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Shropshire and Wrekin Fire and Rescue Authority
11 February 2025

Revenue Budget 2025/26

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 incorporates the recommendations made by Strategy and Resources Committee on 31 January 2025, in relation to the revenue budget for 2025/26. The report also confirms the use of assumptions for medium-term financial planning.

2 Recommendations

The Fire Authority is recommended to:

a) approve a revenue budget for 2025/26 and a forward financial projection to 2027/28, as set out in section 7;
b) approve the Medium Term Financial Plan and Reserves Strategy 2025/26 to 2027/28, and
c) delegate any necessary amendments to the revenue budget and the Medium Term Financial Plan to the Treasurer, in consultation with the Chair and the Vice Chair.

3 Strategy and Resources Committee

At its meeting on 23 January 2025, the Fire Authority's Strategy and Resources Committee were informed of a number of developments that had taken place since the last consideration of the revenue budget for 2025/26:

- The government published its Local Government Finance Settlement policy statement in October, which 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 this is unlikely to be distributed to the Authority
    - Local authorities will be compensated in the usual way for the freeze in the small business rate multiplier
    - Support would be provided for increased National Insurance employer contributions costs
- The provisional grant settlement was announced on 18 December, confirming the policy statement announcements;
- A total of £515m has been announced to support additional NICS costs, however it is likely that this 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;
- Confirmation of grant to compensate for increases in employer contributions following the 2020 pension schemes valuation had not yet been received;
- Council tax base was confirmed at 179,538.74, an increase of 2.15% on 2024/25.

Officers informed the Committee about several priority areas, aimed at reducing risk and vulnerability in the community, and ensuring that all staff are competent to fulfil their roles effectively:

- The outlined proposals in the Authority's Community Risk Management Plan (CRMP) and the investment required to achieve these proposals;
- Addressing the areas for improvement and cause of concern identified in the His Majesty's Inspector of Constabulary and Fire and Rescue Service's (HMICFRS) inspection report;
- The development of strategic priorities for 2025/26 and the essential investment in people and systems, and;
- Undertaking a review of the Service's structure to enable the delivery of the CRMP and strategic priorities for 2025/26 and later years.

Whilst priority areas are yet to be finalised, it was proposed that a sum of money was allocated within the budget to make the required investment to meet delivery of objectives.

An investment of £250,000 was 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 was added to the revenue budget for both years 2 and 3, and £150,000 for systems investment was also added.

Prior to capital charges being added to the revenue budget, the financial position after applying these changes is shown in the following table:

	2025/26 £000	2026/27 £000	2027/28 £000
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
Total expenditure	**-29,996**	**-30,977**	**-31,927**
Income	30,237	30,936	32,203
Reduction – revised settlement	-570		
Council tax base increase	58		
Total income	**29,725**	**30,936**	**32,203**
Surplus / - deficit on revenue budget	**-271**	**-41**	**275**

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

Members were presented with a range of precept increases for consideration, ranging from no increase to 4.34% (£5), taking into the successful lobbying by stakeholders for a precept increase of £5, and the uncertainty of funding levels and referendum threshold levels from 2026/27.

Members were also advised to 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).

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 4.33%, 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.

The Committee considered the options presented and recommended a precept increase of 4.33%, or 10p per week.

4 Further Developments

Capital Programme

Capital charges have been added to the revenue budget following recommendation from Strategy & Resources Committee and approval by the Fire Authority of the Service's capital programme from 2025/26 to 2029/30.

Business Rates and Collection Fund

Business rates income figures have now been confirmed by Shropshire Council and Telford & Wrekin Council, although they are subject to revision in the last two months of the financial year. Total income from the two authorities is £174,000 less than the estimated rates income included in the settlement in December.

Collection fund balances for council tax and business rates have been confirmed:

	2025/26 £'000
Council Tax Surpluses receivable	333
Business Rates Surpluses receivable	21

Section 31 Grants

Section 31 rates related grants have also been confirmed, at £38,000 more than the provisional settlement. However the element of business grants compensation grant based on top up grant is £110,000 less than figures included within the Authority's scenario planning. This is due to a change in the adjustment factor used in calculating the grant. The planning model has been adjusted to reflect these grants.

