

## REVENUE BUDGET AND CAPITAL PROGRAMME 2025/26

### 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 to the authority of no longer receiving additional grant funding from DEFRA.**
- 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 Due to the uncertainty on whether the authority will continue to receive the additional grant funding from DEFRA. The following paper has been prepared on the assumption that the additional funding will not continue from 2025/26 onwards. The MTFP sets out the options to increases in levy and budgeted use of reserves over the next 4 years in order to balance the budget.
- 2.2 This paper was considered by the Finance Working Group on 19<sup>th</sup> November 2024.
- 2.3 The budget for 2025/26 has been increased in line with estimated inflationary increases and the authority have undertaken a cost saving exercise to find savings of £21,000 for 2025/26.

#### 3. Medium Term Financial Plan (MTFP)

- 3.1 The below table sets out projected expenditure for the next 4 years and the size of the budget gap with the absence of the additional grant funding. The 2025/26 budget gap is 21.79% compared to last year's levy.

	<b>2024/25 Budget £</b>	<b>2025/26 Budget £</b>	<b>2026/27 Budget £</b>	<b>2027/28 Budget £</b>	<b>2028/29 Budget £</b>
Employees	746,100	780,300	799,800	819,800	840,300
Premises	36,200	40,800	41,800	42,800	43,900
Transport	14,400	14,200	14,500	14,800	15,100
Supplies & Services	76,900	69,800	71,500	73,300	75,100
Boat Costs	35,600	34,900	35,800	36,700	37,600
Environmental Research	17,400	12,500	12,800	13,100	13,400
Support	56,000	46,700	47,900	49,100	50,300
Fees, Charges and Interest	(45,100)	(43,100)	(43,500)	(43,900)	(44,300)
	<b>937,500</b>	<b>956,100</b>	<b>980,600</b>	<b>1,005,700</b>	<b>1,031,400</b>
Use of Reserves	(2,434)				
DEFRA Funding	(150,000)				
<b>Net Budget</b>	<b>785,066</b>	<b>956,100</b>	<b>980,600</b>	<b>1,005,700</b>	<b>1,031,400</b>
Current levy (2024/25)	785,066	785,066	785,066	785,066	785,066
<b>Budget Gap</b>	<b>0</b>	<b>171,034</b>	<b>195,534</b>	<b>220,634</b>	<b>246,334</b>
Budget Gap as a %	0.00%	21.79%	24.91%	28.10%	31.38%

- 3.2 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.
- 3.3 The below table shows inflation rates used in the MTFP. The employee figures have been adjusted for the increase in employers NI, announced in the autumn budget 2024.

Inflation Rates	2025/26 %	2026/27 %	2027/28 %	2028/29
Pay inflation	3.00	2.50	2.50	2.50
General	2.50	2.50	2.50	2.50
Fuel	2.50	2.50	2.50	2.50
Travel & Transport	2.00	2.00	2.00	2.00

#### 4. Levy Increase and General Reserves

- 4.1 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.
- 4.2 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).
- 4.3 The previous MTFP in January 2024 forecast higher increase in levies to maintain the revenue reserves balance above 25%.
- 4.4 The levy increase to the authorities for the 2024/25 budget was 3%.
- 4.5 When the authority met in January 2024, the recommended scenario showed the general reserves balance reduce to 34% of gross expenditure over 4 years.
- 4.6 Scenario 1 is the most pragmatic scenario, in that the increase in levy to the authorities stays at a stable rate. This also maintains the balance at 34% of gross expenditure, at the end of the 4 year period as per the previous MTFP.

Mat Mander  
Chief Officer

Angie Sinclair  
Treasurer

**Modelling of increase to levy and use of reserves to meet the budget gap**

**1. Recommended scenario**

**1.1. Scenario 1 has been prepared on the basis that the planned use of reserves at the end of 2028/29 reduces the use of reserves to 34% of gross expenditure. Maintaining the reserves balance above 25% for the next 4 years.**

