AVON FIRE AUTHORITY

MEETING:	**Avon Fire Authority**
MEETING DATE:	**Wednesday, 20 March 2024**
REPORT OF:	**Statutory Finance Officer**
SUBJECT:	**Updated 2024/25 Revenue Budget and MTFP**

1. SUMMARY

- This paper aims to address a proposal raised by a Member at the Fire Authority meeting held 19 February 2024, exploring both the financial and non-financial implications of addressing this proposal.
- The paper presents several options to Members demonstrating the impact of each on both the Revenue Budget for the 2024/25 financial year and the 4-year Medium-Term Financial Plan (MTFP) to 2027/28.

2. RECOMMENDATIONS

2.1 The Fire Authority is asked to:

a) Approve Option 1, presented in **Appendix 1**, for the 2024/25 Revenue Budget and 2024/25 to 2027/28 Medium-Term Financial Plan.

3. BACKGROUND

3.1 The draft Revenue Budget was presented to Members at the Fire Authority meeting dated 19 February 2024. At this meeting Members approved recommendation A and recommendations C-F, which included approving a 2.99% increase in the precept. Recommendation B was delayed allowing Officers to evaluate a proposal raised by a Member during that meeting.

3.2 The proposal was to consider whether the Authority could remove a £500k contribution from the Revenue Budget to the Capital Programme for the 2024/25 financial year and therefore avoid the requirement to commence the efficiency savings plans during the same year. This would have the effect of delaying the planned efficiencies by changing the service delivery model to reduce the overall cost of salaries through a reduction in operational establishment posts.

3.3 Exploring the impact of this proposal has left the majority of assumptions made in preparing the 2024/25 Revenue Budget unchanged. The original assumptions are listed within section 5 of the 2024/25 Budget Setting and Precept paper presented on 19 February 2024.

3.4 The MTFP was also presented to Members during the meeting on 19 February 2024. The recommendation in this paper was amended to noting, rather than approving, acknowledging the impact the proposal could have on the four-year plan. As with the Revenue Budget, many of the key assumptions made when generating the four-year plan remain unchanged and are detailed in section 5 of the Medium-Term Financial Plan paper presented at that meeting.

3.5 Any amendments to assumptions in the 2024/25 Revenue Budget or 4-year MTFP, made as a result of exploring this proposal, are clearly set out in section 4 below.

3.6 A Budget Shortfall Options paper was presented to the Fire Authority in October 2023. The Authority approved the continued development and implementation of a crewing model that reflects 4 personnel on every pumping appliance at wholetime stations. This was projected to result in a reduction in Fire Fighter posts with an expected total annual saving of c£2m being generated. More recent research and reviews of crewing models aligned to a blended fleet approach means the current efficiency plans are now predicted to generate c£1.8m of recurring annual savings on the Revenue Budget.

3.7 Under all the options presented in this paper today, the Service is required to make over £4m of savings in the coming four years. It is clear the current efficiency programme can only contribute to around half of that amount.

4. <u>FINANCIAL IMPLICATIONS</u>

4.1 Several options have been considered to address the proposal described in paragraph 3.2, each of which is described in detail below.

<u>Option 1</u>

4.2 This replicates Option 1 presented as part of the Revenue Budget paper at the AFA meeting on the 19 February 2024. No changes in assumptions have been made. This therefore means the following:

i. The £500k contribution from the Revenue Budget to the Capital Programme remains.
ii. £625k of efficiency savings are required to balance the Revenue Budget for 2024/25
iii. Efficiency savings by year four of the MTFP remain as previously presented at £4.1m.

4.3 The Revenue Budget for 2024/25 and the four-year MTFP associated with this option are presented together in **Appendix 1**.

Option 1 – Conclusion

4.4 The recommendation from the Statutory Finance Officer remains unchanged from that of the meeting held on 19 February 2024, and is for the approval of Option 1. This option allows the Service some time to gradually introduce the efficiency plans, naturally through the retirement profile of the Service, in a controlled manner. It allows the Service sufficient time to put plans in place to be able to address the projected £4.1m MTFP shortfall.

