

IFCA Budget Options 2023/24

1. Recommendations:

That the finance group:

- 1.1. Considers the following budget options and recommend a preferred way forward for the Authority meeting on 15th December;

2. Background

- 2.1. The purpose of this paper is to explore future financial challenges facing the IFCA by using three scenarios and options facing the Authority.
- 2.2. The Chief Officer recently received verbal confirmation of a further £100,000 from DEFRA for 2022/23 and the likelihood of a further £150,000 in 2023/24.
- 2.3. This has deferred the urgency of any decisions regarding the level of expenditure that local authorities are prepared to fund in terms of increases in the levy.
- 2.4. The budget gap, if this £150,000 additional DEFRA grant is withdrawn or ceases is equivalent to 23% of the levy.
- 2.5. Projected costs for 23/24 are shown in Table 1.

Table 1 – Estimated costs for 2023/24

	2022/23 Base Budget £	Base Budget Adjustments £	Inflation £	2023/24 Budget £
Employees	644,000	62,300	21,000	727,300
Premises	34,600	2,500	0	37,100
Transport	14,400	(700)	800	14,500
Supplies & Services	70,700	(2,700)	3,100	71,100
Boat Costs	25,800	5,100	1,400	32,300
Environmental Research	17,200	0	0	17,200
Support	62,200	(8,300)	1,200	55,100
Fees & Charges	(41,200)	1,200	0	(40,000)
	827,700	59,400	27,500	914,600

The currently levy raises £762,200 from local authorities.

- 2.6. Estimated costs for 2024/25 are shown in Table 2.

Table 2 – Estimated costs for 2024/25

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Employees	727,300	7,200	14,700	749,200
Premises	37,100	0	0	37,100
Transport	14,500	0	300	14,800
Supplies & Services	71,100	0	1,100	72,200
Boat Costs	32,300	0	600	32,900
Environmental Research	17,200	0	0	17,200
Support	55,100	0	500	55,600
Fees & Charges	(40,000)	0	0	(40,000)
	914,600	7,200	17,200	939,000

3. Assumptions

- 3% pay increase with a 2% contingency for 23/24 (working on the same assumptions as DCC) – there was no announcement by the Chancellor on pay restraint;
- 2% pay increase for 24/25 plus an additional 1% for increments;
- Any additional costs from job evaluations have not been taken into account and would increase the budget gap;
- 5% inflation applied in 23/24;
- 2% inflation applied in 24/25;
- There is strong indication from the Chief Officer that an additional £100,000 funding from DEFRA will be received in 22/23;
- The following figures don't include any associated one-off transformation costs.

4. Scenario 1: £150K grant received in 23/24 from DEFRA (most likely scenario)

Options:

- Zero increase in levy, use of reserves of £2,400 – negligible gap.

Table 3 shows the summary budget where there additional DEFRA grant is received of £150K and there is no increase in levy

	2022/23 Base Budget £	Base Budget Adjustments £	Inflation £	2023/24 Budget £
Total Expenditure (Table 1)	827,700	59,400	27,500	914,600
Contingency /Potential Use of Reserves	(65,500)	63,100	0	(2,400)
DEFRA Funding	0	(150,000)	0	(150,000)
Total	762,200	(27,500)	27,500	762,200

If the IFCA wishes to fund additional work then this would require an increase in the levy. An increase in levy of 1% raises £7,600. For each additional post an average of just over 6% would be needed (based on average fte of £48,300 including on costs).

5. Scenario 2: no grant received from DEFRA (worst case)

Options:

- Zero increase in levy in 23/24 – balance down to £400K by 31 March 2024. Using reserves at this rate would mean that by the end of 24/25 the balance would be approaching the minimum balance of 25% of total revenue expenditure. Significant action would need to commence in 24/25.

Table 4 shows the summary budget for 2023/24 where there is no additional grant from DEFRA and no increase in levy

	2022/23 Base Budget £	Base Budget Adjustments £	Inflation £	2023/24 Budget £
Total Expenditure (Table 1)	827,700	59,400	27,500	914,600
Contingency /Potential Use of Reserves	(65,500)	(86,900)	0	(152,400)
DEFRA Funding	0	0	0	0
Total	762,200	(27,500)	27,500	762,200

This paper puts forward 3 illustrative options facing the IFCA in 2024/25 if £152,400 of reserves are needed to support the 2023/24 budget

- Option A - Increase levy (23% in 24/25) to close gap in one year **(this is not a proposal it is simply illustrative and is intended to close the gap in one year)**

Table 5 shows the 2024/25 budget under option A – where the budget gap is closed by levy increase of 23% in just one year, 2024/25.

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(152,400)	152,400	0	0
DEFRA Funding	0	0	0	0
Levy	(762,200)	(175,306)	0	(937,506)
Total Budget Gap	0	(15,706)	17,200	1,494

- Option B - Increase levy by 10% and reduce costs by £100,580 **(this is not a proposal it is simply illustrative and is intended to close the gap in one year)**

Table 6 shows the 2024/25 budget under option B – where the expenditure is met partly from an increase in levy (10%) and partly from spending reductions

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(152,400)	152,400	0	0
DEFRA Funding	0	0	0	0
Levy	(762,200)	(76,220)	0	(838,420)
Total Budget Gap	0	83,380	17,200	100,580

- Option C - Meet the whole gap in 2024/25 by reduced expenditure of £176,800 **(this is not a proposal it is simply illustrative and is intended to close the gap in one year)**

Table 7 shows the 2024/25 budget where there is no increase in levy and the gap is met wholly through spending reductions (Option C)

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(152,400)	152,400	0	0
DEFRA Funding	0	0	0	0
Levy	(762,200)	0	0	(762,200)
Total Budget Gap	0	159,600	17,200	176,800

Table 8 shows the estimated balance of reserves for each of the three options up to March 2025

	2022/23 Projection £	2023/24 Projection £	2024/25 Projection Option A £	2024/25 Projection Option B £	2024/25 Projection Option C £
Balance 1st April	531,517	554,017	401,617	401,617	401,617
Transfer from Reserve	22,500	(152,400)	(1,494)	0	0
Balance 31st March	554,017	401,617	400,123	401,617	401,617

6. Scenario 3 - £50,000 continues to be received from DEFRA for the 2023/24 and 2024/25

- Zero increase in levy in 23/24 – balance down to £450K by 31 March 2024 and future use of reserves cannot continue to be used at an unsustainable rate. Action would need to be agreed in 24/25.

