

## 2025/26 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 Coady, 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 2024.

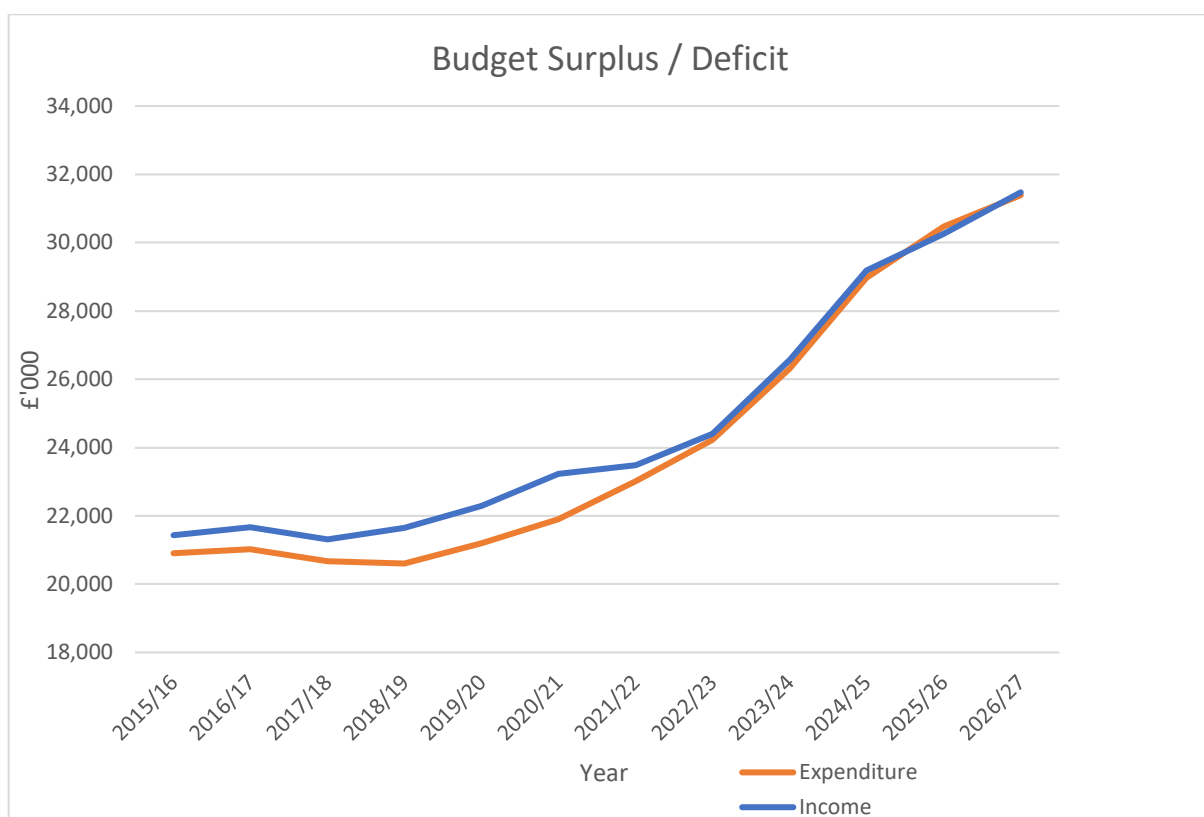
### 2 Recommendations

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 ongoing work on efficiencies and productivity improvements 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 5 December 2024.

### 3 Background

At its meeting in February 2024, the Fire Authority approved a revenue budget of £29.178m for 2024/25, which included a budgeted surplus of £0.202m. Revenue budgets to 2026/27 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 2.99% in 2024/25, 2.99% thereafter
- 4% pay award for 2024/25 and 2025/26, 3% in 2026/27, for operational and support staff;
- Revenue Support Grant increased by 6.7% in 2024/25, 2% thereafter;
- Council tax base growth at 1.35% in 2024/25, 1.87% thereafter
- Business rates received from Shropshire Council and Borough of Telford & Wrekin, increased by 6.7%
- Business rates top-up grant received from Government, increased by 6.7%

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 of the newly formed Government presented her first Autumn Budget on 30 October 2024.

Settlements for individual government departments were outlined in the Budget, and a policy statement outlining the Government's intentions will be published prior to the provisional settlement for individual authorities, anticipated to be received prior to Christmas.

The Budget also outlined that a productivity, efficiency and savings target of 2% has been issued to all government departments, but as yet there is no indication of plans for individual authorities.

The Authority's Efficiency and Productivity Plan for 2024/25 was submitted to the Home Office in March 2024, and reported cashable efficiencies that were removed from the revenue budget for 2024/25. 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.

Work has been ongoing during 2024 to establish a productivity baseline for operational activity. This has enabled officers to measure the productivity improvements that have been identified across operational staff. Work continues to be undertaken by the Home Office, Local Government Association and National Fire Chiefs Council to ensure that this evidence is measurable and available for the next Spending Review submission to the Treasury.