Option 2

4.5 This option considers the impact of the removal of the £500k contribution towards the Capital Programme from the Revenue Budget in 2024/25. The assumptions made are:

i. The £500k contribution from the Revenue Budget to the Capital Programme is removed.
ii. The efficiency savings are reduced to £125k for 2024/25, which would be achieved through exploration of other efficiency options, and not through changes to crewing models, which would commence in 2025/26.
iii. The impact on the Capital Programme must be considered as part of this option. Three possible alternatives are considered below. The impact of each of these alternatives on the Capital Programme is presented in the appendices of the Capital Programme and Strategy Paper at this meeting.

Option 2 (1) – Reduction of Capital Programme by £500k

4.6 The 2024/25 Capital Programme could be reduced by £500k as a result of the removal of the contribution from the Revenue Budget. This means the overall Capital Programme is reduced by £500k, but it does not impact the assumptions previously made on the total amount of borrowing and timing of that borrowing, as this is assumed in 2025/26. This option therefore has no impact on the three outer years of the MTFP as the capital financing costs are unchanged when compared to Option 1.

4.7 Delaying the efficiency programme does not change the level of efficiencies required to be achieved, remaining at £4.1m over the four-year MTFP. Rather, the delay of the efficiency programme reduces the time frame over which the Service can meet the savings requirement. For example, under Option 1, the Service will identify £625k of recurring savings in 2024/25 through changes to the crewing models, meaning only an additional c£800k of recurring savings needs to be identified during 2025/26 to achieve the c£1.4m requirement in that second year. Conversely, in this option, the lower savings in 2024/25 result in close to £1.3m of recurring savings having to all be achieved in 2025/26, which is likely to be a much more difficult exercise. By pursuing this option, the Service is not removing the problem, but delaying it and increasing future budgeting pressures. This, along with other non-financial considerations, is explored further in section 5.

4.8 The Revenue Budget for 2024/25 and the four-year MTFP associated with this option are presented together in **Appendix 2**.

Option 2 (1) - Conclusion

4.9 This option is not recommended by the Statutory Finance Officer for two reasons. Firstly, it compresses the time frame over which the Service can achieve the required savings, increasing the risk of those savings not being delivered. Section 5 explores the impact of delaying the efficiency programme on the Service's ability to maintain establishment levels and therefore service delivery. This option could result in the need to consider redundancies to reduce establishment, which is something the Service is trying to avoid, and would likely incur further costs, over and above those assumed in the MTFP, increasing total savings requirements further.

4.10 Secondly the programme of Capital Investment for the Service is reduced. Removal of any projects from the Capital Programme would need to be accompanied by a detailed risk assessment, which has not been completed at this point, to ensure the impact of such a removal is fully considered.

Option 2 (2) – Rephasing of the Capital Programme

4.11 The Capital Programme could be rephased such that the 2024/25 Programme is reduced by £500k, but the 2025/26 Programme is increased by £500k. This has no impact on the total Capital Programme but means that borrowing will be £500k higher in 2025/26 when compared to Option 1.

4.12 This option increases capital financing costs by £89k across the four-year MTFP. The additional borrowing means an additional £40k per annum capital financing costs, also increasing total efficiency savings requirements by £40k across the MTFP period as a result, to just under £4.2m. As savings are recurring, they need only be identified once and will then continue to mitigate those additional costs for all future years, resulting in just the £40k total savings requirement.

4.13 This option would require £500k of Capital investment to be delayed into 2025/26. The below outlines possible options for such delays:

i. **£500k of Fleet spend delayed to 2025/26**. This would mean the hovercraft, one animal and water rescue vehicle and electric replacements for 5 diesel cars would have to be deferred to 2025/26.

ii. **£500k of Premises spend delayed to 2025/26**. This mean the planned on-call station improvements against 2 or 3 sites would be delayed until 2025/26 (out of a total of 4 stations already identified as high priority).

iii. **£250k of Fleet and £250k of Premises spend delayed to 2025/26.** This would mean one animal and water rescue vehicle and 4 electric replacements for diesel cars would have to be delayed into 2025/26, as well as on-call station improvements against 1 or 2 sites.

