

2024/25 and Later Years Revenue and Capital Budgets

Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, or Joanne Coadey, Head of Finance, on 01743 260215.

1 Executive Summary

This report brings together the elements of an initial revenue budget, based on current planning assumptions, and seeks the Committee's approval for this outline to be recommended to the Fire Authority in December 2023.

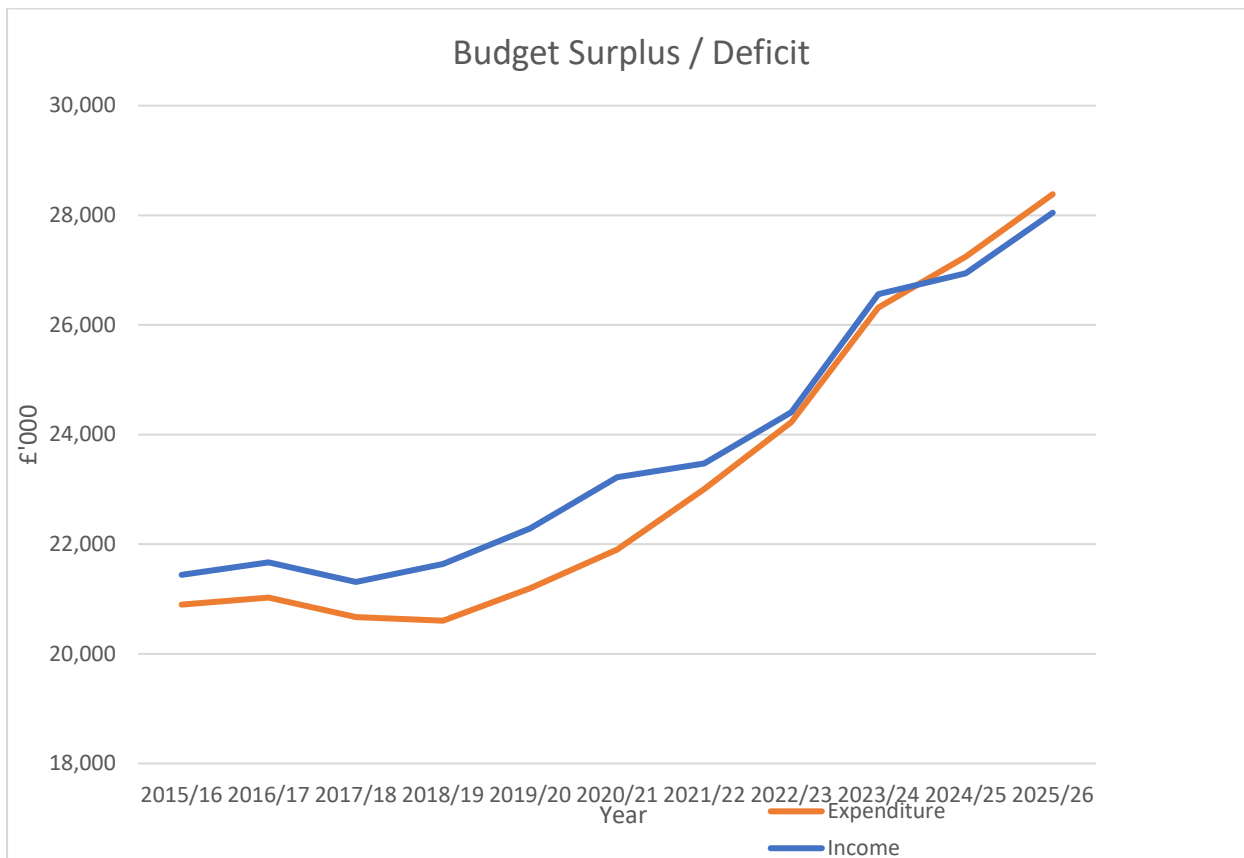
2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Notes the revisions and the committed changes to the base budget, as shown in section 4;
- b) Notes the efficiencies identified within the base budget as shown in section 5;
- c) Bases its pay and price contingency in the revenue budget on the calculations set out in section 6;
- d) Notes the process for the approval of the capital programme, and
- e) Approves the expenditure figures associated with those approved assumptions as a basis for developing the budget at the meeting of the Fire Authority on 13 December 2023.

