



Medium Term Financial Plan

2023/24 – 2026/27



Contents

»»	Foreword	1
»»	Funding	2
»»	Efficiencies	3
»»	Budget Pressures	5
»»	Impact of Capital Investment	7
»»	Reserve Movements	7
»»	Summary of Changes to Base Budget	8



Foreword

Councillor Jeff Brooks, Lead Member for Budget and Income Generation



It is my pleasure, as the Lead Member for Budget and Income Generation, to introduce the Authority's Medium Term Financial Plan (MTFP) which covers the financial years 2023/24 to 2026/27. In times of economic volatility, financial planning is essential so I am pleased the latest report from His Majesty's Inspectorate of Constabulary and Fire and Rescue Services, released last month, states, "The service has good financial management arrangements in place and a range of assurance measures to keep control of its spending. Scenario planning is used effectively so that strategic plans are robust."

The MTFP has been drawn up against a macro-economic environment that has deteriorated over the last 12 months. Interest rates have risen from 0.5% to 4% over the last year to try and combat inflation which has risen from 6.2% last February to 11.1% in October, before tailing off slightly.

The high rate of inflation means that we are now having to deal with significant unbudgeted cost pressures that have materialised over the last year. In addition to pay pressures, we are facing substantial increases in the costs of goods, services and energy that we procure, all of which means that we are facing a significant budget deficit by the end of the 2022/23 financial year.

A key component to balancing the budget for 2023/24 will come from the implementation of the Authority's Efficiency and Productivity Plan. Given that the Service is already lean, we sought to identify savings that would have the least impact on service delivery. While some savings are a natural result of changes in what and how we do things, there will be others that will potentially impact our capacity to deliver a programme of change as quickly as we would like.

Whilst the priority is to balance the 2023/24 budget, the MTFP must also look to match expenditure to funding in the medium term. The Efficiency and Productivity Plan captures invest-to-save projects that will result in revenue budget savings in future years. As well as helping to secure financial sustainability for the Authority, in many cases, these projects will also contribute to the Authority's environmental strategy of reducing its carbon emissions.

In summary, the MTFP sets out clearly how the Authority will continue to control its cost base by delivering appropriate savings and efficiencies in 2023/24 and by establishing a programme of invest-to-save projects that will increase efficiency and effectiveness over the longer term. I am pleased to support its adoption.



Funding

Whilst Royal Berkshire Fire and Rescue Service has been rated “good” across all three inspection areas by HMICFRS, it nevertheless remains the case that the Authority has seen a large funding gap open up over the last 12 months which, if left unaddressed, would have to be bridged by cuts in our service to the public. For this reason, and given the fact that the Authority is one of the lowest precepting fire authorities in the country, the Chair of the Authority and the Chief Fire Officer have lobbied local MPs to request that we be granted greater flexibility when deciding council tax levels.

This lobbying has been successful and the Government has recognised that all fire authorities are facing immediate pressures and that they require a sustainable funding baseline for the future. The Government has provided flexibility to raise council tax by up to £5 per annum in 2023/24 without the need for a referendum.

As well as putting together a significant programme of savings to be delivered in 2023/24 we will still need to increase our council tax precept by £5 per annum in 2023/24 as we firmly believes that a sustainable level of base funding is a prerequisite to the delivery of an efficient and effective service to the public. Assumptions about future increases in the precept are shown in the table below.

	2023/24	2024/25	2025/26	2026/27
Council Tax rise	6.76%	2.99%	1.99%	1.99%
Council Tax for band D	£78.95	£81.31	£82.93	£84.58
Annual Increase	£5	£2.36	£1.62	£1.65

As well as the level of council tax, revenue also depends on the size of the tax base. Growth in the tax base for 2023/24 is expected to be 1.41% which is just under our planning assumption of 1.5%.

Business rates income as calculated by the Berkshire unitary councils for 2023/24 is in line with the Government’s baseline predictions.

While business rates income is comparable to the baseline figure, section 31 business rates grants are substantially higher than the Government’s baseline. It is anticipated that as Covid



related reliefs unwind via the year-end reconciliation process these grants will become more predictable in future years.

In terms of Government funding, Revenue Support Grant will increase by 10.1% whilst the business rates top-up grant has decreased by 5.4% compared to 2022/23. The Government's assumption about the business rates baseline is that it will increase by 7.2%. The Government will reduce the Services Grant by 44% compared to 2022/23, to partly offset the reversal of the National Insurance contributions increase but also to pay for the uplift in the Revenue Support Grant.

