Budget and Income Generation

Summary

We have set a net revenue budget for 2024/25 of just under £46 million with a further £7.3 million of capital being invested in our estates, equipment and IT in the next year. This includes ordering new appliances, building a new training facility and refurbishment our stations at Langley and Slough.

Our reserves are healthy and where we have funds for investment, we are doing so in an ethical manner and against a range of prudent safeguards. We will not be borrowing any money in the next year.

We have included a small increase in the numbers of fire fighters to improve resilience in our crewing model and also enhancements to our HR function to deal with increasingly complex pensions matters. We are also embarking on an efficiency and productivity drive which will be enabled via better IT systems.

We will always put sound management of our financial resources at the heart of our thinking and the forward look is both secure and robust from a funding perspective.

Budget opportunities and constraints

By the end of the 2022/23, the massive effects of inflation resulting from the Central Government actions in September 2022 began to be felt in earnest. Whilst the headline figures for consumer inflation are reducing, recently down to 3.4%, in October 2022, it was 11.1%. Many contracts have inflation escalators and many business cost items like labour, utilities and fuel are still well above the headline consumer rates.

The main increase in core revenue comes from the increase in the Council tax base; there were 3,200 additional band D properties created over the previous year (a 1% increase in the base). The increase is based on these properties paying council tax and what increase the Authority applies to the precept. Many disparate Government grants are being consolidated with the net result of an overall reduction in their support.

Early budget thinking for the year 2024/25 was based on hoping that a further £5/household would be allowed. Had that been so, then the precept would have raised some £1,818k. In the event, through the Local Government Policy Statement in early December, a significant constraint was RBFRS being capped at 2.99% which raised the lessor amount of £858k. This led to an initial projected deficit of £1,441k for the Budget Working Party to deal with – clearly some significant pressure at that time.

The second major constraint on the RBFRS budget is the annual pay Award which is negotiated at a national level. Budget figures from both Green and Grey Book awards are assumed to be 3.75% but this may prove to be an underestimate, and should that be so, then to maintain a balanced budget, any shortfall will have to come from Reserves.

Over recent years, the complexities of the various Pension Schemes have really caused a large amount of additional administrative work within the relatively small Human Resources team, and going forward, this is not going to reduce. Therefore, is it recognised that additional resources are required to manage these issues.

The application of the Lean Resourcing model has been reviewed and recognised that running at very lean crewing levels has resulted in significantly increased overtime costs that were well over the budgeted values. This is exacerbated by the high numbers of staff retiring or transferring to other Services. Therefore, it was a key budget input that an additional ten firefighters are to be added to the workforce – this is additional to the numbers coming through the apprenticeship scheme and allowed-for normal churn.

The Budget working party fought hard to keep these two essential increases in the workforce included in the final version, especially as the projected reduction in overtime would balance a significant element of the costs.

Further work has resulted in the publication of the Efficiency and Productivity Plan that covers the next three years. The Royal Berkshire Fire and Rescue Service has an excellent track record in delivering efficiencies; indeed, His Majesty's Inspectorate of Constabulary and Fire and Rescue Services has issued his second inspection report of our Service which states, *"We are pleased to see that the Service has identified savings and investment opportunities to improve the service to the public or generate further savings."*

The Efficiency and Productivity Plan has been drawn up with the express purpose of maximising the resources available to support the Fire Authority's purpose and vision. The Plan also incorporates wider fire sector objectives as agreed with Government to deliver 2% on pay efficiencies and an increase in productivity of 3% by 2024/25.

Income Generation Review

Aside from the various Central Government payments and grants that are many and various – often varying year to year and many with a degree of uncertainty - an important element of finances is the income generated closer to home.   The following table indicates the contribution, which is not insignificant:

During the current financial year, the Authority is anticipated to generated income as shown in the table below.

Income 2023/24	**£000**
Support service costs recharged to TVFCS partners	248
Rental and running costs charged to TVP (Newsham Court)	51
Rental and running costs charged to TVP (Hungerford FS)	11
Running costs charged to TVP (Theale FS)	24
SCAS – Licences to occupy	25
Telecommunication mast income	97
Investment Properties	6
Interest	722
Cross border income	298
Secondment income	134
Total	**1,616**

Reserves and investment

A key element of the health of the finances are the state of the Reserves. At the beginning of the year we had total reserves of £15.2 million, boosted by the sale of the Dee Road premises which provided nearly £6.3 million. During the year several key projects have been initiated including the placing of orders for 8 new Appliances to be delivered in phases over the next three years. This will continue the modernisation of our fleet which had been the second oldest in England. Placing these orders secures both large elements of the price and build slots. It also means we will have a standardised fleet and this should result in various on-going savings.

All of the remainder of the Dee Road receipts will be spent this coming year on projects including major refurbishment at Langley and Slough plus the new Training Centre at Whitley – these two latter projects are already underway. And there will be significant investment in the IT infrastructures which are key to realising the efficiency improvement plus substantial Invest-to-Save projects that will improve the sustainability of the entire operation including various renewable energy projects and LED lighting with typical returns better than 20% per annum.

We have also replenished the Budget Contingency Reserve which was used in the previous year to balance the accounts – this is now back to the 3% of the revenue budget.

As a simple statement, RBFRS are not planning on borrowing any money in the next financial year.

In the previous year, the following principles were approved by the Authority and have been adhered to this year:

- Maintain the General Reserve at current levels or 5% of the revenue budget.
- Maintain the Budget Contingency Reserve at 3% of Revenue Budget.
- Maintain at least £1m in the Development Fund to take advantage of joint ventures / major invest to save initiatives.
- Use capital receipts to fund long-term enhancements to our estate.

Treasury management

The Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed.

Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite, providing adequate liquidity initially before considering investment return.

Investment strategy

The Authority has always adopted a prudent approach to both its investment and borrowing strategies with the aim of providing the Authority with financial freedom even in times of volatility.

The Authority's investment strategy has always been to firstly ensure the security of the sum invested, then consider portfolio liquidity and only after that to consider the yield generated. In other words, the Authority has sought to achieve the optimum return on its investments without taking too much risk.

Our investments are done within CIPFA guidelines and we are doing so in an ethical framework that was first introduced in 2023/24. A further refinement for 2024/25 means including countries that considered by the UK's largest charity fund manager, Churches, Charities and Local Authorities Investment Management Limited (CCLA), in their counterparty list of countries in addition to the ones that appear on the Freedom House list.

Acknowledgment

As a final word, none of this would have been possible without the diligence and hard work from Conor Byrne and his team and in particular, their willingness to find solutions and tackle pressures in a positive and calm approach. In addition, the Budget Working Party worked extremely well with cross party representation, united in the common aim of setting a robust and secure budget for the RBFRS.

Cllr Mike Smith, Budget and Income Generation Lead