

## Revisions to the 2025/26 Revenue Budget

### Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance on 01743 260215.

### 1 Purpose of Report

This report presents a final revenue budget package for 2025/26 for consideration by the Committee, and recommendation to the Fire Authority, taking into account latest information.

### 2 Recommendations

The Committee is asked to recommend that the Fire Authority approve;

- a) a precept increase for 2025/26, based on one of the options in section 8, and
- b) a revenue budget in line with the precept increase approved above.

### 3 Background

At its meeting in December 2024, the Fire Authority was presented with a summary of the revenue budget for 2025/26 that had been considered by Strategy & Resources Committee, along with its medium-term planning requirements. These were based on assumptions currently in use by officers in the Service's scenario planning.

Members were informed that the Chancellor had presented the Autumn Budget in October which outlined aspects of the Local Government Finance Settlement for 2025/26. These included an inflationary increase of 1.7% based on September 2024 CPI, and an increase in core spending power (including precept) of 3.2% for the Fire sector. No indication was provided around precept referendum thresholds.

This would be a single year settlement with a multi year settlement for subsequent years expected in Spring 2025.

The table below shows approved expenditure and the projected surplus or deficit using current assumptions for income.

	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Expenditure budget proposed by the Committee	-29,596	-30,177	-30,727
Income	30,237	31,472	32,736
Balance available for investment and growth	641	1,295	2,009

These assumptions were:

- Grant increased by 1.7% in 2025/26 and 2% thereafter; continuation of rural services, services and minimum funding guarantee grants.
- Rates income increased by 2% from 2025/26
- Precept increase of 2.99% for 2025/26 and later years
- Council tax base increase of 1.87% from 2025/26
- Pay award of 2% from 2025/26.

## **4 Further Developments**

### **Local Government Finance Policy Statement 2025/26**

The government published its policy statement in October which confirmed its intentions for the finance settlement for 2025/26.

The statement confirmed the following:

- Standalone fire authorities can increase precept by £5 without requiring a referendum
- Rural Services Delivery Grant, Services Grant and Minimum Funding Guarantee are removed in full
- A one off Recovery Grant will be introduced, based on deprivation, but is unlikely to be allocated to this Authority
- Local authorities will be compensated in the usual way for the freeze in the small business rate multiplier.

The flexibility of a £5 precept increase will be welcomed following lobbying by major stakeholders including the Home Office, Local Government Association, National Fire Chiefs Council and the Authority. However, the loss of three grants from the settlement has far outweighed any potential benefit to the Authority of an increased referendum threshold.

## **National Insurance Employer Contributions**

The Chancellor announced during the Autumn Budget that there would be an increase in NICS employer contributions from 1 April 2025, as well as a lowering of the threshold from which NICS are paid. The Budget and the policy statement both confirmed that support would be given to local authorities to cover these additional costs, although no amounts were specified.

## **5 Provisional Grant Settlement 2025/26**

The provisional finance settlement was announced on 18 December, providing numbers for 2025/26 only.

The main points of the settlement were:

- Revenue Support Grant, rates and Top Up Grant for this Authority have increased by 1.4%;
- Rural Services Delivery Grant, Services Grant and Minimum Funding Guarantee are removed in full
- S31 grant income for rates compensation has continued
- Council tax referendum spending limit is confirmed at £5 for 2025/26

### **National Insurance costs**

A total grant of £515m has been announced to support additional NICS costs, however the allocation across individual authorities will not be confirmed until the final settlement is announced in January 2025.

It is likely that the grant received will only cover around 50% of the additional costs, therefore an increase of £150,000 will be required in the revenue budget to cover these costs.

### **Fire Pension Scheme Valuation 2020**

The Treasury completed its analysis of the outcomes of the 2020 valuation in 2024; the impact of the valuation on the schemes was an increase in employer contributions, from 30.2% to 37.6%.

The total costs of this increase for 2024/25 were funded by government; however, although it is expected to continue for 2025/26, this has not yet been confirmed. The contribution increase represents an increase in the revenue budget of around £800,000 per year.

