

Revisions to the 2024/25 Revenue Budget

Report of the Treasurer

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1 Purpose of Report

This report presents a final revenue budget package for 2024/25 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

2 Recommendations

The Committee is asked to recommend that the Fire Authority approve

- a) a precept increase for 2024/25, based on one of the options in section 8, and
- b) a revenue budget in line with the precept increase approved above.

3 Background

At its meeting in December 2023, the Fire Authority was presented with a summary of the revenue budget for 2024/25 that had been considered by Strategy & Resources Committee, along with its medium-term planning requirements. These were based on assumptions currently in use by officers in the Service's scenario planning.

Members were informed that the Chancellor had announced the spending review for 2023/24 and future years, which included an increase in real terms for local government, a recognition of reducing inflationary pressures in the medium term, and council tax flexibilities for local authorities set at 2.99%, although no announcement had been made specifically around Fire precept.

Following the spending review announcement, officers confirmed current modelling assumptions:

- Grant increased by 6.7% in 2024/25 and 2% thereafter; continuation of Services Grant, 2% increase in rates income from 2024/25
- Precept increase of 2.99% for 2024/25 and later years
- Council tax base increase of 1.87% from 2024/25
- Pay award of 5% from 2024/25, reducing to 4% then 3% in future years.

The table below shows approved expenditure and the projected surplus or deficit using current assumptions for income.

	2024/25 £000	2025/26 £000	2026/27 £000
Expenditure budget proposed by the Committee	-27,247	-28,232	-29,040
Income	27,288	28,433	29,538
Surplus / - deficit on revenue budget	41	201	498

The government published its local government finance policy statement on 5 December 2023, which confirmed its intentions for the finance settlement over 2024/25.

Confirmations within the document included:

- an increase in revenue support grant of 6.7%;
- confirmation that the s31 grant for pension contribution increases following the 2016 valuation had been rolled into revenue support grant, and will be indexed from 2025/26;
- continuation of a number of grants, with Rural Services Delivery Grant held at flat cash, and Services Grant reduced by 88% (this has been used to fund grants elsewhere in the funding settlement);
- precept referendum principles for the Fire sector reduced to 2.99%, from £5 in 2023/24.

4 Further Developments – Expenditure

Further reviews of budget areas have been undertaken and the following adjustments are proposed:

	Cost / -Saving £000
Pay award - following the policy announcement, particularly around precept flexibilities, the assumptions for pay award for 2024/25 were reduced to 4%. This was deemed to be a realistic and affordable assumption for likely pay next year and reduces the pay contingency by £160,000 per year.	-160
Ill health and injury pensions - the current budget has not kept up with inflationary increases that have been applied to pensions payments – an increase of £85,000 is required to inflate current provision.	85
Pay increments – following a departmental review that took place during 2022/23, a number of posts within Planning and Performance and ICT have been regraded. A total of £75,000 has been added to the budget to accommodate these additional costs.	75

5 Provisional Grant Settlement 2024/25

The provisional finance settlement was announced on 18 December, providing numbers for 2024/25 only.

The main points of the settlement were:

- Revenue Support Grant has increased by 6.7%, and pensions funding grant has been rolled into settlement funding;
- Rates and top up grant increased by 6.75%
- Rural Services Delivery Grant has continued in cash terms
- Service Grant has continued, with a large reduction due to support for other areas of the settlement;
- S31 grant income for rates compensation is £700k higher than expected.
- Council tax referendum spending limit for 2024/25 is confirmed at 2.99% for 2024/25
- An amount of £174,000 has been paid as funding guarantee – this is to ensure that all fire authorities receive at least 3% increase in core spending power before council tax or use of reserves. Of the 44 fire authorities, 31 reached the threshold for funding guarantee payments, including Shropshire.

Fire Pension Scheme Valuation 2020

The Treasury has now completed its analysis of the outcomes of the 2020 valuation; the impact of the valuation on the schemes is an increase in employer contributions, from 30.2% to 37.6%.

It has been confirmed by the Home Office that the total costs of this increase for 2024/25 will be funded by government; however, as 2025/26 is the beginning of the next Comprehensive Spending Review, continued funding for this increase cannot be guaranteed.