3 Background

At its meeting in February 2023, the Fire Authority approved a revenue budget of £26.562m for 2023/24, which included a budgeted surplus of £0.246m. Revenue budgets to 2025/26 were also projected, although Members were advised that, due to the uncertainty about future funding, these were purely estimates. This noted position is shown in the following graph:



The following assumptions, upon which the budget was set, were approved by the Fire Authority:

- Precept increase of 4.6% in 2023/24, 3% thereafter
- 5% pay award for 2023/24, 4% thereafter, for operational staff
- 6% pay award for 2023/24, 4% thereafter, for support staff
- Revenue Support Grant increased by 10.1% in 2023/24, 5% in 2024/25, 2% thereafter
- Council tax base growth at 2.31% in 2023/24, 1.87% thereafter
- Business rates received from Shropshire Council and Borough of Telford & Wrekin, increased by 10.4%
- Business rates top-up grant received from Government, increased by 4.5%

This report deals with the revenue budget and proposes changes in revenue expenditure. The stages in the budget process, and the proposed updates to assumptions during, and as a result of, the review are laid out in the following sections. The Committee is asked to consider each element and approve the associated recommendations at the beginning of the report.

Although funding estimates can only be completed once final information becomes available for Council Tax Band D Base and Collection Fund balances, planning will continue, based on the assumptions adopted by the Authority.

Efficiency Plan and Spending Round

The Chancellor of the Exchequer announced the Government's Spending Review for 2022/23 and future years on 27 October 2021 and a one-year settlement was received for 2022/23.

Single year figures were provided for 2023/24, and a policy statement was released which provided clarity on some aspects of the settlement for 2024/25.

A spending review is expected on 22 November 2023; settlements for individual authorities are expected before Christmas.

In line with the Fire Authority's Efficiency and Productivity Plan, which was submitted to the Home Office in March 2023, Officers have begun an exercise to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity. Reductions in budget areas can be reinvested into new areas or those that require improvement. They can also be utilised to meet cost pressures such as increases in pay and inflation, anticipated over the next two years.

For future spending reviews, the Treasury will expect to see evidence of efficiency and productivity improvements from Fire and Rescue Services. Work is currently being undertaken by the Home Office, Local Government Association and National Fire Chiefs Council to ensure that this is measurable and available for the next Spending Review submission.

Officers will continue to work with budget holders to identify, record and report efficiencies and improvements in productivity.

4 Stage One – Base Budget Review and Committed Changes

As the first step in the budget setting process, revenue budgets have been reviewed; this has taken into account both changes that have been made to date to the 2023/24 revenue budget, and anticipated changes for 2024/25 and future years.

It is important at this stage in the process to review where efficiencies can be identified, following new ways of working or as a result of technological improvements.

Officers will continue to review their budgets with the Finance Team, with the opportunity to make changes within the total provided where necessary.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process and reported to Members.

Note	2024/25 £'000	2025/26 £'000	2026/27 £'000
2023/24 Budget	26,317	26,317	26,317
Committed Changes			
Removal of growth added 2023/24	-150	-150	-150
Reverses contribution to capital 2023/24	-208	-208	-208
Capital charges – 23/24 schemes	187	187	187
1 Operational Support Technician	40	40	40
2 Pensions Officer	50	50	50
3 New/amended contracts	51	51	51
Base Budget Review			
4 Vehicle parts	30	30	30
Investment income	-100	-100	-100
5 Development courses	15	15	15
6 Development assessment processes - see Efficiencies	30	30	30
7 Laundry decontamination costs – see Efficiencies	10	10	10
Equality & Diversity – conferences and reasonable adjustments	7	7	7
Total	26,279	26,279	26,279
Total movement in base budget	-38	-38	-38

Note 1 - Operational Support Technician – this post is being introduced to ensure legal compliance around vehicle maintenance and was approved by the Authority in October 2023

Note 2 - Pensions Officer – this post is being introduced to the Service to ensure compliance with pensions regulations and to provide essential in-house pensions knowledge to work alongside the administrator. Subject to Fire Authority approval on 22 November 2023.