4.14 Delaying the fleet capital programme will mean the Service is operating with an ageing fleet more prone to breakdowns, less efficient response capabilities and potential increased maintenance costs. The hovercraft is already 24 years old and vulnerable to reliability and availability issues, the animal and water rescue vehicles are 10 years old as are the diesel cars. Should these investments be delayed the Service is likely to see increased pressures in the revenue budget to maintain Service provision. The delay in replacement of the hovercraft and diesel cars will be detrimental to the Service's emission reduction targets.

4.15 The on-call station improvements have been in the Service's investment plans for some time. The current facilities are no longer fit for purpose and the improvements are required for Health and Safety as well as dignity and respect concerns and to ensure contaminate free areas are available. The Service has already invested in feasibility studies and specifications are currently being written to start the tender process.

4.16 As with Option 2 (1), this option delays the start of the efficiency programme to 2025/26 and therefore reduces the time frame over which the £4.2m of savings can be achieved, increasing the pressure the Service is under to deliver a balanced budget in future years. See paragraph 4.7.

4.17 The Revenue Budget for 2024/25 and the four-year MTFP associated with this option are presented together in **Appendix 3**.

Option 2 (2) - Conclusion

4.18 This option is not recommended by the Statutory Finance Officer. The financial impact is relatively small year on year at £40k per annum additional capital financing costs, assuming total cost of capital of 8%. Over a proposed loan term of 25 years, this loan would put an additional £1m of capital financing costs through the revenue budget, £500k to repay the capital amount borrowing and £500k in interest charges.

4.19 The delay in the Capital Programme is likely to generate additional fleet maintenance cost pressures on the revenue budget during 2024/25 as well as creating possible challenges in our response capabilities. The Service is also aware of difficulties in the supply chain, where a one-year phasing adjustment capital investment could have an even more significant time delay on the replacement programme. On-call premises improvements are a priority, and this option only delays necessary works, with the likely impact of increased costs when those works are completed at a later date.

4.20 In addition, as with Option 2 (1) above, this option assumes the maintenance of the current establishment levels during 2024/25, with the commencement of the efficiency programme being delayed by a year. This only delays the savings requirements and increases the challenge to deliver a balanced budget in future years. See section 5 for more detail and paragraph 4.9.

Option 2 (3) – No change to the Capital Programme

4.21 The Capital Programme could remain unchanged both in terms of total spend and phasing of that spend, when compared to Option 1. This scenario would only alter the funding of the programme in 2024/25.

4.22 Due to the removal of the revenue contribution to the Capital Programme in 2024/25, £500k more funding will be required in that year. This would result in the final £134k of Capital Reserves being utilised and £366k of borrowing being required in 2024/25. It would also create an additional £134k borrowing requirement in 2025/26.

4.23 The additional, and earlier, borrowing will increase capital financing costs. The borrowing taken out in 2024/25 is assumed to attract an interest rate of 5%, compared to the 4% interest rate assumed for borrowing in 2025/26 onwards. Total cost of capital for 2024/25 borrowing is therefore 9%, rather than the 8% assumed on the later borrowing. The increase in capital financing costs when compared to Option 1, over the four-year MTFP, is £126k. Total efficiency savings requirements are increased by £42k across the MTFP period as a result, to just under £4.2m.

4.24 For the purposes of modelling this scenario, it is assumed that only the minimum required borrowing is taken out in 2024/25 to fund the Capital Programme (i.e. the £366k mentioned in paragraph 4.22). The Service may be required to take out a larger amount of borrowing in 2024/25 to support the financing of an entire project, which would increase the capital financing costs further.

4.25 As with both Option 2 (1) and 2 (2), this option also delays the start of the efficiency programme to 2025/26 and therefore reduces the time frame over which the £4.2m of savings can be achieved, increasing the pressure the Service is under to deliver a balanced budget in future years. See paragraph 4.7.