5 Precept Increase 2025/26

Following the recommendation from Strategy & Resources Committee, the Authority's planning model incorporates a precept increase of 4.33% for 2025/26, in line with the referendum spending limit. The current Band D precept is £114.49, and a precept increase of 4.33% would raise this to £119.45, an increase of £4.96 per year.

The table below exemplifies options for two different increases. Consideration should be given to the uncertainty of both a new spending review, and the referendum spending limit, from 2026/27.

	Surplus /-Deficit £'000		
Precept Increase	**2025/26**	**2026/27**	**2027/28**
2.99%	-235	-564	-779
4.33% (£4.96)	42	-274	-474

6 Government Finance Settlement

The finance settlement is yet to be debated in Parliament.

Should any changes occur to the revenue budget being approved, members are asked to delegate the necessary amendments to the Treasurer, in consultation with the Chair and the Vice Chair.

Section 4.2 of the Authority's Scheme of Delegations states:

"In agreement with the Chief Fire Officer, and after consultation with the Chair and the Vice Chair, in cases of urgency to approve virement, supplementary revenue and capital votes not otherwise covered by the Treasurer's delegated authority. Action taken under this delegation must be reported to the next meeting of the Authority."

7 Proposed Final Budget Package

The position for 2025/26 and into the medium term can now be summarised as follows:

	2025/26 £000	2026/27 £000	2027/28 £000
Expenditure:			
Budget	-30,042	-31,362	-32,840
-Surplus / deficit	-42	274	474
Total budget	**-30,084**	**-31,088**	**-32,366**
Funded by:			
Grant and business rates	8,284	8,588	8,760
Business rates collection fund	21		
Council tax	21,446	22,500	23,606
Council tax collection fund	333	-	-
Total	**30,084**	**31,088**	**32,366**

8 Medium Term Financial Plan and Reserves Strategy

The Medium Term Financial Plan (MTFP) is a crucial part of the Service's suite of integrated strategies, and demonstrates the Authority's financial stability and resilience. The Reserves Strategy forms part of this plan, smoothing expenditure, building up funds towards capital projects, and dealing with risk and unexpected events.

The MTFP is appended to the report; the Reserves Strategy has been updated to reflect the Authority's medium term position and the financial strategy will be updated following approval of the revenue budget for 2025/26.

Assumptions currently in place for medium term planning from 2026/27 are as follows:

- Revenue Support Grant (RSG) to increase by 2%
- Business rates and top up grant to increase by 2%
- S31 grants for rates compensation to increase by 2%
- Precept increases of 2.99%
- Pay awards at 2%

The Authority is asked to consider and approve the strategies, delegating any changes to the Treasurer, in consultation with the Chair and the Vice Chair.

9 Financial Implications

There are no financial implications arising from this report other than those discussed within the report.

10 Legal Comment

There are no legal implications arising directly from this report.

11 Appendix

Draft Medium Term Financial Plan and Reserves Strategy 2025/26 to 2027/28

This can be accessed via the following link:

11 February 2025 | Shropshire Fire and Rescue Service

12 Background Papers

There are no background papers associated with this report.