A summary of funding projections is shown in the table below.

Funding	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Revenue Support Grant	3,734	3,921	3,999	4,079
Business Rates Baseline	5,547	5,547	5,547	5,547
Business Rates Top-up Grant	1,847	1,847	1,847	1,847
Settlement Funding Assessment	11,128	11,315	11,393	11,473
S31 Business Rates Grants Baseline	1,259	1,259	1,259	1,259
S31 Business Rates Grants above Baseline	719	0	0	0
Business Rates surplus / (deficit) above the baseline	6	0	0	0
BR Collection Fund surplus / (deficit)	-136	0	0	0
Council Tax (incl. tax base growth)	28,709	30,010	31,067	32,161
CT Collection Fund surplus / (deficit)	13	0	0	0
Services Grant	277	285	291	297
Total Funding	41,975	42,869	44,010	45,190



Efficiencies

The external financial pressures that the Authority has faced during 2022/23 have made the task of finding savings within the revenue budget all the more urgent. We have therefore drawn up a significant programme of savings to be delivered during 2023/24. Efficiencies are broken down into three categories: changes to what we do; new ways of working and reduced contractual spend. There are also saving from the disestablishment of vacant posts. In addition, we will initiate a series of invest-to-save projects which will help to alleviate the pressure on the revenue budget in the medium term.

In addition to the savings exercise, we also identified additional income that can be generated in 2023/24 and beyond. Whilst this income is very welcome in that it can be used to support service delivery, it is important to recognise that there could be significant volatility in these income streams from one year to the next.

The main source of additional income comes from increased interest received on investments. Interest received has increased not only as a result of investing the capital receipt from the sale of the Dee Road site but also because of rising interest rates. An additional £414,000 from investment income has been built into the budget for 2023/24. There will also be some additional income from Thames Valley partners in 2023/24 amounting to £73,000.

The quantum of savings is shown in the table below.

Efficiency Plan Savings from Base Budget	2023/24 £000	2024/25 £000	2025/26 £000	Total £000
Savings from changes in what we do	264	0	0	264
Improved ways of working	154	0	0	154
Contractual savings	234	-15	0	219
Disestablishment of vacant posts	122	8	0	130
Additional income generation	73	0	0	73
Additional investment income	414	0	0	414
Invest-to-Save Projects	0	84	46	130
Total	1,261	77	46	1,384



Budget Pressures

Setting a budget for 2023/24 is particularly difficult in light of the on-going pay negotiations for Grey Book staff. Pay accounts for over 75% of the total revenue budget so the unresolved pay position for Grey Book staff adds huge variability into the budget setting process.

The latest national offer for Grey book staff covers two years: seven per cent, backdated to 1 July 2022 and five per cent from 1 July 2023. The 2022/23 offer is higher than the original budget assumption of 2.5%, which means the unbudgeted amount needs to be built into the base for 2023/24 in addition to the pay award that will payable from 1 July 2023.

The Green Book pay award for 2022/23 has been agreed but at a higher level than budgeted. Again, this unbudgeted pressure will need to be built into the base in addition to the 2023/24 Green Book pay award which is assumed to be 4%.

More generally, station staff budgets have been under pressure due to increased overtime costs in recent years. There are various factors for the increase, for example the need to fulfil training requirements at the same time as maintain crewing levels that are based on a very lean crewing model with very limited spare capacity. For these reasons, the overtime budget will be uplifted to reflect current operational requirements. In addition, on-call station activity is such that a budget uplift is required.

There are also unavoidable non-pay pressures. In general, the cost of supplies and services have risen significantly due to inflationary pressures and it is noticeable that some costs have risen dramatically, utility costs being a good example.

The Service has been running with several fixed-term posts over the last few years to deal with additional workloads that came about through new regulations or requirements. In reality, this additional workload has proved not be temporary and therefore these posts will be built into the base budget.

A summary of budget pressures is shown in the table overleaf.



