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| REPORT REFERENCE NO. | DSFRA/24/28 |
| MEETING | DEVON & SOMERSET FIRE & RESCUE AUTHORITY |
| DATE OF MEETING | 31 JULY 2024 |
| SUBJECT OF REPORT | MEDIUM-TERM FINANCIAL PLAN UPDATE 2024-25: QUARTER 1 |
| LEAD OFFICER | Head of Finance (Treasurer) |
| RECOMMENDATIONS | <i>That the report be noted.</i> |
| EXECUTIVE SUMMARY | <p>The requirement to produce and publish a Medium-Term Financial Plan (MTFP) is included in the current iteration of the Fire & Rescue National Framework for England.</p> <p>This review is designed to update Members on the current position of the MTFP and also to monitor the progress of the 4 main initiatives presented to the Fire Authority on 11 December 2023. As a reminder, they were:-</p> <ul style="list-style-type: none"> • A change to wholetime duty systems. • Changes to the operating model for specialist rescue capability. • Amendments to the Pay for Availability remuneration agreement; • Amendments to the policy fan practice for dealing with unwanted fire signals <p>Progress against the Medium-Term Financial Plan is presented quarterly to the Fire Authority.</p> |
| RESOURCE IMPLICATIONS | None. |
| EQUALITY RISKS AND BENEFITS ANALYSIS | The contents of this report are considered compatible with existing Equalities and Human Rights legislation. |
| APPENDICES | None. |
| BACKGROUND PAPERS | <p>Strategic Business Change Plan – Tranche One – presented to the Fire Authority on 11 December 2023.</p> <p>Medium-Term Financial Plan Fire Authority meeting 16 February 2024.</p> |

1. INTRODUCTION

- 1.1. The Medium-Term Financial Plan was presented to the Fire Authority as part of the budget setting papers on 16th February 2024.
- 1.2. The Medium-Term Financial Plan and outlines funding, income and expenditure forecasts for the next five years. The Medium-Term Financial Plan is updated annually as part of the budget setting process and will be refreshed more frequently if information which makes a material difference becomes available. Understanding the Authority's finances is really important when making decisions about the future and this document should be read alongside the Authority's Community Risk Management Plan and Reserves Strategy together with the change Programme.
- 1.3 The MTFP is monitored, and reported on, quarterly to the Authority for noting.

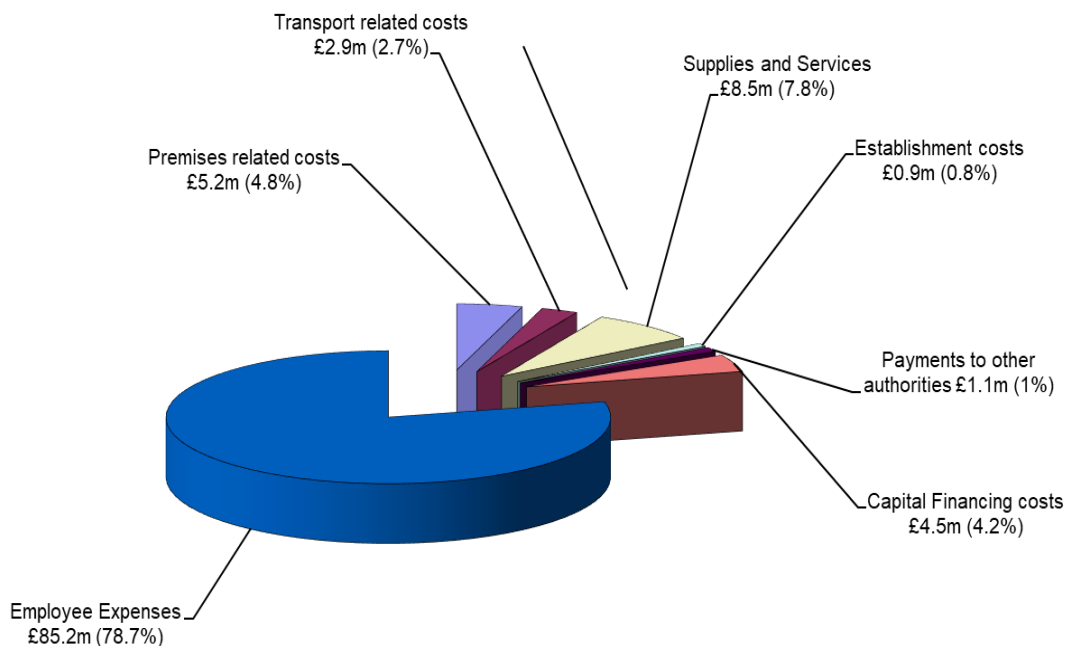
2. FUNDING AND INCOME

- 2.1. The Authority has three main sources of revenue funding:
 - Council Tax Precept;
 - National Non-Domestic Rates Scheme; and
 - Revenue Support Grant.
- 2.2. Additionally, income from one-off grants, recharges and services is offset against our expenditure in order to reach the "net revenue budget" in each year.