Medium Term Financial Plan

Shropshire and Wrekin Fire and Rescue Authority

Medium Term Financial Plan and Reserves Strategy 2024/25 to 2026/27

1. Context

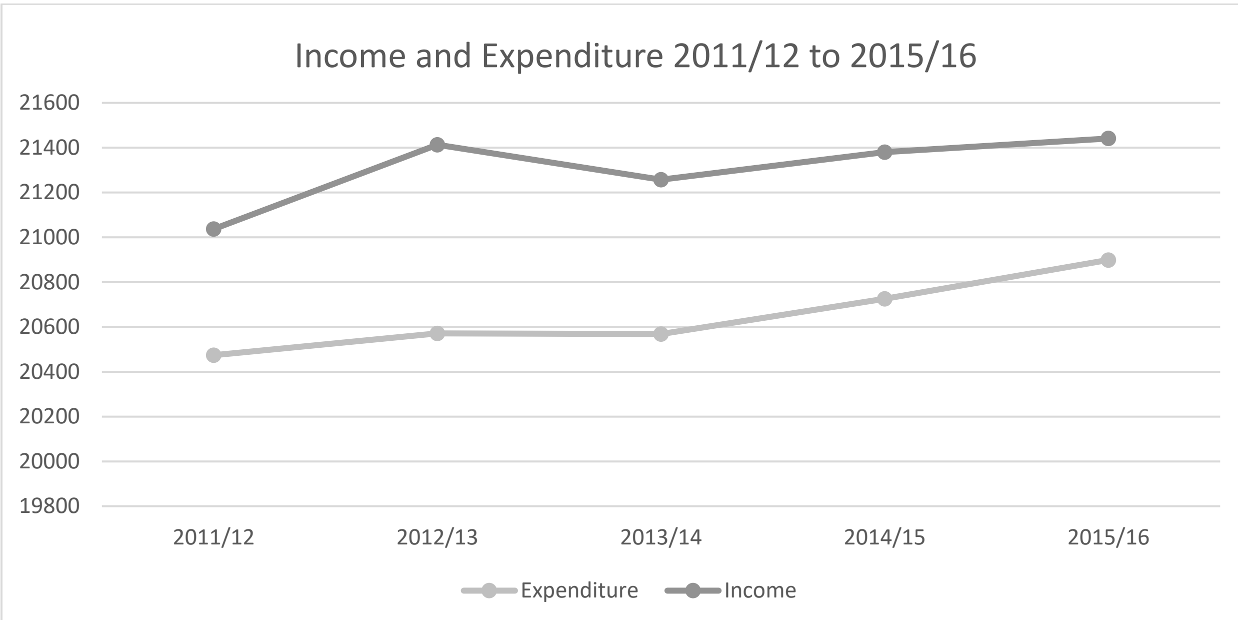
The Fire Authority has been successful over the last decade, during a period of major public spending cuts, in identifying and implementing revenue budget reductions. Effective financial planning has successfully combined revenue budget cuts, a long term precept strategy, and effective use of reserves and surplus funds to avoid borrowing costs for future taxpayers.

It is important to recognise how the Authority's strategic planning and change programme over the last eight years has contributed to its current financial position, and how crucial its ability to produce timely and meaningful forecasts will be in future planning cycles.

Shropshire and Wrekin Fire Authority suffered large reductions in its grant income in the previous Spending Review and subsequent Finance Settlement. A change in risk factors within its needs assessment led to grant reductions of 9.5% in 2011/12 and 3.4% in 2012/13, the highest percentage reduction over these two years. The Authority realised that major budget reductions were crucial to ensure that service delivery to the public of Shropshire did not suffer and embarked upon a major consultation and cost cutting exercise, which was named Public Value. This exercise involved staff from every station and every department throughout the county. Staff and members worked side by side to identify where budget reductions could be made.

This programme of reductions began in 2011/12 and over the four year Spending Review period, over £3million was cut from a revenue budget of £21million.

Throughout this four year period of cost cutting, the employee retirement profile was used to identify the most opportune time to remove posts from the establishment. During the process, these posts were at times removed before the budget reduction was required, avoiding future redundancy costs and the detrimental impact on staff, but resulting in a surplus on the revenue budget. This surplus was used to fund capital schemes, for example the replacement of fire appliances and specialist vehicles, and investment in IT infrastructure and training facilities and funds were also added to reserves to support future revenue reductions, in areas such as operational equipment, training and pensions.



The Authority also took the opportunity to use some of the surplus to prepare the Service for the worsening financial position of the economy and introduced the Service Transformation Programme (STP). The STP was a high level programme of activities, reviews and projects established in 2012/13, to ensure that the Service was best placed to meet the challenges it faced in the coming years. These included process re-engineering and deployment of technical solutions to reduce the burden attached to some processes.

The next stage

Despite the reductions to the Authority's revenue budget and a direction from members to increase council tax by just below the referendum spending limit, long term forecasts still predicted a deficit by the end of the planning period. Therefore, the Authority was required to identify further savings in order to meet the deficit and protect the Service.

