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| REPORT REFERENCE NO. | DSFRA/24/38 |
| MEETING | DEVON & SOMERSET FIRE & RESCUE AUTHORITY |
| DATE OF MEETING | 19 DECEMBER 2024 |
| SUBJECT OF REPORT | MEDIUM-TERM FINANCIAL PLAN UPDATE 2024-25: QUARTER 3 |
| 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 updates Members on the current position of the MTFP and monitors the progress of the four main initiatives presented to the Devon & Somerset Fire & Rescue Authority on 11 December 2023. As a reminder, these 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; and • Amendments to the policy and practice for dealing with unwanted fire signal. <p>Progress against the Medium-Term Financial Plan is presented quarterly to the Fire Authority.</p> <p>The Service understands the revenue budget requirement for 2025/26. At the time of drafting this paper, the Service was awaiting confirmation from Central Government to determine the amount of grant funding that will be received, coupled with the maximum increase in Council Tax the Authority is permitted to approve.</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**

[Strategic Business Change Plan](#) – Tranche One – presented to the Fire Authority on 11 December 2023. [Medium-Term Financial Plan](#) Fire Authority meeting 16 February 2024.

1. INTRODUCTION

- 1.1. The Medium-Term Financial Plan (MTFP) was presented to the Devon & Somerset Fire & Rescue Authority (hereinafter referred to as “the Authority”) as part of the budget setting papers on 16th February 2024.
- 1.2. The MTFP outlines funding, income and expenditure forecasts for the next five years. The MTFP 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 key when making decisions about the future. 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.
- 1.4. The relevant Director and the Treasurer have met with all the budget holders which has enabled the Service to understand the revenue budget requirement for 2025-26. At the time of drafting this paper, the Service was awaiting confirmation from Central Government to determine the amount of grant funding that will be received, and the maximum Council Tax increase the Authority is permitted to approve for 2025-26.

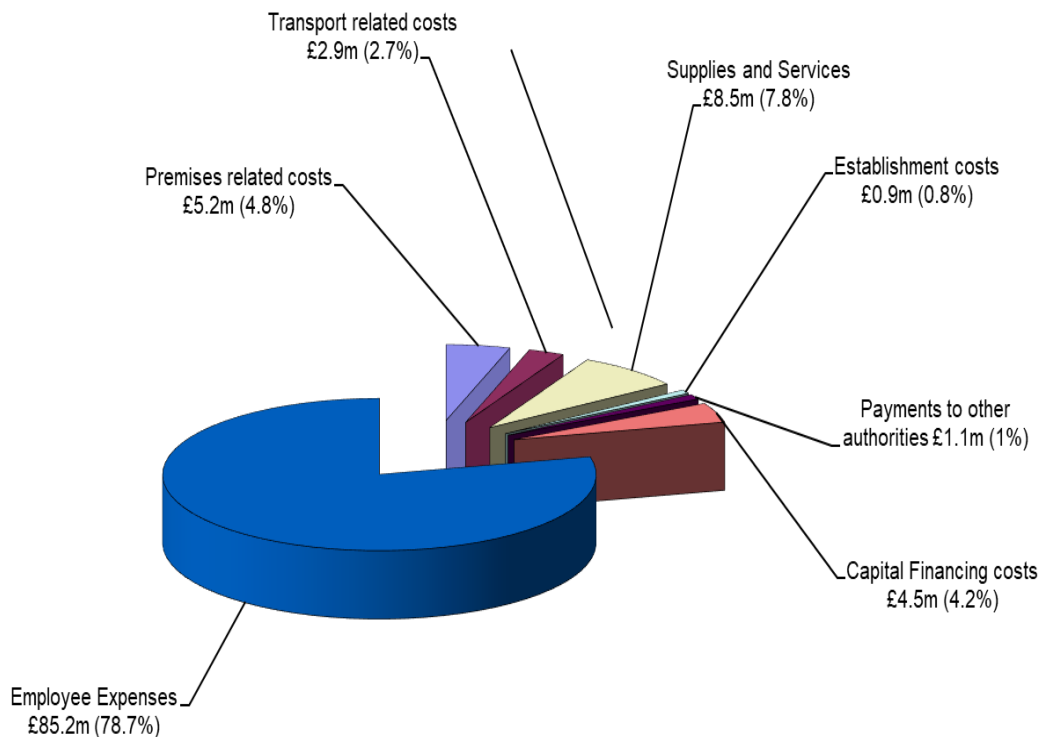
2. FUNDING AND INCOME

- 2.1. The Authority has three main sources of revenue funding, namely:
 - 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 expenditure in order to reach the “net revenue budget” in each year.