3. **EXPENDITURE**

3.1. Assumptions are also made about forecast expenditure. The Authority can control some of its costs by managing its budget effectively; other elements are dependent on national drivers such as inflation, superannuation (pension) costs and pay awards. Expenditure is shown in the chart overleaf which highlights that 78.7% of Service costs are related to employees, meaning that increases in this area can have a significant impact on the budget.

Devon & Somerset Fire & Rescue Authority - Analysis of Spending 2024/25



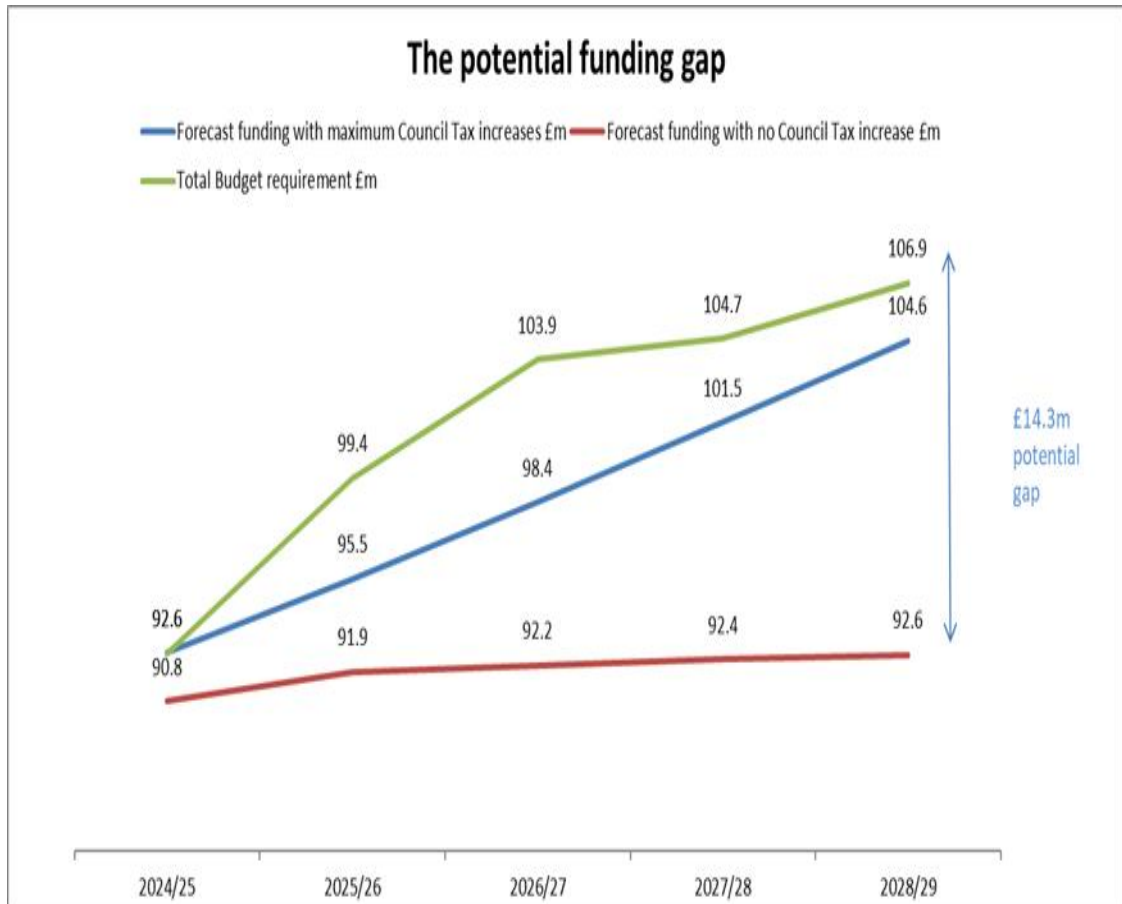
Cost Pressures

3.2. The medium-term financial forecast identifies the following cost pressures within the next five years which are added to the current budget to reach the future budget requirement:

- Pay increases;
- Inflation;
- Pension increases;
- Reduction to one-off grant income; and
- Capital investment.

