



AUDIT AND FINANCE COMMITTEE

27 NOVEMBER 2024

2025/26 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 timetable for the consideration and approval of the 2025/26 Budget and Medium- Term Financial Plan (MTFP).

Background

- 2 At the Strategic Planning Day on 21 November 2024 members received an update on the financial pressures facing the Authority which include the impact of unfunded pay awards, rising energy and utility costs and a lack of funding for capital investment. 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 over 60% 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 on 19 December 2024.
- 6 We have been informed that there will be a one-year funding settlement for 2025/26 followed by a multi-year settlement from 2026/27 onwards. At this stage we are anticipating that funding for the sector in 2025/26 will be broadly the same as the current year uplifted by inflation however this has not been confirmed.

Council Tax

- 7 Currently over 60% of the Authority's funding comes from council tax and increases are subject to a referendum limit which was 3% for 2024/25.

The council tax referendum limit for 2025/26 will be formally announced alongside the provisional settlement on 19 December 2024.

Medium-Term Financial Plan

8 The Authority's approved MTFP is set out in table 1 below:

Table 1: Approved MTFP (February 2024)

	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m
Net Expenditure	35.450	36.117	37.809	38,344
Government Funding	11.962	12.202	12.446	12.695
Local Non-Domestic Rates	1.549	1.549	1.549	1.549
Council Tax	21.492	22.118	22.766	23.432
Services Grant	0.050	0.050	0.051	0.052
Funding Guarantee	0.530	0.198	0.198	0.198
Deficit on Collection Fund	(0.133)	0		
Total Funding	35.450	36.117	37.010	37.926
Surplus/ (Shortfall)	0	0	(0.799)	(0.418)

9 The MTFP in the table 1 above shows a balanced budget for 2024/25 and 2025/26 and a shortfall in funding of 0.799M in 2026/27 falling to £0.418M in 2027/28. The reduced shortfall in 2027/28 is a result of a planned move to alternative headquarters accommodation during the year.

10 The MTFP which was approved in February 2024 was based on a number of assumptions which will be reviewed and updated during the preparation of the 2025/26 budget and MTFP.

Options to Balance the Budget

11 Further work is being undertaken to develop and update the options to deal with a reduction in funding should the need arise. Some of the options involve changes to crewing arrangements which will impact on emergency response standards. Members were reminded of the current list of savings options at the Strategic Planning Day held on 21 November 2024.

12 A summary of the current options is set out in table 2 below:

Table 2: 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 an 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 wholetime station removal of second pump	0.870	GREATER
12	1 x station to RDS only	1.132	GREATER

- 13 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

- 14 The budget for 2024/25 was set at £35.450M. The process of constructing the “standstill” budget for 2025/26 has commenced which will provide a comparison with the total available resources.
- 15 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. The current MTFP includes an allowance for pay increases of 3% in 2024/25 and 2025/26 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.
- 16 Each additional 1% increase in pay for the whole workforce costs in the region of £297,000 and a 1% increase in inflation costs £85,000. In terms of funding, a 1% increase in council tax generates £218,000 and the impact of a 1% change in settlement funding is £120,000.
- 17 The Authority continues to face uncertainty and financial pressures over the MTFP. However, we believe we can manage these pressures in

2025/26 without needing to make cuts providing the funding settlement is as expected and pay awards remain within the budgeted level.

- 18 As this is again a challenging budget round, the revenue budget will be constructed with the emphasis on the identification of further savings during the process.

Capital Expenditure

- 19 The capital programme 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 2025/26 budget and the MTFP.

Next Steps

- 20 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.
- 21 It is envisaged that the Committee will recommend an outline revenue and capital budget for 2025/26 together with an associated Medium-Term Financial Plan. The Fire Authority will consider these recommendations at the meeting on the 17 February 2025.
- 22 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

- 23 Members are requested to note the report.