3. EXPENDITURE

- 3.1. Assumptions are 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



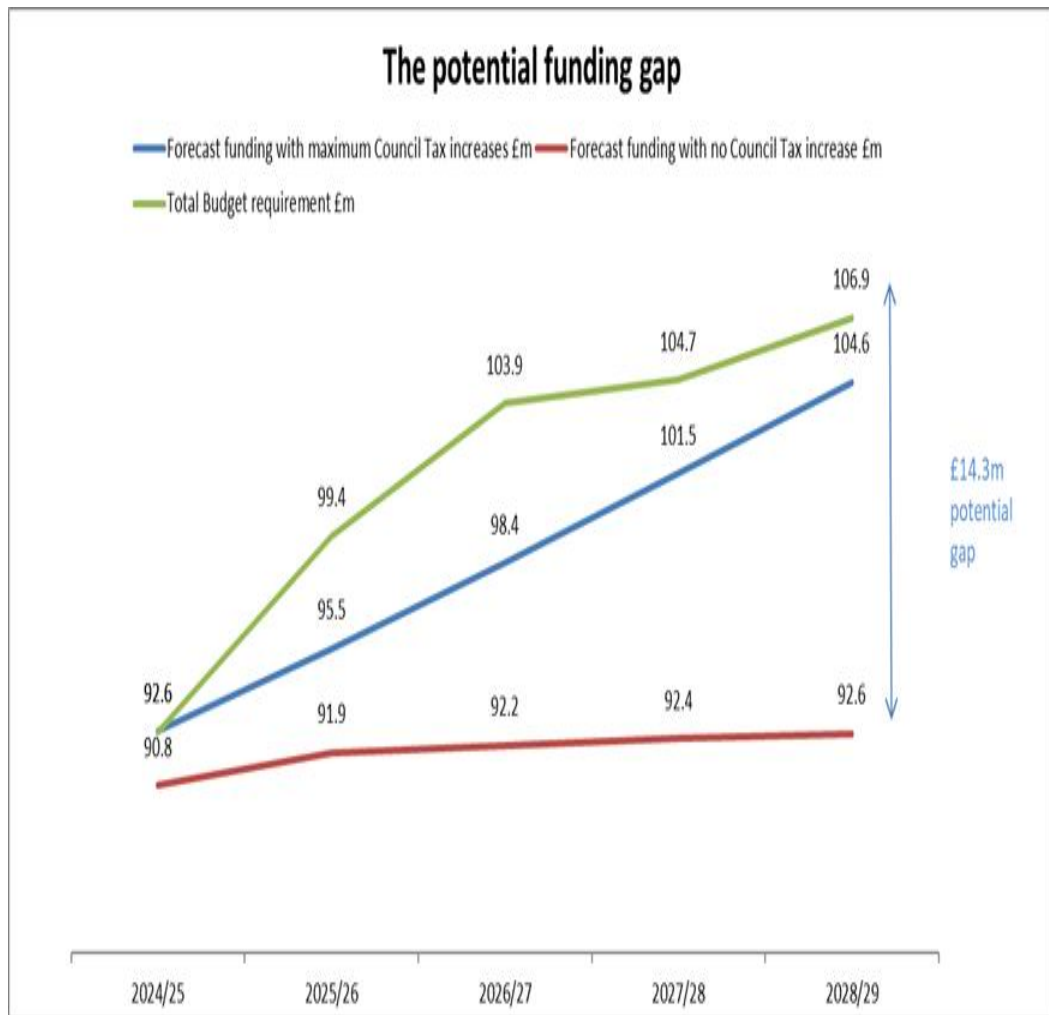
Cost Pressures

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 Authority on 11 December 2023 (Minute DSFRA/23/29 refers) with the four main initiatives that were being implemented to reduce the gap within the MTFP. These remain to be:
- 4.2. **Annualised Hours:** Following extensive research and engagement from the respective working groups, the business case was approved at Service Delivery Board on 15 July 2024 and was then agreed by the Executive Board. 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. Working alongside Stations, working groups will be formed to identify the detail within the annualised hours project to ensure it is Grey-Book compliant. Wellbeing of wholetime staff is being prioritised during this period of change.
- 4.3. **Technical Rescue Team** (formally referred to as Specialist Rescue Team): As above, this business case was approved by Service Delivery Board and subsequently agreed by the Executive Board. Formal consultation with those affected will begin early January 2025 and will last approximately 2 months.