This paper puts forward 3 illustrative options facing the IFCA in 2024/25 if £102,400 of reserves are needed to support the 2023/24 budget.

- Option D - Increase levy by 16% in 24/25 to close gap **(this is not a proposal it is simply illustrative and is intended to close the gap in one year)**

Table 9 shows the 2024/25 budget under option D where additional grant from DEFRA of £50,000 continues, no increase in levy in 2023/24 and the gap is closed by levy increase of 16% in 2024/25

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(102,400)	102,400	0	0
DEFRA Funding	(50,000)	0	0	(50,000)
Levy	(762,200)	(121,952)	0	(884,152)
Total Budget Gap	0	(12,352)	17,200	4,848

- Option E 24/25 - Increase levy by 5% and reduce costs by £88,690 (**this is not a proposal it is simply illustrative and is intended to close the gap in one year**)

Table 10 shows the 2024/25 budget under option E where additional grant from DEFRA of £50,000 continues, levy increases by 5% in 24/25 and there are spending reductions of £88,600

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(102,400)	102,400	0	0
DEFRA Funding	(50,000)	0	0	(50,000)
Levy	(762,200)	(38,110)	0	(800,310)
Total Budget Gap	0	71,490	17,200	88,690

- Option F 24/25 - Meet whole gap by reduced expenditure £126,800 (**this is not a proposal it is simply illustrative and is intended to close the gap in one year**)

Table 11 shows the 2024/25 budget under option F where there is no increase in levy and there are significant spending reductions of £126,800

	2023/24 Base Budget £	Base Budget Adjustments £	Inflation £	2024/25 Budget £
Total Expenditure (Table 2)	914,600	7,200	17,200	939,000
Contingency /Potential Use of Reserves	(102,400)	102,400	0	0
DEFRA Funding	(50,000)	0	0	(50,000)
Levy	(762,200)	0	0	(762,200)
Total Budget Gap	0	109,600	17,200	126,800

Table 12 shows the estimated level of reserves at the end of March 2025 under each of the three options where grant of additional DEFRA grant of £50,000 continues to be received (Scenario 3)

	2022/23 Projection £	2023/24 Projection £	2024/25 Projection Option D £	2024/25 Projection Option E £	2024/25 Projection Option F £
Balance 1st April	531,517	554,017	451,617	451,617	451,617
Transfer from Reserve	22,500	(102,400)	(4,848)	0	0
Balance 31st March	554,017	451,617	446,769	451,617	451,617

Appendix – for illustrative purposes only

Scenario 2 – where there is no additional grant from DEFRA

Increase levy by 7% in 23/24 and for following 3 years

	2023/24	2024/25	2025/26	2026/27	2027/28
Expenditure	914,600	939,000	964,100	990,000	1,016,500
Levy (Increase 7%)	815,554	872,643	933,728	999,089	1,069,025
Balance to/ from reserves	(99,046)	(66,357)	(30,372)	9,089	52,525
General Reserve:					
Balance 1st April	454,017	354,971	288,614	258,242	267,330
Contribution to Reserve	0	0	0	0	0
Transfer from Reserve	(99,046)	(66,357)	(30,372)	9,089	52,525
Balance 31st March	354,971	288,614	258,242	267,330	319,855

- Reduce expenditure in 23/24 and subsequent years £152,400

	2022/23 Base Budget £	Base Budget Adjustments £	Inflation £	2023/24 Budget £
Total Expenditure (Table 1)	827,700	59,400	27,500	914,600
Contingency /Potential Use of Reserves	(65,500)	65,500	0	0
DEFRA Funding	0	0	0	0
Levy	(762,200)	0	0	(762,200)
Total	0	124,900	27,500	152,400

Scenario 3 where additional grant of £50,000 continues for 2023/24 and 2024/25

- Increase levy by 3% in 23/24, 4% for 24/25, 7% for 25/26, 13% for 26/27 and then 3% for 27/28

			£50K Funding Stops		
	2023/24	2024/25	2025/26	2026/27	2027/28
Levy Increase %	3	4	7	13	3
Expenditure	864,600	889,000	964,100	990,000	1,016,500
Levy	785,066	816,469	873,621	987,192	1,016,808
Balance to/ from reserves	(79,534)	(72,531)	(90,479)	(2,808)	308
General Reserve:					
Balance 1st April	454,017	374,483	301,952	211,473	208,665
Contribution to Reserve	0	0	0	0	0
Transfer from Reserve	(79,534)	(72,531)	(90,479)	(2,808)	308
Balance 31st March	374,483	301,952	211,473	208,665	208,973

- Reduce expenditure in 23/24 and subsequent years £102,400

	2022/23 Base Budget £	Base Budget Adjustments £	Inflation £	2023/24 Budget £
Total Expenditure (Table 1)	827,700	59,400	27,500	914,600
Contingency /Potential Use of Reserves	(65,500)	65,500	0	0
DEFRA Funding	0	(50,000)	0	(50,000)
Levy	(762,200)	0	0	(762,200)
Total	0	74,900	27,500	102,400