addition to the above, an amount of £2.236m is to be received in 2024/25 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 to continue in future and is therefore to be treated as revenue income rather than mainstream Government funding.

### **Budget Construction and Development**

5.20 The budget setting approach for 2024/25 has been similar to that used to set budgets for 2023/24. The 2024/25 baseline budget is set as the forecast outturn for 2023/24 at month 6 (September 2023) adjusted for inflation and other known changes. The Finance team liaised with budget holders and budget managers to collate proposed service developments and expected cost pressures for the financial year which have been reviewed, prioritised and reflected in budgets as appropriate following conversations with the Service Leadership Board and Service Leadership Team.

5.21 A draft revenue budget for 2024/25 for each of the options set out in paragraph 5.10 can be found at **Appendix 2**.

5.22 Key budget setting assumptions for 2024/25 are as follows:

- Income budgets based on one year funding settlement for Central and Local Government funding.
- Other income based on 2023/24 figures, reviewed with Lead Directors.
- Expenditure budgets:
  - Non-pay budgets based on 2023/24 expenditure forecast, updated for known changes and assumed 3% inflation.

- Pay budgets for 2024/25 based on current Establishment (permanent substantive roles) adjusted for additional temporary roles within the Service.
- Pay awards assumed at 4% (effective from March 2024 for green book and July 2024 for grey book)
- £500k contribution from revenue to capital reserves included to fund the capital programme and defer external borrowing. This defers the need for external borrowing into 2025/26, with the aim of ensuring the Authority achieves a lower rate on the borrowing based forecast interest rate reductions. It also contributes towards the funding required within the Capital Programme for the upgrade to the Mobilisation System within Fire Control, approved at the December Policy and Resources Committee.
- A total contribution of £440k from revenue to support the implementation of the HMICFRS action plan. This covers the following:
  - £60k for increasing broadband speeds in stations. (Note this cost will be baselined into future budgets.)
  - £150k for additional IT equipment including investment in mini PCs for stations, development of a people dashboard and fire control improvements
  - £180k for specific resource required to ensure the monitoring and governance is in place over the delivery of the HMICFRS action plan.
  - £50k for values and culture improvements across the Service through training and other support.

5.23 The key movements from the 2023/24 approved budget to the 2024/25 proposed budget are as follows:

- Income
  - Additional tax base - £0.6m
  - 2.99% precept increase - £0.9m
  - Pension grant income - £2m (note this has a net nil overall impact on the budget due to an additional £2m of pension costs being incurred)
  - £1.6m additional revenue support grant and baseline funding, including a 6.7% CPI increase on revenue support grant which equates to £0.4m
  - Business rates compensation grant increase £0.3m
  - Other small grants for pension admin, new challenges and top-up funding of approximately £1m
- Total impact of the above is c£6.2m additional income in the 2024/25 draft budget when compared to the 2023/24 approved budget.
- Expenditure
  - A 4% pay award assumption has increased employee costs by c£1.6m

- Calculating pay costs based on establishment increases costs by c£1.7m (recognising the requirement to fill vacancies). Note no FF retirements assumed in this calculation as this will be covered by efficiencies.
- Additional £0.4m contribution towards Local Government Pension Scheme deficit
- Additional £2m Fire Fighter pension contributions (offset increase in income)
- 3% non-pay inflation increases costs by £0.4m
- Revenue contribution to capital £0.5m
- Revenue contribution to HMICFRS actions £0.4m
- Total effect of the above is additional costs of c£7.1m within the 2024/25 budget when compared to the 2023/24 approved budget.

The resultant impact of the above increase in both income and expenditure is cost pressure of £0.7m. This is expected to be realised through the efficiency planning current underway within the Service. Based on papers previously presented to the Authority, this £0.7m saving could be achieved through a reduction of 14 Fire Fighter posts to the Establishment levels. This is planned to be achieved through the Retirement Profile of the Service.

### **Section 25 Report**

- 5.24 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 have regard to the report in making its decisions.

### **Statement on the Robustness of the 2024/25 Revenue Budget**

- 5.25 The net revenue budget requirement for 2024/25 has been assessed as £52.925m 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.
- 5.26 It should be emphasised that these assessments are being made for the 12-month period to 31 March 2025, 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 continued high inflation levels and the potential changes relating to the General Election in 2024.
- 5.27 Details of those budget areas that are most at risk from these uncertainties are included in **Appendix 3**, together with details of the action taken to mitigate each of these identified risks.

- 5.28 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 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 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.
- 5.29 Whilst there is only a legal requirement to set a budget requirement for the forthcoming financial year, the Medium-Term Financial Plan (MTFP) is an important tool to aid financial planning which provides forecasts of indicative budget requirements over a four-year period covering the years 2024/25 to 2027/28. These forecasts include only prudent assumptions in relation to future pay awards and price increases, which will need to be reviewed in light of pay settlements and movement in Consumer Prices Index.
- 5.30 The Fire Authority has a good track record of delivering required efficiency savings. The MTFP includes forecasts of unidentified savings of £4.1m by 2027/28 based on Option 1, increasing to £5.1m based on Option 2, some of which is driven by increasing capital financing costs. 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.
- 5.31 The estimates and budget contained within this and previous reports are based on sound financial principles and robust data collections and as such the Statutory Finance Officer believes they can be relied upon to set the Fire Authority's precept for 2024/25.

#### **Adequacy of the Level of Reserves**

- 5.32 Total Reserve balances as at 31 March 2024 are forecast to be £10.781m made up of General Reserve (uncommitted) of £1.5m, Capital Reserves of £5.093m and Earmarked Reserves (committed) of £4.188m. This level is anticipated to decrease by the end of the current financial year due to planned expenditure to be funded from earmarked reserves.
- 5.33 The agreed General Reserve balance of £1.5m represents 2.8% 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 is reviewed annually as part of the Reserves Strategy to assess its adequacy in light of changing circumstances.

- 5.34 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 holding of adequate levels of general reserves will be increasingly important over the coming years for the Authority as Capital Reserves are depleted and additional external borrowing is planned.
- 5.35 An analysis of the estimated reserves and the purpose for which they are held is shown in **Appendix 4**.
- 5.36 The Authority's Reserves Strategy is reviewed annually, most recently in June 2023, and is available on the Authority's website at [www.avonfire.gov.uk](http://www.avonfire.gov.uk)
- 5.37 It is the Statutory Finance Officer's view that the budget proposed together with adequate levels of Reserve balances is sufficiently robust for 2024/25 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 estimates included in the budget and the adequacy of 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 2024/25
2. Draft Budget Options 2024/25
3. Financial Risk Identification and Management Action
4. Estimated Reserves Balances as of 31 March 2024

**10. REPORT CONTACT**

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