

Revenue Budget 2024/25

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 Purpose of Report

This report incorporates the recommendations made by Strategy and Resources Committee on 31 January 2024, in relation to the revenue budget for 2024/25. The report also confirms the use of assumptions for medium-term financial planning.

2 Recommendations

The Fire Authority is recommended to:

- a) approve a revenue budget for 2024/25 and a forward financial projection to 2026/27, as set out in section 7;
- b) approve the Medium Term Financial Plan and Reserves Strategy 2024/25 to 2026/27, and
- c) delegate any necessary amendments to the revenue budget and the Medium Term Financial Plan to the Treasurer, in consultation with the Chair and the Vice Chair.

3 Strategy and Resources Committee

At its meeting on 31 January 2024, the Fire Authority's Strategy and Resources Committee were informed of a number of developments that had taken place since the last consideration of the revenue budget for 2024/25:

- A number of adjustments were made to the revenue budget, namely the reduction of pay award contingency for 24/25 from 5% to 4%, and some inflationary pressures and pay increments – these adjustments netted off;
- Provisional grant settlement for 2024/25 was announced on 18 December 2023, providing numbers for one year only.

The settlement was more favourable than anticipated:

- Revenue Support Grant increased by 6.7%
 - Rates and top up grant increased by 6.75%
 - Rural services grant continued in cash terms and service grant was reduced by 88% - this has been used to fund other aspects of the settlement
 - S31 grant for rates compensation was £700k higher than expected.
 - Council tax referendum spending limit for 2024/25 was confirmed at 2.99% for the Fire sector, reducing from £5 in 2023/24.
 - An amount of £174k 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.
- Pensions grant has been rolled into the settlement, to offset increases in employer contributions following the revaluation of the Fire pension schemes in 2016.
 - The 2020 valuation of Fire pension schemes has seen the employer contribution rate increase from 28.8% to 37.6%, costing an additional £800k per year. It was confirmed that funding would be available for 2024/25 to cover this increase, however as 2025/25 is the beginning of the next Comprehensive Spending Review, continued funding for this increase cannot be guaranteed.
 - Council tax base was confirmed at 175,764.97, an increase of 1.35% on 2023/24.

Officers outlined a number of initiatives to the Committee, that focussed on growth and investment for the Service in the medium to long term:

- Community Risk Management Plan (CRMP) outcomes – work is currently underway to develop the CRMP objectives for 2025-2029 and these include data to determine where our assets are located to meet risk. Focus will also be placed on ensuring that the Service is structured to meet new and emerging risks, such as climate change (flooding and wildfires) and new technologies, such as electric vehicles and battery storage sites.

This work will require investment to meet both current and future demands, and an indicative figure of £250k has been included in the revenue budget from 2025/26.

- Service departments are currently being reviewed and some growth posts have been considered to ensure that the Service can continue to meet its objectives. Officers are currently 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.
- As part of the introduction of Service reviews in 2022/23, growth of £150k was added to the budget to ongoing resource requirements. However, this

was removed in 2023/24 due to the national pay award for Grey Book staff. The current funding position has enabled the reintroduction of this growth from 2024/25.

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

Members were presented with a range of precept increases for consideration, ranging from no increase to 2.99% taking into the account the uncertainty around future funding for the Fire pension schemes valuation. A precept increase of 2.99%, or 6p per week, would enable the Authority to cover inflationary pressures and also service its capital programme, but would also provide some capacity to ensure that objectives are met, and strategic developments explored.

The Committee considered the options presented and recommended a precept increase of 2.99%, or 6p per week.

4 Further Developments

Final Local Government Finance Settlement 2024/25

The final settlement was announced on 5 February and the Authority received additional funding when compared to the provisional announcement:

- Rural Services Delivery Grant has risen from £375k to £434k.
- Funding guarantee has risen from £174k to £373k – this funding was originally awarded to ensure that every authority achieved at least 3%

increase in core spending power – this guarantee has been increased to 4%.

Capital Programme

Capital charges have been added to the revenue budget following recommendation from Strategy & Resources Committee and approval by the Fire Authority of the Service's capital programme from 2024/25 to 2028/29.

Replacement of Mobile Data Terminals (MDTs)

Members have received a paper and considered the replacement of MDTs elsewhere on the agenda. The ongoing costs of software have been factored into the budget for completeness.