A further consultation was undertaken as part of the Integrated Risk Management Plan (IRMP) to review possible reductions over the next Spending Review period to 2019/20.

It was possible for some of the savings identified to be realised in the revenue budget in the earlier years, and as a result, a further £300k was saved in 2015/16.

The main projects from the IRMP review involved the development and implementation of major changes to shift patterns and working practices on operational watches and in Fire Control. These two projects required extensive consultation and negotiation, and savings of around £450k were achieved by 2020. As this change came into effect the additional capacity was used to support change management.

2. Spending Review 2016/17 to 2019/20

Work continued on the projects and activities within the Service Transformation Programme, with the majority of the projects modernising and strengthening the Service's IT infrastructure and systems. The focus was very much on improving the systems available to staff, both operational and support, and introducing new ways of working across the organisation. These improvements began to generate non cashable efficiencies in terms of officer hours and days being reinvested into more effective working practices.

The work undertaken by officers of the Service and members of the Authority contributed to its stable position. A long term view was taken of the financial position of the Authority and this influenced current decision making. In terms of strategy, the Authority directed officers to model precept increases of 0.5% for the three years to 2019/20. Announcements on firefighter pay awards introduced more cost pressure, however this was accommodated by increasing precept increases but remaining within referendum limits.

However, the identification of efficiencies has always been an integral part of the Authority's budget setting process, and this approach continued, particularly in the changing financial landscape.

From 5 January 2016, ministerial responsibility for Fire and Rescue Services was transferred from the Department of Communities and Local Government (DCLG) to the Home Office, in order to support a radical transformation of how police and fire and rescue services work together. Although DCLG published the finance settlement in February 2016, responsibility for Fire budgets moved to the Home Office on 1 April 2016.

Local authorities were issued with a provisional four year settlement which covered the financial years 2016/17 to 2019/20 and were told that these settlements would be confirmed over the period, if Efficiency Plans covering the same period were produced and submitted to the Home Office. Following the acceptance of its Efficiency Plan in February 2017, the Authority had a degree of financial certainty in its planning process for the planning period.

The Authority is committed to delivering a fire and rescue service that provides value for money and enhances public safety, and to this end, collaborated with Hereford and Worcestershire Fire Authority to form a strategic alliance. This provided the advantages associated with large organisations without losing the agility of being two small, lean and community focused fire and rescue services.
Prior to 2019, this arrangement had been informal in nature, however it was recognised that a formal alliance had the potential to deliver benefits from aligning processes and procedures and sharing resources, expertise and experience. Officers of both services developed a plan to form a long and sustainable strategic alliance that would increase capacity and resilience into the next decade.

Financial Year 2019/20

The financial year 2019/20 was the last in the Government's four year settlement, with actual grant paid as anticipated, and Rural Services Delivery Grant held at 2018/19 levels.

Fire Pension Scheme Revaluation

In the second half of 2018, the results of the 2016 valuation of public service pension schemes, and the effect on the revenue budget from 2019/20, were announced.

The two main reasons for the valuation were:

- To measure certain costs of the schemes against a target rate; the 'employer cost cap' – this implements a mechanism that shares the risks for unexpected costs between members and taxpayers; and
- To set the employer contribution rate; when combined with member contributions, funds in are expected to meet the full cost of pension benefits being earned, including past service effects.