4.26 The Revenue Budget for 2024/25 and the four-year MTFP associated with this option are presented together in **Appendix 4.**

Option 2 (3) – Conclusion

4.27 This option is not recommended by the Statutory Finance Officer. As with Option 2 (2), the year-on-year capital financing cost increase is relatively low. However, the total interest cost of the additional borrowing, assumed to be over a 25-year loan period, would be just under £600k. This combined with the statutory contribution towards the capital repayment of the loan of £500k, would add £1.1m of additional Capital Financing Costs to the Revenue Budget over a 25-year period.

4.28 This option does have the benefit of not impacting the capital investment decisions of the Service, but still assumes the maintenance of the establishment levels for 2024/25, as is the case with the alternative two scenarios within Option 2, increasing pressure to deliver the required savings over a shorter period of time. See section 5 for more detail and paragraph 4.9.

<u>Option 3</u>

4.29 The final option considered is to not remove the £500k contribution to the Capital Programme but make adjustments through reserves and the Capital Programme to assist in balancing the budget, removing the requirement for efficiency savings during 2024/25. The key assumptions are:

i. £420k earmarked ‘Invest to Save’ reserve is released, increasing the ‘transfers from reserves line’ to £1.092m compared to £672k under Option 1.
ii. £50k assigned to Transformation in 2024/25 of the Capital Programme is removed.
iii. The efficiency savings are reduced to £155k for 2024/25 and the contribution from the revenue budget to the Capital Programme is reduced to £450k. It is assumed the £155k of savings would be achieved through exploration of other efficiency options, and not through changes to crewing models, which would commence in 2025/26.
iv. Efficiency savings by year four of the MTFP remain at £4.1m as there are no changes in borrowing assumptions to fund the Capital Programme.

4.30 The Revenue Budget for 2024/25 and the four-year MTFP associated with this option are presented together in **Appendix 5.**

4.31 This option has an impact on the earmarked reserves of the Authority. **Appendix 6** (previously Appendix 4 of the 2024/25 Revenue Budget and Precept paper presented at the February meeting of the Authority), presents the anticipated reserves levels as at 31 March 2024. The £420k ‘Invest to Save’ reserve is highlighted in yellow and is the proposed reserve to be released to help balance the 2024/25 Revenue Budget. Should this reserve be released, the 2024/25 revenue budget is assuming over £1m of releases from earmarked reserves. This would take earmarked reserves down from the projected £2.9m at the end of March 2024, to less than £2m for year ended March 2025.

4.32 As at the end of March 2023, the Service held reserves (earmarked and general) of around 12% of net revenue budget. An analysis of 7 other services within our ‘family group’ suggests that on average, for the year ended March 2023, they held reserves of around 24% of net revenue budget. One Service highlights it being their policy that reserve levels should not drop below 10% of net revenue budget. Should Option 3 be pursued, the level of reserves (earmarked and general) would be likely to represent significantly less than 10% of the Services revenue budget.

4.33 Earmarked reserves are funds the Authority has set aside for specific projects, activities or priorities. They have been set aside in the past to help offset expenditure expected to be incurred in those areas in the future. Reserves can only be used once, so utilising the ‘Invest to Save’ reserve will reduce our earmarked reserves and therefore the future resilience of the Service. As described in paragraph 4.32, the Service is already holding a lower level of reserves when compared to other Fire and Rescue Services of a similar size.

4.34 The ‘Invest to Save’ reserve was created as a result of an underspend in a past Revenue Budget. Based on the current MTFP projections, the Service is not expecting to be able to create additional earmarked reserves from underspends for some time, so is unlikely to be able to readily replenish this reserve.

4.35 The PFI arrangement for Severn Park comes to an end on 31 March 2028. The current MTFP assumptions do not include any provision for costs, Capital or Revenue, that would be associated with the exit and potential move to that facility. Should the Service utilise the ‘Invest to Save’ reserve as part of pursuing Option 3, it will reduce the resources it has available in future to manage cost pressures such as those associated with the Severn Park PFI arrangement. The reduction in levels of earmarked reserves will limit the Services investment power in all areas.

4.36 As with all three scenarios within Option 2, this option also delays the start of the efficiency programme to 2025/26 and therefore reduces the time frame over which the £4.1m of savings can be achieved, increasing the pressure the Service is under to deliver a balanced budget in future years. See paragraph 4.7.