The contribution increase represents an increase in the revenue budget of around £800,000 per year. This potential costs from 2025/26 must be borne in mind as future precept increases are considered.

6 Council Tax Base and Collection Fund

Council Tax Base

The council tax bases for Shropshire Council and Telford & Wrekin Council have been approved for 2024/25 and total growth of 1.35% has been confirmed, which is lower than assumed growth and reduces the Authority's anticipated income by £100,000 per year. Officers will continue to liaise with officers in constituent authorities on the medium-term estimates on base growth to inform planning options.

Collection Funds

The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are currently being finalised.

7 Future Growth and Investment

Community Risk Management Plan Outcomes

The Community Risk Management Plan forms the basis of the contract between Shropshire and Wrekin Fire and Rescue Authority and the communities and individuals it serves. The plan underpins the Service strategy for the next 4 years and sets out how it plans to ensure the right people and equipment are in the right place at the right time.

Work is currently underway to develop the CRMP objectives for 2025-2029 and these include using data to determine where our assets are located to meet risk. Initial evidence suggests that the Service would benefit from having specialist stations concentrating on the following areas:

- Working at height
- Water capability and water rescue
- Technical rescue and animal rescue capabilities

This will ensure the Service has specialist assets available with high levels of competence to meet existing and future risk. Focus will also be placed on ensuring that the Service is structured to meet new and emerging risks, such as response to climate change (flooding and wildfires) and new technologies, such as electric vehicles and battery energy storage sites.

This work will require investment to meet current and future demands; indicative figures have been included within the capital report and may vary as an evidenced based approach to CRMP is developed.

Other growth and investment

As well as the expenditure numbers shown above, capital charges are still to be factored into the revenue budget following approval of the capital programme later on the agenda, these will increase as capital reserves are depleted and further borrowing is undertaken.

Some departments are currently being reviewed and a number of growth posts have been considered to ensure that the service can continue to meet its objectives. Officers are conducting a strategic review of the Service's structure, and it is felt that temporary posts are appropriate until the strategic direction of the Service is determined.

The posts that have been proposed are:

	£000
Human Resources 12-month fixed term contract for HR Manager post, to be backfilled with a 12-month fixed term contract for HR Officer post. This current temporary structure is currently in place and has proved successful, until a restructure can take place.	65
Fire Control 12-month fixed term contract for a day duty Watch Manager, to support risk critical project work and to provide resources for operational duties such as changes to call signs, rotas and systems as required.	50
Operations 6-month fixed term contract for maintenance and assurance of National Operational Guidance. This post will also provide a link to Fire Control National Operational Guidance when this is introduced.	32
ICT 12-to-24-month fixed term contract for a Systems Engineer – this post would provide infrastructure resilience and would provide support for major projects and other activity.	66 2024/25 and 2025/26
Prevention – Safeguarding It was recognised that a resource will be required to support the Service's involvement in partnership working in this area. A piece of work will be commissioned to determine Service requirements – this will be funded from current resources and will lead to future pay costs in future years.	-
Total 2024/25	213

In addition, members will be aware of the strategic reviews that were introduced in 2022/23, as part of the Authority's new Service Plan. These will continue throughout the four-year strategic planning period.

These include reviews of the Service's operational resource requirements, the sustainability of its On Call service, the productivity and efficiency of the Service and how its resources are used, and how they are identified, measured and reported.

A total of £200,000 was allocated to the Service Transformation Board Staff Reserve in 2022/23 to ensure that these projects and reviews were adequately resourced.

Consideration was also given to the ongoing resource requirements as these reviews were completed. The Authority considered the introduction of some modest growth in the budget in 2023/24 and 2024/25, however due to pay awards over and above contingency levels, this was withdrawn.

The current funding position has enabled the reintroduction of £150,000 of this growth from 2024/25. Its use will be determined as the reviews progress.

