



AUDIT AND FINANCE COMMITTEE

30 NOVEMBER 2023

2024/25 BUDGET AND MEDIUM-TERM FINANCIAL PLAN

REPORT OF DEPUTY CHIEF EXECUTIVE

Purpose of the Report

- 1 The purpose of this report is to advise members of the proposed timetable for the consideration and approval of the 2024/25 Budget and Medium-Term Financial Plan (MTFP).

Background

- 2 At the Strategic Planning Day on 16 November members received an update on the financial pressures facing the Authority including the impact of unfunded pay awards, inflation, and rising interest rates. Members were informed that although the Authority's financial position has improved following the identification of savings through budget challenge, increased interest receipts and the implementation of riding with four, there are risks in our current MTFP assumptions particularly around pay. Members were also reminded of the uncertainty surrounding future funding and the reliance on council tax receipts which now account for 65% of the Authority's funding.

Settlement Funding

- 5 The position regarding settlement funding for individual authorities will not be known until the provisional settlement is announced in December.
- 6 The government is also in the process of undertaking a full review of how funding is allocated and redistributed between local authorities (The Fair Funding Review). However, it has been confirmed that the Fair Funding Review has been further delayed and is unlikely to feature in the settlement figures for 2024/25.

Council Tax

- 7 The impact of COVID-19 and the cost-of-living crisis on council tax receipts in recent years has been significant and initial indications are that there will be a further shortfall in council tax receipts in 2022/23. The council tax referendum limit will be formally announced alongside the provisional settlement in December.

Options to Balance the Budget

- 8 Further work has been undertaken to develop options to deal with a significant reduction in funding should the need arise. Some of the options involve changes to crewing arrangements which will impact on emergency response standards. These options were further discussed with members at the Strategic Planning Day held on 16 November 2023.
- 9 A summary of the options discussed is set out in table 1 below:

Table 1: Summary of Options to Balance the Budget

Option Number	Option	Saving £m	Response Standards Impact
1	Service Headquarters	0.200	IMPLEMENTED
2	Phase 2 of the Service Structure	0.013	IMPLEMENTED
3	Review of SLT and Middle Managers	0.445	IMPLEMENTED
4	Ride with a crew of 4 on all appliances	0.780	IMPLEMENTED
5	SRU Unit Crewed	0.452	LEAST
6	Remove 1 x station TRV	0.446	LEAST
7	1 X RDS station removal of second pump	0.120	GREATER
8	1 x station second pump to day crewing	0.287	GREATER
9	1 x station to day crewing	0.478	GREATER
10	1 x station 1 pump and 1 TRV	0.427	GREATER
11	1 x wholtime station removal of second pump	0.870	GREATER
12	1 x station to RDS only	1.132	GREATER

- 10 Options 1-4 in the table above are complete and the savings have been built into the budget and the MTFP. Further work will be undertaken over the coming months to develop savings options in line with the views expressed by members and staff on the proposals.

Revenue Expenditure

- 11 The budget for 2023/24 was set at £32.101M. The process of constructing the “standstill” budget for 2024/25 has commenced which will provide a comparison with the total available resources.
- 12 Whilst the quantum of pay awards, inflation and pension costs in future years will be difficult to estimate accurately, the budget process will need to incorporate a realistic view on these elements.
- 13 The current MTFP includes an allowance for pay increases of 3% in 2024/25 and 2% thereafter and includes annual price inflation of 2% each year. These assumptions will be reviewed and updated in view of current economic conditions.
- 14 Each additional 1% increase in pay for the whole workforce costs in the region of £250,000. A 1% increase in inflation costs in the region of £75,000.
- 15 In the knowledge that this is again a particularly challenging budget round, the revenue budget will be constructed using a zero-based approach with the emphasis on the identification of further savings during the process.

Capital Expenditure

- 16 The capital programme also includes planned expenditure on the replacement of vehicles, equipment, and ICT together with some provision for minor improvements to existing buildings. The revenue implications of the capital programme will need to be incorporated into the 2024/25 budget and the MTFP.

Next Steps

- 17 To consider the available options in preparation for the final budget decisions, it is proposed that the Audit and Finance Committee meets between now and January to:
- Consider options to balance the budget.
 - Consider the settlement information.
 - Consider outline revenue and capital budgets in accordance with the parameters set out in this report.
- 18 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2024/25 together with an associated Medium-Term

Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 16 February 2024.

- 19 A budget timetable is attached at Appendix A for information. Some of the dates are still to be confirmed however, updates will be provided as the dates are finalised.

Recommendations

- 20 Members are requested to note the report.