

REVENUE BUDGET AND CAPITAL PROGRAMME 2024/25

Joint Report of Chief Officer and Treasurer

Medium Term Financial Plan

1. Recommendations:

- 1.1 Note the Medium Term Financial Plan (MTFP), including the financial risks if additional financial support from DEFRA is discontinued.
- 1.2 Note the projected balances on the General Reserve and the increases in levy needed to maintain the balances above the minimum 25% of expenditure.

2. Summary

- 2.1 In 2022/23 the Authority received £150,000 additional funding from DEFRA. A further £150,000 is expected in 2023/24 and indications that some additional funding may be available in 2024/25 but it is not clear how much. Without any further information the budget and MTFP have assumed another £150,000. There is a risk that it will not be received and if this happens the shortfall will be funded from reserves in 2024/25.
- 2.2 From 2025/26 no indications of additional DEFRA funding have been provided. The following paper highlights the financial risk to the Authority if DEFRA support is not available from 2025/26.

3. Medium Term Financial Plan (MTFP)

- 3.1 The below table sets out projected expenditure for the next four years and the size of the budget shortfall if no DEFRA funding is available from 2025/26.

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£	£	£	£
Employees	746,100	772,453	799,244	824,205
Premises	36,200	37,105	38,033	38,984
Transport	14,400	14,688	14,982	15,282
Supplies & Services	76,900	78,823	80,794	82,814
Boat Costs	35,600	36,490	37,402	38,337
Environmental Research	17,400	17,835	18,281	18,738
Support	56,000	57,400	58,835	60,306
Fees, Charges and interest	(45,100)	(45,551)	(46,007)	(46,467)
Gross Revenue Budget	937,500	969,243	1,001,564	1,032,199
Budgeted Use of Reserves	(2,434)			
DEFRA Funding (at risk)	(150,000)			
Net Budget	785,066	969,243	1,001,564	1,032,199
Levy (Proposed 2024/25 rates)	785,066	785,066	785,066	785,066
Budget Shortfall	0	184,177	216,498	247,133
Budget Shortfall as a % from 2024/25 levy		23.46%	27.58%	31.48%

- 3.2 The 2024/25 Budget is set out in a separate paper submitted to the Authority.
- 3.3 The MTFP is prepared on the assumption that the additional funding from DEFRA continues into 2024/25 but does not continue from 2025/26 onwards. There is considerable risk and uncertainty around these assumptions.
- 3.4 The MTFP is prepared on the assumption that there is no significant change to the operational activity carried out by the IFCA and that the recruitment freeze continues.
- 3.5 The below table shows inflation rates used in the MTFP.

Inflation Rates	2024/25 %	2025/26 %	2026/27 %	2027/28 %
Pay inflation	4.50	3.00	3.00	3.00
General	3.50	2.50	2.50	2.50
Fuel	3.50	2.50	2.50	2.50
Travel & Transport	3.00	2.00	2.00	2.00

- 3.6 Pay increments have been calculated and included in the employee figures.
- 3.7 DEFRA has set out its expectation that where funding is earmarked for specific projects it should not be used to offset the levy contributions from local authorities.

4. Meeting the Shortfall

- 4.1 D&S IFCA has changed its staffing structure and reduced its assets to keep increases to its Revenue Budget to a minimum.
- 4.2 Reducing its operational budget needs to be considered in the context where D&S IFCA's levy has only increased from £736,500 in 2011/12 to £785,066 for 2024/25 or 6.6%.
- 4.3 The authority has made one of the Senior Officer posts redundant in 2018 and currently has a freeze on 1.5 FTE.
- 4.4 The Chief officer has reported that the D&S IFCA has the lowest staffing level across all mainland IFCAs and has further commented that whilst the capacity of the organisation is decreasing, its workload has increased since 2011/12. There is a significant risk that to close the budget shortfall predominantly through savings, including further reduction in posts, the IFCA's effectiveness would be greatly undermined.

5. Levy Increase

- 5.1 Different scenarios are set out in Appendix A, with consideration given to the amount of the increase, the period/spread of the increase and the potential use of reserves.
- 5.2 Any scenario must balance the budget by the end of the period and maintain revenue reserves above the minimum already set by the Authority (25% of revenue expenditure).
- 5.3 Scenario 2 models an increase of 9.5% to the levies for the next 3 years from 2025/26 and will bring the funding in line with budget and inflationary increases. £173,742 will be required from reserves as demonstrated in the following table.