Pressures on Base Budget	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Grey Book pay award variance 22/23, 7% vs 2.5%	689	0	0	0
Grey Book pay award 5%, 3%, 2%, 2%	1,174	788	526	479
Grey Book Overtime	453	0	0	0
Green Book unbudgeted pay award 2022/23	216	0	0	0
Green Book pay award 4%, 3%, 2%, 2%	337	263	180	184
Increments	157	162	165	168
Additional On-call costs	54	0	0	0
Reverse NI increase	-225	0	0	0
Unavoidable pressures	241	0	0	0
Bids	290	49	0	0
Firelink Grant reduction	160	88	90	92
FI Collaboration Project Costs	17	0	0	0
Utilities	401	0	-20	0
Fuel	45	0	0	0
Other Contracts	207	217	221	227
Total	4,216	1,567	1,162	1,150



Impact of Capital Investment

The Authority received higher than expected capital receipts from the sale of three sites which has provided additional flexibility in how our capital programme can be delivered.

The Authority's Strategic Asset Investment Framework (SAIF) sets out a vision for the replacement and renewal of capital assets. Given the level of investment in our assets, the Authority has always recognised the need to allocate a base amount of the revenue budget to directly fund shorter-life assets. If MTFP assumptions hold in the medium term, especially in relation to pay, we intend to continue with this policy of revenue funding short-life assets.

If revenue resources can be used to invest in short-life assets, capital receipts can be used to fund the property element of the SAIF. In addition, a limited amount of borrowing is built in to the last two years of the MTFP to allow us to continue with our property development works; these financing costs have been built into the MTFP.

Annual changes to the base revenue budget from capital activities are shown below.

Revenue Implications of Capital Programme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Additional investment in capital programme	46	11	-23	-24
Additional financing costs of capital programme	-45	-34	48	54
Total	1	-23	25	30

Reserve Movements

The 2023/24 Budget contains an appropriation of £573,000 from the revenue account to the Budget Contingency Reserve. This will replenish the Budget Contingency Reserve following its use in 2022/23 to fund the revenue account deficit.



Summary of Changes to Base Budget

The tables below summarise the changes to base budget over the four-year period of the MTFP.

Summary of Base Budget Changes	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Efficiency Plan Savings	-1,261	-77	-46	
Cost Pressures	4,216	1,567	1,162	1,150
Revenue Implications of Capital Programme	1	-23	25	30
Total	2,956	1,467	1,141	1,180

Year-on-Year Base Budget Movements	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Funding (Council Tax, Business Rates & Govt. Grant)	41,975	42,869	44,010	45,190
Prior-Year Net Expenditure Budget, excluding appropriations to reserves	38,446	41,402	42,869	44,010
Changes to Base Budget	2,956	1,467	1,141	1,180
Replenishment of Budget Contingency Reserve	573			
Net Revenue Budget	41,975	42,869	44,010	45,190



Revenue base budget 2023/24	£000
Employees	
STATIONS	19,063
NON-STATIONS	12,218
TRAINING	542
OTHER	272
	32,095
Premises	
REPAIRS & MAINTENANCE	865
RATES	888
CLEANING	275
UTILITIES	880
	2,908
Supplies	
INSURANCE	419
EQUIPMENT	507
IS EQUIPMENT & LICENCES	784
CLOTHING/PPE	361
COMMUNICATIONS	893
OCCUPATIONAL HEALTH	268
PRINT/STATIONERY/PUBLICATIONS/SUBSCRIPTIONS	141
COMMUNITY FIRE SAFETY SUPPLIES	159
SUPPLIES OTHER	211
	3,743
Contracts	
CONTRIBUTION TO TVFCS & COLLABORATION	977
LEGAL	50
CONTRACTS OTHER (incl. Professional Services)	794
	1,821
Transport	
VEHICLE RUNNING COSTS	742
TRAVEL	242
	984
Pension	
PENSIONS	456
Income	
GRANTS	(1,901)
RENTAL INCOME	(110)
TVFCS RECHARGE INCOME	(394)
INCOME OTHER	(539)
	(2,944)
NET COST OF SERVICES	39,063
DEBT CHARGES INTEREST	333
INVESTMENT INTEREST	(474)
NET OPERATING EXPENDITURE	38,922
REVENUE FUNDING OF CAPITAL	1,796
APPROPRIATION TO/(FROM) RESERVES	573
REVENUE PROVISION	684
NET EXPENDITURE	41,975
GOV GRANTS/PRECEPTS/BUSINESS RATES	(41,975)
(SURPLUS) / DEFICIT	0

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FIRE AND RESCUE SERVICE



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