Note 3 - New / amended contracts

	£'000
Clinical governance	10
Confidential reporting line	5
Software – reasonable adjustments	5
Enhanced DBS checks	3
Enhanced recruitment software	6
Renewed occupational health contract	22

Note 4 - Vehicle parts –the increased useful lives of special appliances have led to more expensive and technological repairs and servicing.

Note 5 – Development courses – formal development of candidates successfully completing assessments have increased.

Note 6 – Development assessment processes – changes in the way that the Service assesses potential promotions has resulted in an efficiency – see section 5. The saving identified is now funding additional assessments elsewhere in the Service, additional qualifications for staff and management development programmes.

Note 7 – Laundry- the cost and frequency of decontaminating fire kit has increased.

Please see recommendation a).

5 Stage Two – Efficiencies

In line with the Authority’s Efficiency and Productivity Plan, which was submitted to the Home Office in March 2023, Officers have begun an exercise to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity.

The table below shows areas where efficiencies have been identified and can be removed from the budget. In some instances, the funds have been used elsewhere, and this is shown in the base budget review above.

Efficiencies	2024/25 £'000	2025/26 £'000	2026/27 £'000
Debt charges – further contributions of surplus and underspend into the Major Projects Reserve have resulted in a reduction in debt charges for the Telford project	-130	-130	-130
Mileage – travel has reduced due to more meetings and conferences being done virtually	-30	-30	-30
Development - changes in the way that the Service assesses potential promotions has resulted in an efficiency	-30	-30	-30
Laundry – less repairs are being carried out following the replacement of fire kit	-10	-10	-10
Vehicle servicing – the frequency between aspects of appliance servicing has been extended, reducing annual costs	-10	-10	-10
Total	-210	-210	-210

Please see recommendation b).

6 Stage Three – Pay and Price Contingency

Officers have used the following methodology for establishing pay and prices contingencies:

- Analyse base budget (2023/24) into the spending areas, where pay or price changes can be significant;
- Make pay assumptions for firefighters, based on a realistic expectation for the outcome of the nationally negotiated settlement;
- Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- Take account of known issues, such as increments; Continuing Professional Development, National Insurance and tax changes; and
- Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, and create an appropriate contingency.

Current Developments

Protracted negotiations have taken place in 2022/23 and 2023/24, whilst settling the pay awards for both operational and support staff.

For operational staff conditioned to the Grey Book, a pay settlement was reached which confirmed awards for 2022/23 and 2023/24, at 7% and 5% respectively.

Support staff conditioned to the Green Book received an award in 2022/23 which saw the majority of staff receive a flat cash sum, and this has been repeated for 2023/24. The total cost of the increases equated to around 6% of pay.

In light of these pay awards, and the current position on cost of living pressures, it is prudent to continue to budget for higher pay awards of around 5% for 2024/25, reducing into the medium term; therefore, a pay award of 5% is proposed.

In terms of prices, non-pay increases in recent years have been based on the Office of Budget Responsibility's (OBR) forecasts for Consumer Price Index (CPI) inflation. The figure for 2024/25 has been increased slightly to allow for the Service's unusual 'basket of goods', as some areas of the budget may experience higher than normal inflationary pressures.

The OBR will produce updated forecasts following the Spending Review in November 2023; therefore, it is proposed that assumptions are updated following the announcement.

