

Medium Term Financial Outlook 2022/23 – 2023/24

1. A two-year budget has been presented as part of this report. However, after March 2022, we have (at the time of writing) very little certainty about funding arrangements or the future economic outlook. As a result, medium-term planning is a somewhat precarious exercise.
2. Our central forecasts for the period up to 2023/24 are set out in the table below. The key assumptions (and the associated risks and uncertainties) are further explained below.

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Expenditure total	40,210	40,740	41,221
Business rates income	4,330	4,551	4,551
Top-up payment	5,546	5,657	5,657
Revenue Support Grant	4,343	4,330	4,514
Less assumed future cuts	0	0	(300)
Council Tax	22,816	23,500	24,094
Collection Fund	(166)	(127)	(127)
Actuarial Review Compensation Grant	1,795	1,500	1,200
Other Grant	1,190	787	787
Fees and Charges	356	363	368
Income Total	40,210	40,561	40,744
Budget gap	0	179	477

Expenditure

3. The expenditure budgets include the permanent growth detailed as part of this report and assumptions around pay inflation going forward, along with a planning provision in 2022/23 onwards.
4. The main area of risk for the Fire Authority's budget is in relation to the assumptions around pay awards as this is the large proportion of the total budget.
5. Income
6. We assume that council tax increases will continue to be restricted by the referendum rules, although we do not yet know the rules. For planning purposes, the table above assumes council tax increases of 2% per year. If the economic downturn is longer, or more severe, than our projections this will have a further effect on income.
7. The rates forecasts presented above assume no substantial changes to the funding we receive. The government has proposed significant reforms to the funding system, although these have now been delayed several times. These

include increasing the proportion of rates retained locally to 75%. In itself, the change should be financially neutral, as other funding elements will be reduced to offset the additional retained rates. There may also be reforms to the system to cushion the impact of appeals.

8. There is likely to be a more substantial effect on finances from the “fair funding review” planned for the same date, which will redistribute resources in Local Government. At the time of writing, it is unclear what the impact will be on Fire Authorities.
9. For planning purposes, the budget figures for 2022/23 and 2023/24 assume additional real-terms cuts.
10. A longer or more severe economic downturn will also pose a risk to income projections. This could result in new cuts to grant; falling business rate income; and increased cost of council tax reductions for taxpayers on low incomes.

Summary of Medium-Term Projections.

11. The projections above show a funding gap in 2022/23 onwards. This is manageable for the Fire Authority initially using the budget reserve they have available. This will enable time to plan the best approach to be taken by the Fire Authority without having to make in year budget cuts.