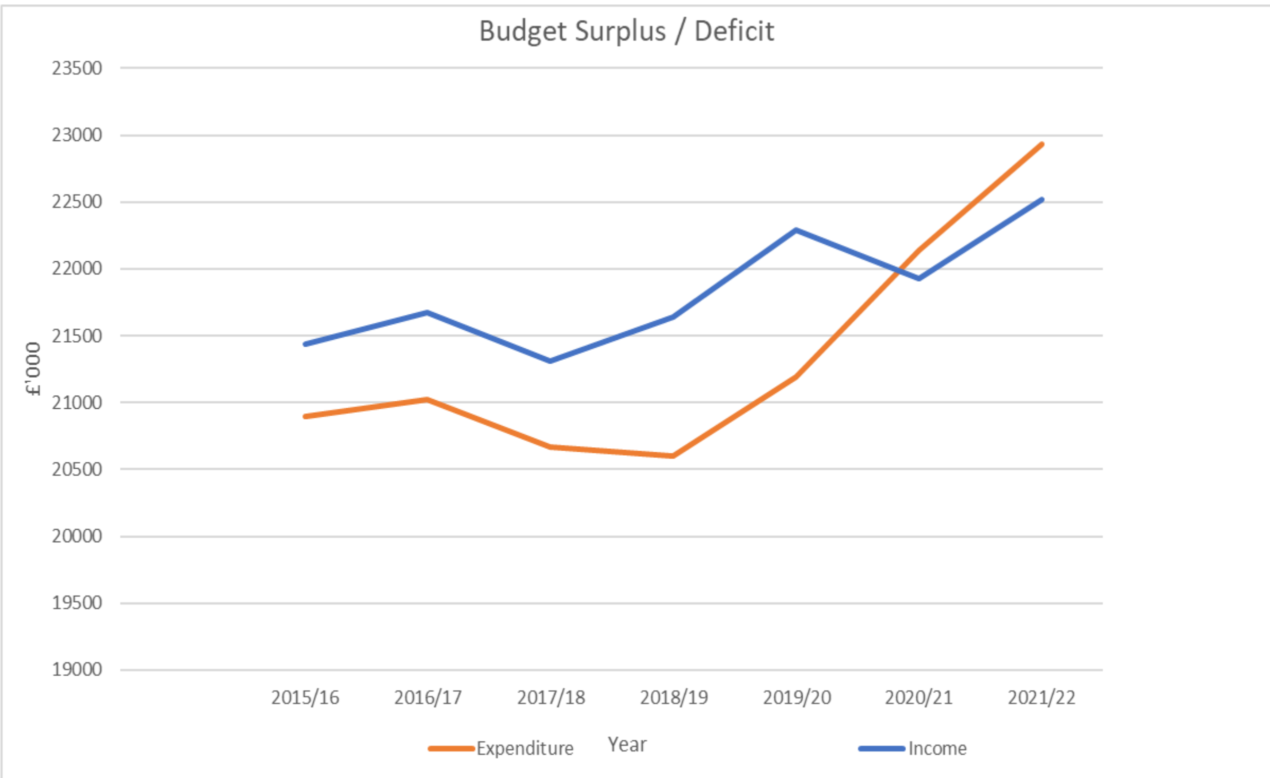
These two factors affected the valuation of the Fire schemes in the following ways:

- The employer cost cap was breached and an increase in employer contributions was required to ensure that scheme liabilities were being covered.
- A notional pot of assets is used to calculate the appropriate level of contributions to be paid into the scheme to meet the cost of accruing benefits; the SCAPE rate used in the calculation to determine the future value of money was reduced, and this had a large impact on the increases required to employer contribution rates.

The 2016 valuation resulted in the average employer contribution rate across the Fire Pension Schemes being increased from 17.6% to 30.2% from 1 April 2019.

The Treasury provided additional grants of £115m across the sector to support fire and rescue authorities with these unexpected pressures in the first year, with costs in future years to be taken into consideration as part of next Comprehensive Spending Review.

The position of the Authority's revenue budget and future planning at the end of the Spending Review period 2016 to 2020 is shown in the graph below. Large increases in employer pension contributions would be partly offset by IRMP savings on shift patterns, but the remaining pressure of borrowing for future capital schemes, including the major development at Telford, showed that contributions or savings would have to be introduced in order to set a balanced budget.



3. Spending Rounds 2020/21 and 2021/22

Following the Spending Review for 2016/17 to 2019/20 the certainty of a four year settlement, the next 2 years were single year settlements.

2020/21

For 2020/21, pressures around the United Kingdom's exit from the European Union meant that the Comprehensive Spending Review for 2020/21 was delayed, and a one year settlement was undertaken.