Conclusions

It is proposed that the figures for pay and price assumptions over the planning period will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
2024/25	5.0%	983	3.5	195
2025/26	4.0%	870	2.0	115
2026/27	3.0%	690	2.0	118

Please see recommendation c).

7 Stage Four – Capital Programme 2024/25 to 2027/28

The Authority has already agreed capital programmes for 2023/24 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years.

This stage deals with the options available for new schemes, starting next year.

The Capital Programme from 2024/25

The schemes under consideration include appliances, operational equipment, building and technological improvements, and are currently being reviewed by Officers. The Earmarked Capital Reserve has been fully utilised in funding existing schemes that have already been approved, and new schemes within this planning period will be funded from borrowing, in line with the Authority's Capital Strategy. Decisions around the need to borrow funds will be discussed with Treasury Services and borrowing costs have been factored into the revenue budget.

Funding for the major capital scheme at Telford is also being reviewed; the Major Projects Reserve has been built up in readiness for this development. However, due to the expected life of the Telford building, it is more efficient to provide for this building's replacement rather than some of the assets with a shorter life. Therefore, funds within the Major Projects Reserve may be used to fund schemes within the programme, other than Telford.

Borrowing decisions will be made at the most financially optimal time, in line with the needs of the Authority's Capital Financing Requirement. The associated borrowing costs are currently included in the Authority's scenario planning.

It should be noted that revenue consequences are limited to financing costs – any other costs need to be included as part of the project appraisals. Also, the Authority is presently only committing itself to schemes that start in 2024/25. The majority of schemes are currently shown as being spent in the start year. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspend.

The proposed capital programme will be brought to the Committee in January 2024 for consideration; it will then go forward to the Fire Authority for approval.

Appraisals for each scheme will confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any associated revenue consequences, such as running costs of property or systems.

Prudential Guidelines

In addition to the merits of the individual schemes within the final capital programme presented in February, the Authority will need to evaluate the programme in the light of its Capital Strategy, which includes Prudential and Treasury Management Guidelines.

Compliance with these indicators will demonstrate the affordability, sustainability and prudence of the proposed programme of schemes.

Future Capital Schemes

The forward capital programme is being thoroughly reviewed by officers and any future requests for schemes will be considered as part of the ongoing strategic planning process. Projects for consideration will be tested to ensure that, as far as possible, they are both realistically costed and resourced; will start when scheduled; and that, where possible, they have long-term revenue saving potential.

Please see recommendation d).

8 Revised Budget Summary

The changes to revenue expenditure, covered in the previous sections, can be summarised as follows:

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Previous Year's Budget	26,317	27,247	28,232
Committed Change	-38	0	0
Efficiencies	-210	0	0
Pay and Prices	1,178	985	808
	27,247	28,232	29,040

9 Funding Assumptions

Officers have continued to use the Service's budget planning model, which is estimating budgets and income to 2026/27. Financial planning will forecast the position of the revenue budget to 2026/27, but with emphasis on the medium term, i.e. 2024/25 to 2025/26.

The Authority's scenario planning shows that changes in assumptions can significantly alter the financial position of the Authority. Officers will continue to update the planning model as more information becomes available.

Revenue surpluses, which accumulated following the process, have been used to fund capital schemes, therefore maintaining stable capital reserves, but these reserves will be reduced to nil as current schemes are completed.

Forecasts for the longer term are provided within the table above as an indication of the financial position, based on a number of uncertain assumptions. Officers and Members should note this longer-term position and have plans and options available to meet a range of possible outcomes.

10 Financial Implications

The financial implications are as outlined in the main body of the report.

11 Legal Comment

There are no direct legal implications arising from this report.

12 Equality Impact Assessment

There are no equality or diversity implications arising from this report. An e-EQIA is not, therefore, required.

13 Appendices

There are no appendices to this report.

14 Background Papers

There are no background papers associated with this report.