Local Authority (projected levies)	3.00% 2024/25 Levies £	9.50% 2025/26 Budget £	9.50% 26/27 Budget £	9.50% 2027/28 Budget £
Bristol	44,356	48,570	53,184	58,236
Gloucestershire	113,599	124,391	136,208	149,148
North Somerset	36,348	39,801	43,582	47,722
Somerset	124,747	136,598	149,575	163,785
South Gloucestershire	32,031	35,074	38,406	42,055
Devon	369,688	404,808	443,265	485,375
Plymouth	36,898	40,403	44,241	48,444
Torbay	27,399	30,002	32,852	35,973
Total Yearly funding from Levies	785,066	859,647	941,313	1,030,738
Use of Reserves Required	2,434	109,596	60,251	1,461
Total Net Budget	787,500	969,243	1,001,564	1,032,199

6. General Reserves

- 6.1 The below table shows the required use of reserves with a 3% increase to Levy, followed by 3 years of 9.5% increase in operation.
- 6.2 The reserves will see a reduction of £173,742 and will reduce to 34% of total gross expenditure by the end of 2027/28.

	2024/25	2025/26	2026/27	2027/28
General Reserves	Projection	Projection	Projection	Projection
	£	£	£	£
Balance 1st April	523,259	520,825	411,229	350,978
Contribution to Reserve	0	0	0	0
Transfer from Reserve	(2,434)	(109,596)	(60,251)	(1,461)
Balance 31st March	520,825	411,229	350,978	349,517
Balance as a % of gross expenditure	56%	42%	35%	34%

- 6.3 The Authority has determined that reserves should not reduce further than 25% of gross expenditure. (Authority Meeting December 2015)

**Mat Mander
Chief Officer**

**Angie Sinclair
Treasurer**

Appendix A Modelling of increase to levy and use of reserves to meet the budget shortfall

1. Budget

1.1. The below table sets out the medium term financial plan and the budget shortfall if the levy was not increased from 2024/25 rates.

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
	£	£	£	£
Gross Revenue Budget	937,500	969,243	1,001,564	1,032,199
Budgeted Use of Reserves	(2,434)			
DEFRA Funding (at risk)	(150,000)			
Net Budget	785,066	969,243	1,001,564	1,032,199
Proposed Levy (2024/25 rates)	785,066	785,066	785,066	785,066
Budget Shortfall	0	184,177	216,498	247,133
Budget Shortfall as a % from 2024/25 levy		23.46%	27.58%	31.48%

1.1. Three different options were modelled, with consideration given to the amount of the increase, the period/spread of the increase and the potential use of reserves.

1.2. 2024/25 assumes a 3% increase to the levy and £2,434 transfer of reserves.

1.3. By 31st March 2024, the General Reserves are expected to balance at £520,825 or 55.55% of gross expenditure. The Authority has deemed that reserves should not reduce further than 25% of gross expenditure.

2. Recommended scenario

2.1. The increase from 2025/26 is spread over 3 years, with 9.5% increase to levy in each year.

3. Modelling

3.1.

The shortfall is met over 2 years - with all levies increasing by 13% in 2025/26 and

Scenario 1: 2026/27, with 2027/28 seeing an increase of 3% based on current assumptions

£83,340 will be required from reserves to meet the budget.

By the end of year 2 (2026/27) the reserves will reduce to 44% of budgeted expenditure.

Scenario 2: The shortfall is met over 3 years - with all levies increasing by 9.5% in 2025/26, 2026/27 and 2027/28 based on current assumptions

£173,742 will be required from reserves to meet the budget.

By the end of year 3 (2027/28) the reserves will reduce to 34% of budgeted expenditure.

Scenario 3: The shortfall is met over 4 years - with all levies increasing by 7.5% in 2025/26 to 2028/29.

£278,967 will be required from reserves to meet the budget.

By the end of year 3 (2027/28) the reserves will reduce to 24% of budgeted expenditure.

By the end of year 4 (2028/29) the reserves will reduce to 22% of budgeted expenditure.

3.2. The below table shows the effect on the reserves for each scenario

	2024/25 Budget	2025/26 Budget	2026/27 Budget	2027/28 Budget
Scenario 1				
% increase in levy	3.00%	13.00%	13.00%	3.00%
Use of reserves	(£2,434)	(£82,118)	£887	£325
Closing balance of reserves	£520,825	£438,707	£439,593	£439,919
Balance as a % of expenditure	56%	45%	44%	43%
Scenario 2				
% increase in levy	3.00%	9.50%	9.50%	9.50%
Use of reserves	(£2,434)	(£109,596)	(£60,251)	(£1,461)
Closing balance of reserves	£520,825	£411,229	£350,978	£349,517
Balance as a % of expenditure	56%	42%	35%	34%
Scenario 3				
% increase in levy	3.00%	7.50%	7.50%	7.50%
Use of reserves	(£2,434)	(£125,297)	(£94,322)	(£56,914)
Closing balance of reserves	£520,825	£395,528	£301,206	£244,292
Balance as a % of expenditure	56%	41%	30%	24%

3.3. The below chart shows the decrease in reserves for each scenario