Savings targets and the Target Operating Model

- 3.3. The chart overleaf shows the gap between potential funding available versus the budget requirement, including cost pressures. This is known as the funding gap. Over five years the funding gap could reach £14.3m if Council Tax is frozen, falling by £12.0m if increased in line with assumed referendum limits (i.e. 1.99%) set by HM Treasury.



4. FOUR MAIN PROJECTS INITIATED TO FIND THE SAVINGS.

- 4.1. The Service reported to the Fire Authority on 11 December 2023 with the 4 main initiatives that are being implemented to reduce the gap within the MTFP:

Annualised Hours – following extensive research and engagement from the respective working groups, the business case was approved at Service Delivery Board on 15 July and will now be submitted for Executive Board agreement on which recommendation to take to the next phase of development, i.e. the formal engagement with the rep bodies and people impact assessments. To ensure that the Service is not over established, vacancies are being held, at a manageable level, so as not to impact on the ability to respond to emergencies.

Specialist Rescue Team – as above, the business case was approved by Service Delivery Board on 15 July and will now be submitted to the Executive Board for agreement on which recommendation to take forward.

Pay for Availability – The IR1 (Industrial Relations 1) was completed some time ago and submitted to the rep bodies. Responses have been received from the Fire Brigades Union (FBU) and Fire and Rescue Services Association (FRSA). Analysis has also been completed comparing the revised P4A offer with the new NJC on-call pay deal, that analysis was submitted to the rep bodies two weeks ago.

Unwanted fire Signals - has had a review of scope and is now moving forward with revised mandate due at the end of August.

5. CURRENT MEDIUM-TERM FINANCIAL PLAN.

The current MTFP is suggesting a potential £1.8m gap for 2025-26, ramping up further for 2026-27:

| 2. FINANCIAL PLANNING MODELLING | | | | | |
|---|-------------|-------------|--------------|--------------|--------------|
| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
| CORE REVENUE BUDGET | £92,621,600 | £97,472,557 | £103,106,683 | £105,918,329 | £106,177,329 |
| REVENUE SUPPORT GRANT | £11,679,714 | £11,901,628 | £12,127,759 | £12,358,187 | £12,592,992 |
| TARRIF TOP-UP | £11,324,047 | £11,550,528 | £11,781,538 | £12,017,169 | £12,257,513 |
| NNDR | 5,375,324 | £5,482,830 | £5,592,487 | £5,704,336 | £5,818,423 |
| COUNCIL TAX BASE | 636,966 | 647,157 | 657,512 | 668,032 | 678,721 |
| ANTICIPATED INCREASE IN CT INCOME RESULTING FROM SECOND HOMES | | £1,507,265 | £1,507,265 | £1,507,265 | £1,507,265 |
| COUNCIL TAX COLLECTION FUND SURPLUS | £855,991 | £864,551 | £873,196 | £881,928 | £890,748 |
| COUNCIL TAX BAND 'D' % | | | | | |
| COUNCIL TAX - BAND 'D' % | £99.68 | £101.66 | £103.68 | £105.74 | £107.84 |
| COUNCIL TAX BAND 'D' 0% | | | | | |
| COUNCIL TAX - BAND 'D' 0% | £96.79 | £96.79 | £96.79 | £96.79 | £96.79 |
| 3. SAVINGS REQUIRED TO MEET COUNCIL TAX FIGURE | | | | | |
| REDUCTION REQUIRED TO BASE BUDGET (CUMULATIVE) | - | (1,883,228) | (4,563,132) | (4,322,167) | (1,425,313) |

- 5.1 The Authority has an excellent history of achieving savings targets, with over £23.1m saved over the years since 2011-12 to 2023-24.
- 5.2 Given the big challenge posed by the funding gap and the need to reform the Service, plans have been approved to future-proof the organisation and deliver budget savings. The Community Risk Management Plan will define the Service high-level strategy alongside the published Target Operating Model (TOM) which will align the Service workforce in the most efficient and effective way.

ANDREW FURBEAR
Head of Finance (Treasurer)