Option 3 – Conclusion

4.37 This option is not recommended by the Statutory Finance Officer. The Service is already holding a low level of reserves when compared to other Fire and

Rescue Services. Reducing these further would reduce the Service's resources to manage future uncertainty, therefore reducing financial resilience. The adequacy of reserves statement within the Section 25 statement would be far more difficult to justify in this scenario.

4.38 As with all scenarios under Option 2, this option also assumes the maintenance of the establishment levels for 2024/25, with the efficiency programme and changes in crewing models commencing in 2025/26, reducing the timeframe over which those savings must be made. See section 5 for more detail and paragraph 4.9.

5. KEY CONSIDERATIONS

5.1 This section considers the operational and non-financial impacts of the proposal to remove the £500k contribution to the Capital Programme and reduce the efficiency savings requirements during 2024/25. The commentary in this section is relevant to both Options 2 and 3 presented in Section 4 of this paper.

5.2 Paragraph 4.7 highlights the importance of timing and the additional pressure the Service will be under to achieve such significant savings over a compressed timeframe should the efficiency savings programme be delayed.

5.3 As a result of the Fire Authority decision on 4 October 2023 to approve the continued development and implementation of an alternative crewing model, the Service has begun to make plans to accommodate the changes over the coming years. These plans have included the decision to not run a training school during the first half of 2024/25.

5.4 The Service plans to make the changes to crewing models through the natural retirement profile. The table below demonstrates two different possible retirement profiles, based on the following assumptions:

i. Average Method – the projection calculates the mean average between confirmed retirements and staff members who reach retirement eligibility.
ii. Potential Retirements (excluding 'backlog') – this projection is confirmed retirements plus all staff members reaching retirement eligibility.

	Apr 24 – Mar 25	Apr 25 – Mar 26	Apr 26- Mar 27	Apr 27 – Mar 28	Total
Establishment @ 1 April 24	472				
Projection i	-9	-10	-8	-7	-34
Projection ii	-13	-19	-15	-13	-60

5.5 472 is the current permanent establishment figure, with the numbers against each projection reflecting the estimated reduction in establishment that could be achieved via retirements under the two different sets of assumptions in each financial year.

5.6 The retirement projections provided incorporate a variety of variables and assumptions to offer a view of potential staffing changes due to retirements within the specified period. It's important to acknowledge that these projections are based on the best available data and historical trends, but they are subject to uncertainties inherent in predicting future events. Changes in pensions, economic conditions, and unforeseen events could impact these projections. Therefore, while these forecasts are made with due diligence and represent our best estimates, they should be considered as part of a dynamic planning process, with flexibility for adjustments as new information becomes available or as conditions change.

5.7 Based on the current retirement profile the Service would expect to have somewhere between 34 and 60 retirements over the four-year period to March 2028. Should the Service seek to pursue Options 2 or 3 outlined in Section 4 of this paper, it would need to consider how it would replace the retirements expected during 2024/25 to maintain, rather than reduce, establishment numbers during that year.

5.8 The Service has several options available to it, assuming the efficiency programme is to be delayed and establishment maintained during 2024/25. These are as follows:

i. Run a training school and permanently recruit to backfill retirements during 2024/25.
ii. Transfer fire fighters from on-call to wholetime permanently.
iii. Transfer fire fighters from on-call to wholetime temporarily on short term contracts.
iv. Recruit from external Fire & Rescue Services

Each of these options are explored in more detail below.

Running a Training School

5.9 The earliest the Service can run a training school for new recruits is February 2025, the final quarter of the 2024/25 financial year. This is due to decisions and plans already put in place to progress the efficiency programme. It would not make sense for the Service to onboard new recruits weeks prior to the start of the 2025/26 financial year, where efficiency savings, through Fire Fighter post reductions, would have to start to be made to balance the budget. The gradual reduction of Fire Fighter posts, to accommodate the changes to the crewing model through a phased introduction of the efficiency plans would be a more sensible, and controlled, way to manage the Service resources.