The financial position after applying these changes is shown in the following table:

	2024/25 £000	2025/26 £000	2026/27 £000
Expenditure budget proposed by the Committee	-27,247	-28,796	-30,141
Pay and prices		-939	-801
Pensions grant rolled into settlement	-1,101		
Replacement C&C system – approved CFA Dec 23	-85	-3	-108
Pay award – 5% to 4%	160		
Pensions – ill health and injuries	-85		
Departmental review - pay increments	-75		
CRMP outcomes		-250	
Strategic planning - posts	-213	147	66
Growth following structural review		-300	
Projects - reintroduction of growth	-150		
Total expenditure	-28,796	-30,141	-30,984
Income	29,108	30,265	31,475
Surplus / - deficit on revenue budget	312	124	491

8 Consideration of Precept Increases

In 2023/24 the council tax referendum spending limit was increased to £5 for fire and rescue authorities, and this was in part due to co-ordinated lobbying by the local members of Parliament, National Fire Chiefs Council, the Local Government Association and the Home Office. Despite continued lobbying, the spending limit has reverted to 2.99% for fire authorities, which, coupled with a one-year settlement, limits scope for development and medium-term planning.

It is prudent to consider a range of precept increase options and the consequences of these options. The maximum of 2.99% is shown in the table, along with lower percentage increases.

The potential increase in pension costs following the 2020 scheme valuation has also been factored into the options.

Precept Increase	Pensions Increase?	Surplus / (Deficit) £'000		
		2023/24	2024/25	2025/26
2.99% from 24/25	N	313	125	491
2.99% from 24/25	Y	313	-675	-309
1.99% 24/25, then 2.99%	N	117	-80	276
1.99% 24/25, then 2.99%	Y	117	-880	-524
0.99% 24/25, then 2.99%	N	-78	-285	61
0.99% 24/25, then 2.99%	Y	-78	-1,085	-739
Nil 24/25, then 2.99%	N	-272	-488	-152
Nil 24/25, then 2.99%	Y	-272	-1,288	-952

The revenue consequences of the capital programme from 2024/25 will be considered later on the agenda, and indicative costs to be added to the revenue budget are as follows:

Cumulative Capital Charges £'000		
2024/25	2025/26	2026/27
-85	-248	-317

A precept increase of 2.99%, or 6p per week, would enable the Authority to cover inflationary pressures and service its capital programme, but would also provide some capacity to ensure that objectives are met, and developments explored.

The revenue budget will be in deficit for each year of the planning period if the Authority does not receive grant for the increase in employer pension contributions from 2025/26. Potential growth, investment and development will need to be rescoped and plans amended accordingly.

9 Medium Term Budget Considerations

The budget position for 2024/25 has been updated to reflect the information available following the settlement.

While the finance settlement for 2024/25 is more favourable than anticipated, single year settlements continue to hamper medium term planning and sustainability. The Fire Authority's strategy has been to assess the consequences of its decisions across the planning period, which enables timely strategic decisions to be implemented.

Assumptions have been revised to better reflect the Authority's likely position following the single year settlements. The Fair Funding Review, which would improve the distribution of funds across local authorities, is unlikely to be carried out within the next two years. This would negate the need for local authorities to rely on council tax to fill any funding gaps.

As in previous budget cycles, the years following 2024/25 are estimates only, and will be updated when further information becomes available.

10 Final Budget Options

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below – this is based on the council tax flexibility of 2.99%. The figures are subject to change following the confirmation of one-off balances on collection funds for both constituent authorities.

The Committee is asked to recommend a precept increase of 2.99% (£3.33) to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure budget proposed by the Committee	-28,796	-30,141	-30,984
Funded by:			
Revenue Support Grant and Business Rates Income	6,937	7,076	7,218
Other Grants	2,050	2,078	2,107
Council Tax	20,122	21,111	22,150
Collection Fund	0	0	0
Total	29,109	30,265	31,475
Surplus / -Deficit	313	124	491

11 Financial Implications

There are no financial implications other than those outlined in the report.

12 Legal Comment

There are no legal implications arising directly from this report.

13 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

14 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

15 Appendices

There are no appendices attached to this report.

16 Background Papers

There are no background papers associated with this report.