It was announced that no government department would be cut in 2020/21, and that funding would be increased by at least inflation. It proved difficult to determine either the impact of the one year settlement on the Fire sector, or the possible settlements in place for the future years.

In order the test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios were developed to test the sensitivity to changes in planning assumptions. These were carried out on a settlement based on that of 2019/20 with inflation, with modelling for later years exemplifying the effects of revenue support grant ending in 2023/24 or 2024/25, and varying pay awards and precept increases.

The scenarios enabled members to assess the impact of the current and possible future financial settlements and to set its precept strategy.

Given the ongoing uncertainty surrounding the mid to late years of the planning period, members were again advised to approve a budget for 2020/21, and task officers to update scenario planning as and when more details on future years became available.

Following consideration of the options presented, members approved a revenue budget for 2020/21 and a precept increase of £2.00 per year, or 1.99%.

In terms of medium term financial planning, members were advised that the assumptions upon which budget planning was based had been carefully considered to ensure that they reflected the best estimated outcomes for the Fire Authority. Whilst it was important to remain prudent and show the impact of the worst outcomes and ensure that plans are being thought out to deal with this scenario, there was still a great deal of uncertainty into the medium term. The Comprehensive Spending Review and Fair Funding Review were still due to be carried out during 2020, and funding around increases in pension contributions was also undetermined.

In addition there was scope for the revenue consequences of the capital programme to be reduced; a number of the schemes on the programme were included as outcomes following operational reviews, and it was likely that some of these would be less substantial once the reviews had been carried out.
Given the uncertainties around funding and the opportunity to reduce costs into the medium term, members were advised to note the deficits predicted in future years and task officers to inform the Authority as more information became available.

The Service and the Covid 19 Pandemic – 2020/21

The Covid 19 pandemic began to affect most countries in the world during the first quarter of 2020 and the United Kingdom first went into lockdown in March 2020. The

Service undertook significant work to ensure it was best placed to continue to deliver its services and support partners to mitigate the impacts of Covid 19 upon its communities.

The immediate financial impact of the pandemic on the Service was mitigated by a number of initiatives made available by the government:

- Government grants were paid to local authorities early to ensure that funds were available for continuation of service.
- Grants of £445,000 were paid to the Fire Authority for Covid 19 related expenditure.

General and Income Volatility Reserves were also available for use if funds in excess of grant provision were required.

The Authority was not affected by cash flow issues in 2020/21 as a result of the pandemic. Government grant was paid to cover Covid 19 related expenditure, and the Income Volatility Reserve remained at an increased level.

The Authority successfully bid for a second tranche of Covid grant in Feb 2021, which was paid in early 2021/22.

Whilst funding was sufficient to ensure that service provision was unaffected in 2020/21, there were concerns about future funding streams, particularly around collection fund balances and council tax base growth.

2021/22

For the financial year 2021/22, due to pressures relating to the pandemic, another one year settlement was announced. This included real terms increase in grant, council tax referendum limit held at 2%, and a freezing of public sector pay for 2021/22, with an exception for those earning less than £24,000.

This short term settlement meant that the Authority had further uncertainty in its planning process into the medium term. In order to test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios were developed to test the sensitivity of changes in planning assumptions. These scenarios enabled members to assess the impact of the current and possible future financial settlements and to set its precept strategy.

Given the ongoing uncertainty around the mid to late years of the planning period, members were advised to set a budget for 2021/22 only.

Following consideration of the options presented, the Authority approved a revenue budget and a precept increase of £1.95 per year, or 1.99%.

The Service and the Covid 19 Pandemic – 2021/22

The Authority was subject to a net deficit on collection fund for business rates in 2021/22. During the year, government grant was paid to cover 75% of the deficit, with the remaining 25% repayable over 3 years rather than the usual 1 year.

Similarly, due to a large number of households being supported with payment of council tax, 2021/22 saw only a slight increase in council tax base. Again, government grant was paid in 2021/22 to cover the loss of tax base growth.

The Authority had a small balance of Covid grant remaining at the end of 2021/22, to cover any residual spend relating to the pandemic in the following year. The Government distributed the remaining balance of Covid funding to local authorities in early 2022/23.