5.10 Assuming retirements in 2024/25 are replaced, Projection (i) estimates a total of 25 retirements for the three financial years from 2025/26 to 2027/28. The reduction of 36 fire fighter posts by the end of the four-year period would therefore not be achievable based on this first projection. If that is the case, and the Service has run a training school for new recruits, it is likely the Service will have to look at more severe options to reduce Fire Fighter posts, including redundancies. Running a redundancy programme is inherently more expensive that utilising a natural retirement profile, resulting in further savings requirements in future years, and such a programme would be likely to target those most recently recruited as a result.

Permanent Transfer from On-Call to Wholetime

5.11 There are currently 6 On-Call Fire Fighters eligible to transfer from On-Call to Wholetime permanently. This could help the Service bridge the gap and maintain a level of establishment during 2024/25 if required but is unlikely to be sufficient to backfill all the expected retirements.

5.12 The Service has the option of running another On-Call to Wholetime exercise, which could be achieved more quickly than the recruitment process discussed in paragraph 5.9. However, as a similar exercise has been run recently, it is unclear whether there would be sufficient interest from the On-Call area of the Service and could have the effect of reducing the On-Call capabilities of the Service. Running a further exercise would also result in permanent appointments, as described in paragraph 5.10, creating the risk of a redundancy exercise being required in future years.

5.13 An alternative to running an additional On-Call to Wholetime exercise might be the Service incurring additional overtime costs for a period, whilst it runs with fewer Fire Fighters but before the crewing changes have been implemented. This would be an additional cost, over and above the assumptions made in the MTFP and would therefore add to the savings required to balance the budget.

Temporary Transfer from On-Call to Wholetime

5.14 This option removes the risk of having to consider redundancies later as there will have been no permanent appointments during 2024/25. As mentioned in paragraph 5.11, there are 6 on-Call Fire Fighters eligible for this transfer, but that may not be enough to backfill all retirements during 2024/25. Additional overtime costs could be incurred during 2024/25 under this option, as described in paragraph 5.13, again with the impact of further increasing the savings required to balance the budget in future years.

5.15 On-Call Fire Fighters may not have the appetite for a temporary wholetime position as they will often have other employment elsewhere that they may have to leave to pursue this opportunity, with no guarantee of returning to employment once the contract expires.

Recruit from other Fire & Rescue Services

5.16 There is an option to recruit Fire Fighters from other Services. This would allow the Service to target the recruitment towards skills it is short of, for example drivers. However, as the recruits will be external it will increase the permanent establishment numbers and could lead to future redundancies, like the scenario discussed in paragraph 5.10.

Non-Financial Conclusions

5.17 As demonstrated with all the above options, there are likely to be additional costs incurred, through overtime and possible redundancy processes, as a result of a delay in the efficiency plans during 2024/25.

5.18 The uncertainties around the retirement profile make it difficult to predict exactly how the delay will impact 2024/25 operationally. However, what is clear is that the Service will need to find a way to manage crewing and staffing levels as the retirements materialise. A delay in the efficiency programme is likely to mean the Service will have to manage Fire Fighter numbers more reactively during 2024/25 which could result in scenarios where the degradation plan, used to take appliances off the run when there is a shortfall in resource, could be used on a frequent basis.

<u>Summary of Options</u>

5.19 The table below summarises the financial and non-financial consideration of each of the options presented in section 4.

	Financial Implications	Non- Financial Implications	Recommendation
Option 1	£4.1m savings over 4-year period	Efficiency plans not delayed; first phase of Fire Fighter reductions in 2024/25 in controlled manner.	Recommended option
Option 2 (1)	£4.1m of savings over 3-year period Possible overtime and redundancy costs not included. Removal of £500k from 2024/25 Capital Programme	Fire Fighter reductions delayed, reactive management of establishment in 2024/25. Likely frequent use of degradation plan. Capital projects removed which would require detailed risk assessments.	Not recommended
Option 2 (2)	£4.2m of savings over 3-year period Possible overtime and redundancy costs not included. Additional capital financing costs associated with increased borrowing (£1m over 25 years)	Fire Fighter reductions delayed, reactive management of establishment in 2024/25. Likely frequent use of degradation plan. Some investment projects delayed to 2025/26 – likely to increase maintenance costs and overall Capital Programme costs, as well as potential impact to response capabilities.	Not recommended
Option 2 (2)	£4.2m of savings over 3-year period Possible overtime and redundancy costs not included. Additional capital financing costs associated with increased and earlier borrowing (£1.1m over 25 years)	Fire Fighter reductions delayed, reactive management of establishment in 2024/25. Likely frequent use of degradation plan. No impact on capital investment plans of the Service	Not recommended
Option 3	£4.1m of savings over 3-year period. Utilisation of over £1m of reserves to balance 2024/25 budget, leaving reserves dangerously low.	Fire Fighter reductions delayed, reactive management of establishment in 2024/25. Likely frequent use of degradation plan.	Not recommended