Business Rates and Collection Fund

Business rates income figures have now been confirmed by Shropshire Council and Telford & Wrekin Council, although they are subject to revision in the last two months of the financial year. Total income from the two authorities is £41,000 less than the estimated rates income included in the settlement in December.

Collection fund balances for council tax and business rates have been confirmed:

	2024/25 £'000
Council Tax Surpluses receivable	47
Business Rates Deficits payable	-87

Section 31 Grants

Section 31 rates related grants have also been confirmed at £1,382,000, and the planning model has been adjusted to reflect these grants. This is substantially higher than in previous years, and also higher than the amount included in the Authority's scenario planning. This is due to an increased level of compensation for business rates discounts awarded.

A level of grant increase has been factored into the model, to allow for realistic scenario planning. However, uncertainty around the Comprehensive Spending Review and potential changes in government must be borne in mind when considering budgets for future years.

5 Precept Increase 2024/25

Following the recommendation from Strategy & Resources Committee, the Authority's planning model incorporates a precept increase of 2.99% for 2024/25, in line with the referendum spending limit. The current Band D precept is £111.16, and a precept increase of 2.99% would raise this to £114.49, an increase of £3.33 per year.

The table below exemplifies options for several different increases, with and without continued pensions funding. Consideration should be given to the uncertainty of a new spending review in 2025/26, particularly with the deficits evident in the last two options.

Precept Increase	Surplus / (Deficit) £'000		
	2024/25	2025/26	2026/27
2.99%	221	-212	86
2.99% - no pension funding	221	-1,012	-716
1.99%	26	-417	-130
1.99% - no pension funding	26	-1,217	-930

6 Government Finance Settlement

The finance settlement is yet to be debated in Parliament.

Should any changes occur to the revenue budget being approved, members are asked to delegate the necessary amendments to the Treasurer, in consultation with the Chair and the Vice Chair.

Section 4.2 of the Authority's Scheme of Delegations states:

"In agreement with the Chief Fire Officer, and after consultation with the Chair and the Vice Chair, in cases of urgency to approve virement, supplementary revenue and capital votes not otherwise covered by the Treasurer's delegated authority. Action taken under this delegation must be reported to the next meeting of the Authority."

7 Proposed Final Budget Package

The position for 2024/25 and into the medium term can now be summarised as follows:

	2024/25 £000	2025/26 £000	2026/27 £000
Expenditure:			
Budget	-28,977	-30,477	-31,389
Surplus / -deficit	-221	212	-86
Total budget	-29,198	-30,265	-31,475
Funded by:			
Grant and business rates	9,115	9,153	9,325
Business rates collection fund	-87		
Council tax	20,123	21,112	22,150
Council tax collection fund	47	-	-
Total	29,198	30,265	31,475

8 Medium Term Financial Plan and Reserves Strategy

The Medium Term Financial Plan (MTFP) is a crucial part of the Service's suite of integrated strategies, and demonstrates the Authority's financial stability and resilience. The Reserves Strategy forms part of this plan, smoothing expenditure, building up funds towards capital projects, and dealing with risk and unexpected events.

The MTFP is appended to the report; the Reserves Strategy has been updated to reflect the Authority's medium term position and the financial strategy will be updated following approval of the revenue budget for 2024/25.

Assumptions currently in place for medium term planning are as follows:

- Revenue Support Grant (RSG) to increase by 2% from 2025/26
- Business rates and top up grant to increase by 2% and 1.5% respectively from 2025/26
- Rural Services Delivery Grant and Service Grant to continue at current levels
- S31 grants for rates compensation to increase by 2% from 2025/26
- Precept increases of 2.99% from 2025/26
- Pay awards at 4% in 2025/26, falling to 3% in 2026/27

The Authority is asked to consider and approve the strategies, delegating any changes to the Treasurer, in consultation with the Chair and the Vice Chair.

9 Financial Implications

There are no financial implications arising from this report other than those discussed within the report.

10 Legal Comment

There are no legal implications arising directly from this report.

11 Appendices

Draft Medium Term Financial Plan and Reserves Strategy 2024/25 to 2026/27

<https://www.shropshirefire.gov.uk/meeting/21-february-2024>

12 Background Papers

There are no background papers associated with this report.