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 2024/25 revenue budget, and anticipated changes for 2025/26 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 Finance staff, 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	2025/26 £'000	2026/27 £'000	2027/28 £'000
<b>2024/25 Budget</b>	<b>28,976</b>	<b>28,976</b>	<b>28,976</b>
<b>Committed Changes</b>			
Removal of temporary staff added 2024/25	-147	-213	-213
Replacement command & control system	3	111	111
Replacement mobile data terminals	-13	-13	-13
Capital charges – 24/25 schemes	163	163	163
<b>Base Budget Review</b>			
Capital charges	-100	-100	-100
External audit fees	40	40	40
Holiday pay on overtime payments	15	15	15
Software licence costs	33	33	33
Finance and HR system contract charges	20	20	20
<b>Total</b>	<b>28,990</b>	<b>29,032</b>	<b>29,032</b>
<b>Total movement in base budget</b>	<b>14</b>	<b>56</b>	<b>56</b>

**Note 1 - External audit fees** – reflects the change in audit fees from 1 April 2024, following national procurement of audit services by Public Service Audit Appointments (PSAA).

**Note 2 – Holiday pay on overtime** – newly introduced legislation requires holiday pay to be paid on overtime payments; back pay has already been actioned, and this increase covers costs going forward.

**Note 3 – Software licence costs** – improved systems have been introduced in Technical Services, to manage vehicle management and hydrants maintenance. Budgets are required to cover increased licencing costs in future years.

**Note 4 – System contract charges** – additional costs for Finance and HR and Payroll systems following transition into cloud-based systems.

Please see recommendation a).

## 5 Stage Two – Efficiencies and Productivity

In line with the Authority's Efficiency and Productivity Plan which was submitted to the Home Office in March 2024, officers have continued work to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity.

Efficiencies were identified as part of the budget setting process for 2024/25 and reduced the revenue budget. During this year, officers have established a productivity baseline for operational staff, and changes have been made to work routines to improve productive hours on watches.

Work in this area is ongoing and progress and outcomes will be reported to the Home Office and the Authority.

## 6 Stage Three – Pay and Price Contingency

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

- Analyse base budget (2024/25) 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**

Following protracted negotiations in 2022/23 and 2023/24, the pay award for staff conditioned to the Grey book was quickly agreed for 2024/25 at 4%.

Support staff conditioned to the Green book have seen pay negotiations completed in October 2024, with a flat cash sum awarded to the majority of staff. The total cost of the increases equated to just over 3% of pay.

Current contingencies for pay award are set at 4% in 2025/26, reducing to 3% from 2026/27. However at the Budget on 30 October 2024, it was stated that “over the medium-term, above inflation pay awards are only affordable if they can be funded from improved productivity”. It is therefore proposed that pay awards are provided for at 2% per year for Grey, Green and Gold book staff, with any awards over and above this level being found from efficiencies found within current budgets.

In terms of prices, non pay increases in recent years have been based on the Office of Budget Responsibility’s forecasts for CPI inflation. The figure for 2025/26 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.

### **Conclusions**

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

	<b>Pay</b>		<b>Prices</b>	
	<b>%</b>	<b>£’000</b>	<b>%</b>	<b>£’000</b>
<b>2025/26</b>	2.0%	491	2.0	115
<b>2026/27</b>	2.0%	422	2.0	117
<b>2027/28</b>	2.0%	430	2.0	120

Please see recommendation c).

## **7 Stage Four – Capital Programme 2025/26 to 2027/28**

The Authority has already agreed capital programmes for 2024/25 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 2025/26**

The schemes under consideration include operational equipment, vehicles, building and technological improvements, and are currently being reviewed by officers. Decisions around funding the programme and the need to borrow funds will be discussed with Treasury Services and borrowing costs have been factored into the revenue budget.

Borrowing decisions will be made at the most financially optimal time, in line with the needs of the Authority's Capital Financing Requirement. Estimated 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 2025/26. 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 2025 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:

	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Previous Year's Budget	28,976	29,596	30,177
Committed Change	14	42	0
Pay and Prices	606	539	550
	<b>29,596</b>	<b>30,177</b>	<b>30,727</b>

## 9 Funding Assumptions

Officers have continued to use the Service's budget planning model, which is estimating budgets and income to 2027/28. Financial planning will forecast the position of the revenue budget to 2027/28, but with emphasis on the medium term, i.e. 2025/26 to 2026/27.

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 Capacity

Whilst future capacity impacts are referenced, there are no issues arising from this report.

## 11 Financial Implications

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

## 12 Legal Comment

There are no direct legal implications arising from this report.

## 13 Appendices

There are no appendices to this report.

## **14 Background Papers**

There are no background papers associated with this report.