## **6 Council Tax Base and Collection Fund**

### **Council Tax Base**

The council tax bases for Shropshire Council and Telford & Wrekin Council are awaiting approval; provisional numbers would generate an additional £60,000 in precept income.

### **Collection Funds**

The Fire Authority receives a share of any collection fund surplus at the end of each year and must contribute to any deficit.

Total collection fund balances for Shropshire Council and Borough of Telford & Wrekin are currently being finalised.

## **7 Future Growth and Investment**

Future growth and investment within the Service will focus on several priority areas aimed at reducing risk and vulnerability in the community and ensuring all staff are competent to perform their roles effectively.

The main areas are:

- The consultation of the Fire Authority's Community Risk Management Plan (CRMP) has used an evidence-led approach to identify key areas to mitigate and manage risk, these areas will require investment to achieve the outlined proposals.
- In November 2024, His Majesty's Inspector of Constabulary and Fire and Rescue Service (HMICFRS) report highlighted several critical findings across the Service and provided areas for improvement and a cause of concern. Officers and members accepted all of these recommendations and have submitted a comprehensive plan to address the areas for improvement and the cause of concern.
- The development of the Strategic Priorities for 2025/26, due for Authority approval in February 2025, is identifying essential investments in people, processes, and systems.
- A Service Structural Review is currently underway to ensure the structure enables the delivery of the CRMP and the Strategic priorities for 2025/26, it is addressing identified skills gaps to improve service delivery and enhance overall organisational effectiveness.

Whilst these priority areas have not yet been finalised, it is proposed that a sum of money is allocated within the budget to make this investment.

An investment of £250,000 is proposed for 2025/26 with details of the expenditure reported to members through future monitoring reports.

There will be a medium term approach to this investment, with some areas being addressed in years 2 and 3 of the planning period. However, given the move to a multi year settlement from 2026/27, this cannot be planned with certainty until the settlement is published from next year.

In order to reflect the ongoing investment required, a notional amount of £250,000 has been added to the revenue budget for both years 2 and 3, and £150,000 for systems investment has also been added.

### **Other growth and investment**

As well as the expenditure numbers shown above, capital charges are still to be factored into the revenue budget following approval of the capital programme later on the agenda, these will increase as capital reserves are depleted and further borrowing is undertaken.

The financial position after applying these changes is shown in the following table:

	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>
Expenditure budget proposed by the Committee	-29,596	-30,577	-31,127
NICS costs	-300		
NICS support income	150		
Investment in staff	250	250	250
Investment in systems		150	150
<b>Total expenditure</b>	<b>-29,996</b>	<b>-30,977</b>	<b>-31,927</b>
Income	30,237	30,936	32,203
Reduction – revised settlement	-570		
Council tax base increase	58		
<b>Total income</b>	<b>29,725</b>	<b>30,936</b>	<b>32,203</b>
<b>Surplus / - deficit on revenue budget</b>	<b>-271</b>	<b>-41</b>	<b>275</b>

This is based on a precept increase of 2.99% for 2025/26 and future years, which remains the current planning assumption.

## 8 Consideration of Precept Increases

In 2023/24 the council tax referendum spending limit was increased to £5 for fire and rescue authorities, and this was in part due to co-ordinated lobbying by the local members of Parliament, National Fire Chiefs Council, the Local Government Association and the Home Office. Despite continued lobbying, the spending limit reverted to 2.99% for fire authorities in 2024/25, which, coupled with a one-year settlement, limited scope for development and medium term planning.

The referendum spending limit has now been increased to £5 for standalone fire authorities, giving some flexibility to the precept increase decision. However, members have seen the effect of the cessation of grants on the Authority's planning above.

When making decisions on precept strategy, the Authority should consider the current position of the Service and its requirements to address the cause for concern and areas for improvement within its HMICFRS inspection report, as well as completing recommendations from the Community Risk Management Plan (CRMP).