Section 25 Statement

5.20 It is a legal requirement under Section 25 of the Local Government Act 2003 that the person appointed as the "Chief Finance Officer" to the Authority reports on the robustness and the adequacy of the level of reserves. The Act requires the Fire Authority have regard to the report in making its decisions.

5.21 The Section 25 statement was published in full in the 2024/25 Budget Setting and Precept paper, presented to the Fire Authority on 19 February 2024.

5.22 The impact each of the options explore in this paper has on the Section 25 Statement is shown below:

Option 1

5.23 Option 1 remains the current recommendation of the Statutory Finance Officer and the Section 25 Statement is unchanged.

Option 2 (all scenarios)

5.24 Option 2 explores the impact of delaying the efficiency programme. Whilst the 2024/25 revenue budget can be balanced in all scenarios within this option, it puts the Services under significantly more pressure to balance the future years of the MTFP. As a result the Statutory Finance Officer questions whether pursuing this option, and the underlying assumptions associated with it, is commensurate with a robust budget setting process.

Option 3

5.25 Option 3 proposes the utilisation of additional earmarked reserves. This reduces the Services resilience to manage unexpected challenges outside those assumed within the current budget and MTFP. As a result, The Statutory Finance Officer is not willing to attest to the adequacy of the level of reserves under this option.

6. RISKS

6.1 This report primarily supports Corporate Risk 20 (Funding and Resource Pressure Risk) already identified within the Corporate Risk Register. This report and the financial considerations around levels of revenue budget support the ongoing mitigations to reduce this risk as far as possible within the confines of local government funding restrictions. Other non-financial risks are discussed in Section 5 of this paper.

7. LEGAL / POLICY IMPLICATIONS

7.1 As contained within this report, namely:

- The Fire Authority is required by statute to set a legal budget.
- Members need also to consider the robustness of estimates included in the budget and the adequacy of reserves for which the budget provides.
- The final decision on the level of the Fire Authority's budget, and responsibility for its adequacy, rests on the Members of the Fire Authority. In arriving at their decision Members should have regard to all relevant factors, including the views of consultees and the interests of Council taxpayers, but Members' first obligation is to meet the statutory duties referred to above.

8. BACKGROUND PAPERS

a) Paper 8 – 2024/25 Budget Setting and Precept – AFA meeting 19 February 2024

Paper 9 – Medium Term Financial Plan – AFA meeting 19 February 2024.

https://avonfire.moderngov.co.uk/AFA Papers 19 Feb 24

b) Paper 8 – Budget Shortfall Options – AFA meeting 4 October 2023

https://avonfire.moderngov.co.uk/AFA Papers 4 Oct 23

c) Paper 12 – Progress Report on changes to crewing models and fleet in response to budget Shortfall Options Paper -PRC meeting 13 December 2023.

https://avonfire.moderngov.co.uk/Papers for PRC 13 Dec 23

9. APPENDICES

1. Option 1 2024/25 Revenue Budget and MTFP – as previously presented on 19 February 2024
2. Option 2 (1) 2024/25 Revenue Budget and MTFP
3. Option 2 (2) 2024/25 Revenue Budget and MTFP
4. Option 2 (3) 2024/25 Revenue Budget and MTFP
5. Option 3 2024/25 Revenue Budget and MTFP

6. Estimated Reserves Balances as of 31 March 2024

10. REPORT CONTACT

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