- 4.4. **Pay for Availability (P4A):** The Industrial Relations 1 (IR1) was completed some time ago and submitted to the Representative Bodies. Responses have been received from the Fire Brigades Union (FBU) and Fire and Rescue Services Association (FRSA). Analysis has been completed comparing the revised P4A offer with the new National Joint Council (NJC) on-call pay deal. The analysis was submitted to the Representative Bodies a few weeks ago.
- 4.5. **Unwanted fire Signals:** The full business case was agreed at the Portfolio Board in November 2024. The proposal is scheduled to go out for 12 weeks public consultation on 13 January 2025.

5. REDUCTION IN THE BUDGET WHICH HAVE BEEN FACTORED IN

- 5.1. The Extended Leadership Team met in November 2024 and agreed to the following changes for the 2025/26 budget:
- The vacancy margin for wholetime pay will be £1.7m to reflect the establishment required for the new rostering project. Vacancies are currently being held at this level;
 - Increase in vacancy margin for on-call from the current £0.250m to £0.500m to reflect the current spend profile;
 - Increase in the vacancy margin for Professional and Technical posts from the current £0.705m to £1.0m to reflect the delays in recruiting into vacant posts; and
 - Increase the target for investment income from £1.0m to £1.2m resulting from the slow-down of interest rate reductions.

6. CURRENT MEDIUM-TERM FINANCIAL PLAN (MTFP)

- 6.1. The current MTFP is suggesting a potential £1.8m gap for 2025-26 which includes the savings identified in paragraph 4.6 above. This then ramps up further for 2026-27 and beyond:

| 2. FINANCIAL PLANNING MODELLING | | | |
|---|-------------|--------------|--------------|
| | 2025/26 | 2026/27 | 2027/28 |
| CORE REVENUE BUDGET | £99,404,000 | £103,248,000 | £105,304,000 |
| REVENUE SUPPORT GRANT | £11,901,628 | £12,127,759 | £12,358,187 |
| TARRIF TOP-UP | £11,550,528 | £11,781,538 | £12,017,169 |
| NNDR | £5,375,324 | £5,482,830 | £5,592,487 |
| COUNCIL TAX BASE | 647,157 | 657,512 | 668,032 |
| ANTICIPATED INCREASE IN CT INCOME RESULTING FROM SECOND HOMES | £1,507,265 | £1,507,265 | £1,507,265 |
| COUNCIL TAX COLLECTION FUND SURPLUS | £864,551 | £873,196 | £881,928 |
| COUNCIL TAX - BAND 'D' % | £102.66 | £104.70 | £106.78 |
| COUNCIL TAX - BAND 'D' 0% | £99.68 | £99.68 | £99.68 |
| 3. SAVINGS REQUIRED TO MEET COUNCIL TAX FIGURE | | | |
| REDUCTION REQUIRED TO BASE BUDGET (CUMULATIVE) | (1,767,351) | (5,649,589) | (4,626,974) |

- 6.2. There are many assumptions built-in to the MTFP (inflation, the rate of increase of Government Grants, the increase to the tax base and the maximum permitted increase to the Council Tax). The draft notification of these will not be released until late December 2024.
- 6.3. For 2025-26, the Service is expecting a one-year settlement. For 2026-27 onwards, the Service is hopeful for a multi-year settlement of at least 2 years which will really help with planning for the medium-term.
- 6.4. The Authority has an excellent history of achieving savings targets, with over £23.1m saved over the years since 2011-12 to 2023-24.
- 6.5. Given the 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) and the Fire Cover review which will align the Service workforce in the most efficient and effective way.

ANDREW FURBEAR
Head of Finance (Treasurer)