Although the later years of the planning period have included notional amounts for investment required, members are reminded that it is not yet certain how the introduction of a multi-year settlement will affect existing income streams or precept referendum thresholds. This will be reviewed as details of the multi-year settlement are made available.

It is prudent to consider a range of precept increase options and the consequences of these options. The current assumption of 2.99% is shown in the table, alongside further options up to £5.

	<b>Surplus / -Deficit £'000</b>
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<b>Precept Increase</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
<b>2.99% from 25/26</b>	-271	-41	275
<b>Nil in 25/26, then 2.99%</b>	-886	-686	-401
<b>3.5% in 25/26, then 2.99%</b>	-167	69	391
<b>4.34% (£5) in 25/26, then 2.99%</b>	6	250	581

The revenue consequences of the capital programme from 2025/26 will be considered later on the agenda, and indicative costs to be added to the revenue budget are as follows:

<b>Cumulative Capital Charges £'000</b>		
<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
49	219	388

A precept increase of 2.99%, or 6p per week, would enable the Authority to cover inflationary pressures but would not service its capital programme, or provide any opportunity for growth and investment into the Service or its staff. Efficiencies in non pay costs will be sought and productivity will be reviewed and improvements identified. Any further funds required to balance the budget would be found in reserves in the short term.

Increasing the precept by £5, or 4.3%, is in line with government assumptions within the calculation of core spending power. The increase restores some of the loss in grant income within the settlement, whilst also allowing for some growth and investment to be achieved during the first year of the settlement. There is no certainty around future precept threshold limits in the multi year settlement from 2025/26.

## **9 Medium Term Budget Considerations**

The budget position for 2025/26 has been updated to reflect the information available following the settlement.

The finance settlement for 2025/26 is less favourable than anticipated, due to the scrapping of a number of grants.

Single year settlements continue to hamper medium term planning and sustainability. The Fire Authority's strategy has been to assess the consequences of its decisions across the planning period, which enables timely strategic decisions to be implemented. Whilst the introduction of a multi year strategy from 2025/26 will bring some certainty across the medium term, the basis upon which this will be formulated is far from clear at this time.

Reductions in settlement income and an increased referendum threshold have placed the burden of increased tax levels onto the tax payer, and the decision around where to place these levels with the Fire Authority. Consultation on the

precept increase will be carried out with the public to ensure that the views of local stakeholders are taken into account during the precept setting process.

## 10 Final Budget Options

The adjustments to the revenue budget and changes in funding have been exemplified and the summary position is shown below – this is based on the council tax flexibility of 4.34%, or £5. The figures are subject to change following the confirmation of one off balances on collection funds for both constituent authorities.

The Committee is asked to recommend a precept increase of 4.34% (£4.96) to the Authority, which is in line with current assumptions. Work will continue on modelling for future years as more information becomes available.

	2025/26 £000	2026/27 £000	2027/28 £000
<b>Expenditure budget proposed by the Committee</b>	<b>-29,996</b>	<b>-30,977</b>	<b>-31,927</b>
<b>Funded by:</b>			
Revenue Support Grant and Business Rates Income	7,035	7,176	7,319
Other Grants	1,520	1,551	1,582
Council Tax	21,447	22,500	23,607
Collection Fund	0	0	0
<b>Total</b>	<b>30,002</b>	<b>31,228</b>	<b>32,508</b>
<b>Surplus / -Deficit</b>	<b>6</b>	<b>250</b>	<b>581</b>

## 11 Financial Implications

There are no financial implications other than those outlined in the report.

## 12 Legal Comment

There are no legal implications arising directly from this report.

## 13 Initial Impact Assessment

An Initial Impact Assessment form has been completed.

## 14 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Human Resources 5 Part 2) and have decided that there are no discriminatory practices or differential impacts upon specific groups arising from this report. An Initial Equality Impact Assessment is not, therefore, required.

## 15 Appendices

There are no appendices attached to this report.

## **16 Background Papers**

There are no background papers associated with this report.