Pay Award 2021/22

In line with the Spending Review announcement in 2021/22, no pay contingency was built into the base budget, with 2% built in for future years. However, pay awards were negotiated for both operational and support staff. These were found from existing balances and underspends during the year, but this placed further pressure on the revenue budget as provision was made for this award from 2022/23.

4. Spending Review 2022/23

The Chancellor of the Exchequer reverted to a multiyear spending review from 2022/23, moving away from the short term settlements as a result of Brexit and Covid. It was recognized that the Chancellor had a difficult balancing act, dealing with a shortfall in public finances while supporting families and businesses hit hard by the pandemic.

The review headlines were:

- Real terms rise in spending for every department
- Higher inflationary pressures for the coming years
- Public sector pay to revert to usual pay setting process
- Completion of the review into business rates, which confirmed that the current system is to be retained with more valuations
- Further delay of the Fair Funding review

Council tax referendum limits remained at 2%, with fire authorities with a precept in the lower quartile given a flexibility of £5 or 2%, whichever was higher.

The grant assumptions used in the Service's strategic planning were reviewed and updated by members:

- Revenue support grant was previously expected to reduce to nil by 2026/27, as there were reductions year on year in previous years. However, the two single year reviews saw grant increases, therefore the assumption was amended to an annual increase of 2%. Similarly, Rural Services Delivery Grant was anticipated to end in 2019/20 – this was now expected to continue.
- Business Rates compensation grants were factored into the budget for the planning period

Other assumptions remained unchanged:

- Rates income to increase by 2% from 2023/23 and thereafter
- Top up grant to increase by 1.5% from 2022/23 and thereafter
- Council tax base to increase annually by 1.87%
- Pay award of 3% for 2022/23 and 2023/24, reducing to 2% thereafter
- Council tax referendum limit of 2%

In terms of collection fund balances, the impact on the authority's budget strategy was not clear. Officers maintained a prudent approach to including any one-off income into the budget model, and the Income Volatility Reserve was increased to cover any shortfall.

Provisional Grant Settlement 2022/23

The provisional finance settlement was announced on 16 December 2021. Although the Spending Review was for a three-year period, the settlement provided numbers for 2022/23 only. This limited the ability of the Authority to budget with certainty into the medium term.

Headlines were:

- Revenue Support Grant increased by just over 3%
- Rates and top up grant remained the same in cash terms – officers assumed an increase of 2% and 1.5% respectively
- Rural Services Delivery Grant continued in cash terms, in line with revised assumptions
- A one off 'Service Grant' of £270,000 was awarded, which in part was expected to cover increases in National Insurance for the Health and Social Care Levy (as this is an ongoing cost, it was expected that the grant

would be reallocated within the settlement from 2023/24).

- Confirmation was received that the pensions grant would continue to be payable, to offset increases in employer contributions following the revaluation of the Fire pension schemes,

Future Growth and Investment

A number of departments were being reviewed during 2022/23 and it was likely that growth posts would be requested to ensure that the Service could continue to meet its objectives. In addition, as part of the Authority's new Service Plan, several reviews were to be launched in the next financial year, to run through the four-year strategic planning period. These included reviews of the Service's operational resource requirements, the sustainability of its on call service, the productivity and efficiency of the Service and how its resources are used, and how they are identified, measured and reported.

The six reviews are:

- On Call Sustainability Review
- Efficiency Review
- Operational Technology Review
- Operational Resource Reviews
- Performance and Improvement Review
- Alliance

It was essential that these projects and reviews were adequately resourced, and capacity built into the revenue budget to ensure that they were completed effectively. It was proposed that £200,000 was allocated to the Service Transformation Board Staff Reserve in 2022/23.

Consideration was also given to the ongoing resource requirements as these reviews progressed. For example, it was likely that the On Call Sustainability Review findings would require revenue investment in the service, whereas others such as the Operational Resource Review may have impacted upon the future capital programme and its associated debt charges. It was proposed that an initial investment of £150,000 was factored into the financial planning from 2023/24, with a further £150,000 from 2024/25. This was designed to flex in line with future finance settlements.

