



Medium-Term Financial Plan

2024/25 – 2027/28

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Contents

• Foreword	1
• Funding	2
• Assumptions for Funding in Future Years	2
• Efficiencies	4
• Budget Pressures	5
• Impact of Capital Investment	7
• Reserve Movements	8
• Summary of Changes to Base Budget	9



Foreword

Councillor Mike Smith, 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 2024/25 to 2027/28. 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, 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 remains challenging. Interest rates have risen to 5.25% over the last year to combat inflation which is now 4%.

The high rate of inflation over the last year means that we have had to deal with unbudgeted costs. In addition to pay pressures, we have faced substantial increases in the costs of supplies and services, which fortunately has been offset by additional interest received on the Authority's balances. However, in future years these balances will be spent to fund the Authority's capital programme and so will not be available to support the Revenue Account.

Therefore, a key component to balancing the budget for 2024/25 will come from the ongoing 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. Some savings are a natural result of changes in what and how we do things, whilst others will result from exploiting new ICT capabilities.

Whilst the priority is to balance the 2024/25 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 2024/25 and by establishing a programme to improve productivity over the medium term.



Funding

The Authority receives around two-thirds of its funding from council tax so the Government's decision to limit flexibility in raising the precept to a below-inflationary increase of three per cent represents a significant pressure.

Assumptions about future increases in the precept are shown in the table below.

	2024/25	2025/26	2026/27	2027/28
Council Tax rise	2.99%	1.99%	1.99%	1.99%
Council Tax for band D	£81.31	£82.93	£84.58	£86.26
Annual Increase	£2.36	£1.62	£1.65	£1.68

As well as the level of council tax, revenue also depends on the size of the tax base. Growth in the tax base for 2024/25 is expected to be 1.1% which is below our planning assumption of 1.5%. In addition, there is an aggregate council tax collection fund deficit of £62,000.

Based on the business rates information received from three unitary authorities, collection fund deficits amount to £342,000 which is offset by additional business rates grants of £466,000.

In terms of Government funding, Revenue Support Grant (RSG) will increase by 6.7%. On top of this, a specific pensions top-up grant worth £1.661 million has been rolled into RSG for 2024/25, which is welcome as previously the Home Office funded pension grant had only been guaranteed on an annual basis. Business rates top-up grant has increased by 5.7% compared to 2023/24, whilst the Government's assumption about the business rates baseline is that it will increase by 5.1%. The Government will reduce the Services Grant by 82% compared to 2023/24, which partly explains why the Authority has triggered the Funding Guarantee threshold which is worth £770,000 in 2024/25.

Assumptions for Funding in Future Years

- Settlement Funding Assessment to increase by 2% in years 2 to 4.
- Business rates surplus/deficit is zero in years 2 to 4. In 2024/25 the figure is a deficit of £18,000.
- Collection Funds for council tax and business rates are budgeted to breakeven from years 2 to 4 on the basis that surpluses and deficits should even out over the medium term. For example, while there are always surpluses and deficits each year, the aggregate council tax collection fund position for the six unitary authorities from 2017/18 to 2023/24 is a net deficit of £18,000.



- Services Grant has already fallen 82% for 2024/25 so the assumption is that it will cease to exist in years 2 to 4.
- The Funding Guarantee is based on a minimum increase in core spending power of 4% which is the current rate of inflation. Based on inflation predictions in years 2 to 4 of 2% and a council tax increase of 2% we are not anticipating receiving the grant in years 2 to 4.

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

Funding	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Revenue Support Grant	5,645	5,758	5,873	5,990
Business Rates Baseline	5,830	5,947	6,066	6,187
Business Rates Top-up Grant	1,952	1,991	2,031	2,072
Settlement Funding Assessment	13,427	13,696	13,970	14,249
S31 Business Rates Grants Baseline	1,782	1,845	1,928	1,991
S31 Business Rates Grants above Baseline	466	350	400	450
Business Rates surplus / (deficit) above the baseline	-18	0	0	0
BR Collection Fund surplus / (deficit)	-342	0	0	0
Council Tax (incl. tax base growth)	29,891	30,791	31,718	32,672
CT Collection Fund surplus / (deficit)	-62	0	0	0
Services Grant	50	0	0	0
Funding Guarantee	770	0	0	0
Total Funding	45,964	46,682	48,016	49,362



Efficiencies

The financial pressures that the Authority has faced during 2023/24 have made the task of finding savings within the revenue budget all the more urgent. Building on the efficiencies that have been generated during 2023/24, further efficiencies have been identified for delivery in 2024/25.

Efficiencies are broken down into three categories: changes to what we do; improved ways of working and reduced contractual spend. 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 efficiencies exercise, we also identified additional income that can be generated in 2024/25 and beyond from our investment properties.

The quantum of savings is shown in the table below.

Efficiency Plan Savings from Base Budget	2024/25	2025/26	2026/27
	£000	£000	£000
Savings from changes in what we do	49	0	0
Improved ways of working	344	8	0
Contractual savings	142	90	26
Additional income generation	30	0	0
Total	565	98	26

Efficiency Plan savings are updated on a rolling basis so work will commence immediately on developing savings for 2025/26 and beyond. For example, the 2023/24 Efficiency Plan showed efficiencies of £77,000 for 2024/25 which has now risen to £565,000 in the 2024/25 Efficiency Plan. We are confident that over the coming year further efficiencies will be identified and delivered for 2025/26 with the process repeated thereafter.