**2. Modelling**

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

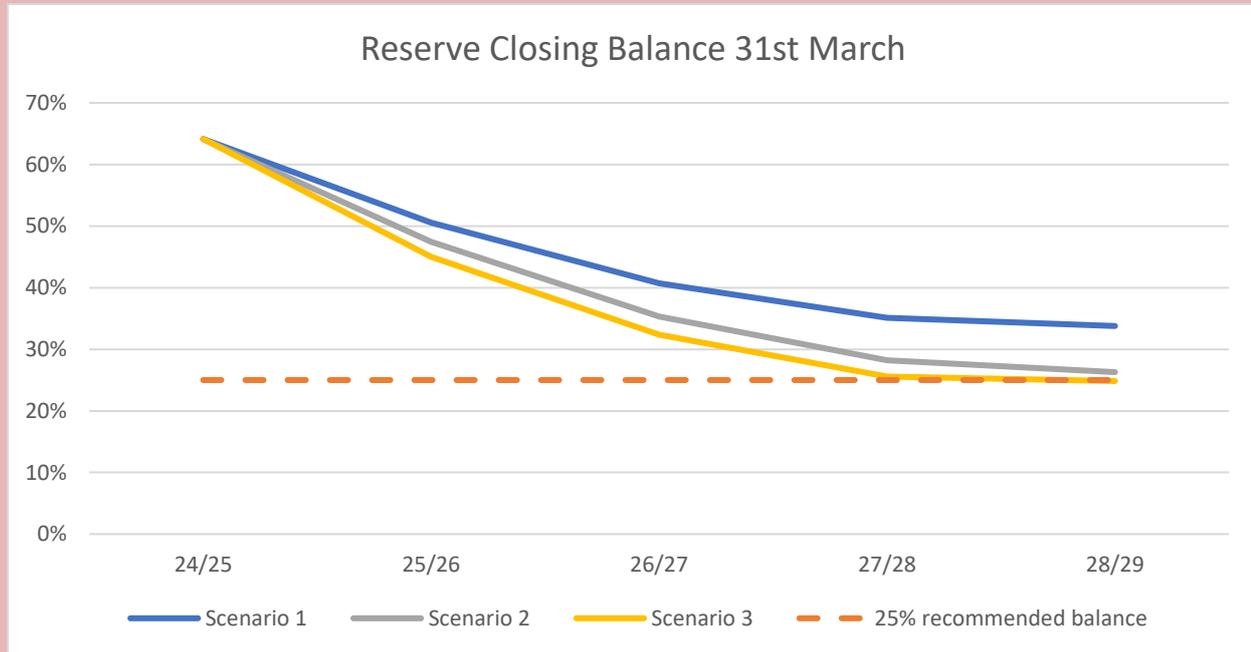
2.2. Scenario 1 models an increase of 6.75% in levy for 2025/26 and 7% for years 2026/27 onwards. This uses a total of £252,863 of reserves to meet the budget, over the next 4 years. The reserves balance reduces the use of reserves to 34% at the end of year 4, maintaining the reserves balance above 25% for the next 4 years.

2.3. Scenario 2 models an increase of 3% in levy for 2025/26 and 8% increase from 2026/27 onwards. This uses a total of £330,074 of reserves to balance the budget, over the next 4 years. The reserves balance reduces the use of reserves to 26% at the end of year 4, maintaining the reserves balance above 25% for the next 4 years.

2.4. Scenario 3 models an increase of 0% in levy for 2025/26, 10.5% increase for 2026/27 and 9% for years 2027/28 and 2028/29. This uses a total of £344,996 of reserves to balance the budget, over the next 4 years. The reserves balance reduces the use of reserves to 25% at the end of year 4, maintaining the reserves balance above 25% for the next 4 years.

	<b>2025/26 Budget</b>	<b>2026/27 Budget</b>	<b>2027/28 Budget</b>	<b>2028/29 Budget</b>
<b>Scenario 1</b>				
% increase in levy	6.75%	7.00%	7.00%	7.00%
Use of reserves	(£118,042)	(£83,876)	(£46,205)	(£4,740)
Closing balance of reserves	£483,190	£399,314	£353,109	£348,369
Balance % of expenditure budget	51%	41%	35%	34%
<b>Scenario 2</b>				
% increase in levy	3.00%	8.00%	8.00%	8.00%
Use of reserves	(£147,482)	(£107,291)	(£62,527)	(£12,774)
Closing balance of reserves	£453,750	£346,459	£283,932	£271,158
Balance % of expenditure budget	47%	35%	28%	26%
<b>Scenario 3</b>				
% increase in levy	0.00%	10.50%	9.00%	9.00%
Use of reserves	(£171,034)	(£113,103)	(£60,130)	(£729)
Closing balance of reserves	£430,198	£317,095	£256,965	£256,236
Balance % of expenditure budget	45%	32%	26%	25%

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



### 3. Increase in levy to local authorities

3.1. Increase in levy to local authorities for Year 1 (2025/26)

Authority	Scenario 1 (6.75%)	Scenario 2 (3%)	Scenario 3 (0%)
Bristol City Council	2,994	1,331	-
Gloucestershire County Council	7,668	3,408	-
North Somerset Council	2,453	1,090	-
Somerset County Council	8,420	3,742	-
South Gloucestershire Council	2,162	961	-
Devon County Council	24,954	11,091	-
Plymouth City Council	2,491	1,107	-
Torbay Council	1,849	822	-
<b>Total Funding From Levies</b>	<b>52,992</b>	<b>23,552</b>	-