Budget Pressures

Pay accounts for three-quarters of the total revenue budget so pay awards have a significant impact on our ability to balance the budget. Pay awards for both Grey and Green book staff for 2024/25 are assumed to be 3.75% which is below the current rate of inflation but above the increase in the precept for 2024/25. It should be noted that the pay award for Green Book staff was 5.4% in 2023/24 against a budgeted increase of 4%.

Over the last decade there have been increases to employer contributions for the firefighter pension schemes. Some of these increases have been funded by the Government whilst others have had to be found from existing resources. Employer contributions for the firefighter pension scheme will increase to 37.6% from the current 28.8% of salary at an additional cost of £1.3 million in 2024/25. The Government has confirmed that it will provide grant funding to fire and rescue services for 2024/25 to cover this additional cost but has provided no guarantee of funding thereafter. The MTFP assumes Government funding will continue in future years at a flat rate. Funding for a previous employer contribution increase has been switched from Home Office grant funding to being incorporated into Revenue Support Grant.

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 whilst maintaining crewing levels that are based on a very lean crewing model with limited spare capacity. In order to address the capacity issue, a buffer of ten additional firefighters will be recruited in 2024/25 which should reduce overtime expenditure by around £160,000.

The broader economic backdrop is such that staff turnover has increased in recent years leading to the need to recruit increasing numbers of trainee firefighters leading to an unavoidable pressure of £275,000 in recruitment and training costs. There are also other unavoidable pressures such as increases to ICT licencing costs as the Service transitions to cloud-based services.

The Service has been running with limited resources in several key areas such as pension administration and operational support. Bids for additional resources to reduce risk and improve performance in these areas have been built into the base budget at a cost of £505,000.

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



Pressures on Base Budget	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Grey Book pay award 3.75%, 2%, 2%, 2%	935	582	493	502
Green Book unbudgeted pay award 2023/24	93	0	0	0
Green Book pay award 3.75%, 2%, 2%, 2%	326	181	184	188
Increase in employer contributions to Firefighter Pension Scheme	1,263	1,288	1,314	1,340
Grant funding for increased employer contributions to Firefighter Pension Scheme	-1,236	-1,236	-1,236	-1,236
Increments	189	193	197	201
Unavoidable pressures	430	0	0	0
Additional Ten Firefighters	406	0	0	0
Bids	505	0	0	0
Firelink Grant Reduction	88	90	92	0
Pension Grant rolled into Revenue Support Grant	1,661	0	0	0
Contractual Inflation	154	108	110	112
Total	4,814	1,206	1,154	1,107

Whilst no bids have been shown for years 2 to 4, it is assumed that bids that do come forward for future years will be paid for through efficiencies and income generation.



Impact of Capital Investment

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. As the capital programme is over £9 million in 2024/25, additional revenue funding of capital has been added to the budget for 2024/25 only. 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.

Capital receipts, the Development Fund and a limited amount of borrowing will be used to fund the property element of the SAIF as well as other SAIF projects that cannot be funded from the revenue budget. The financing costs of SAIF projects that are planned over the next four years have been built into the MTFP.

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

Revenue Implications of Capital Programme	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Reduced Investment Income on Balances	100	50	50	0
Reduced Voluntary Revenue Provision	-100	0	0	-100
Direct Revenue Funding of Capital	346	-346	0	0
Additional financing costs of capital programme	-34	78	278	314
Total	312	-218	328	214

While financing costs rise in years 2 to 4 due to interest payments from increased borrowing and increased set aside to repay loans, the ratio of financing costs to the revenue budget remains affordable as shown in the tables below.

Ratio of financing costs to net revenue stream

	2022/23 Actual	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Ratio (%)	2.25%	1.95%	1.71%	1.85%	2.37%	2.95%



Maximum ratio of financing costs to net revenue stream

	2023/24	2024/25	2025/26	2026/27	2027/28
Ratio (%)	2.50%	2.50%	2.50%	2.75%	3.00%

Furthermore, once major refurbishments of our estate are completed over the next four years it is anticipated that the capital programme will reduce considerably in size, negating the need for further borrowing.

Reserve Movements

The 2023/24 Budget contained an appropriation of £573,000 from the revenue account to the Budget Contingency Reserve. This has replenished the Budget Contingency Reserve following its use in 2022/23 to fund the revenue account deficit. Reserves in the Budget Contingency Reserve are now deemed to be sufficient to deal with any unbudgeted pressures in the future.



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	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Efficiency Plan Savings	-565	-98	-26	0
Cost Pressures	4,814	1,206	1,154	1,107
Revenue Financing Costs of Capital Programme	312	-218	328	214
Total	4,561	890	1,456	1,321

Year-on-Year Base Budget Movements	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Funding (Council Tax, Business Rates & Govt. Grant)	45,964	46,682	48,016	49,362
Prior-Year Net Expenditure Budget, excluding appropriations to reserves	41,403	45,964	46,682	48,016
Changes to Base Budget	4,561	890	1,456	1,321
(Savings) Required	0	-172	-122	25
Net Revenue Budget	45,964	46,682	48,016	49,362

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