The Fire Authority were presented with an expenditure position once debt charges for the approved capital programme were added, and also an additional growth item was considered. In addition, final collection fund balances and grants were incorporated into income.

Members considered a table which exemplified a number of options for precept increase:

	Surplus / -Deficit			
Precept Increase	**2022/23**	**2023/24**	**2024/25**	**2025/26**

	£'000	£'000	£'000	£'000
1.99% (current assumption)	**182**	**-229**	**-190**	**-40**
1.50%	96	-319	-283	-137
1.0%	7	-410	-378	-236
No increase	-169	-594	-569	-434

A number of areas were discussed whilst the precept increase was being considered:

What levels of reserves would be required to meet the budget for 2022/23, if the Authority did not agree a precept increase of 1.99%? The Income Volatility Reserve could be utilised to cover the shortfall in the first year, however this would need to be found in each subsequent financial year.
Could the strategic reviews still go ahead if costs were being met through the Income Volatility Reserve? A nil precept increase in 2022/23 would result in a structural shortfall in income for each successive year, regardless of the increase applied in the following year. Ongoing costs of the projects therefore could not be met from the reserve. Review and investment of the Service is critical to maintain service delivery and avoid degradation; the proposed reviews would need to be reconsidered with no ongoing funding.
As the majority of the Authority's funding comes from precept, does it need to lobby the Government on this issue? The Authority had been part of a national lobby for a £5 increase in precept for the Fire sector and was also active in the discussions around lack of funding, particularly in rural areas.
There is a surplus on collection funds at the end of 2021/22 – would such surpluses be ongoing? Balances on collection funds could be in surplus or in deficit at the end of the financial year, depending on the collection rate. As this could not be guaranteed, officers budgeted for neither a surplus nor a deficit.

Following a great deal of debate and consideration over two meetings, the Authority approved a revenue budget and a precept increase of £2.07 per year, or 1.99%.

5. Budget Planning 2023/24

The focus for the Authority and the Service for this financial year was to continue to progress and facilitate the strategic reviews set out in its four year planning period.

In addition to the one off contribution to the STB Staff Reserve of £200,000 in 2022/23, the balance of the General Fund at the end of 2021/22 (£846,000) was made available to increase capacity for the reviews.

Growth was also introduced into medium term planning to recognise the ongoing resource requirements from recommendations of the reviews.

During the summer of 2022, prior to the beginning of the budget setting process for 2023/24 and later years, national negotiations had begun for firefighters and non operational staff pay awards, which were in excess of the contingencies built into the budget for 2022/23 and future years. In order to meet the legal requirement to produce a balanced budget, it was necessary to pause on growth aspirations and delay investment in the recommendations from the On Call Sustainability Review until the outcome of the negotiations were known.

Spending Review 2023/24

The Chancellor of the Exchequer delivered a speech on 17 November 2022 outlining the Autumn Statement for 2023/24 and future years, with the following headlines:

- Spending to increase in real terms +1%
- Higher inflationary pressures in early years, reducing to below 1% in year 3
- Increased council tax flexibilities for local authorities, expected to be 3% for the Fire sector.

Whilst still part of a multi year review, it was not confirmed if settlements would be published for more than one year of the review period.

The Authority’s current assumptions at this point were:

- Grant to increase by 2% in 2023/24 and thereafter
- Cessation of Services Grant in 2023/24;
- 2% increase in rates income from 2023/24
- Precept increase of 1.99% for 2023/24 and later years
- Pay award of 5% for firefighters and 6% for non-operational staff from 2023/24, 2% thereafter – this was increased due to the ongoing national negotiations.

These assumptions were reviewed in light of the previous spending reviews and the latest information around 2023/24 and later years.

- Services Grant was a one-off grant in 2022/23; however it was likely that this would continue from 2023/24
- For the purposes of scenario planning, precept increase was increased to 2.99% in line with the revised referendum spending limits
- Pay and price estimates were reviewed and realigned:

Year	Pay	Prices
2023/24	5% / 6%	5%
2024/25	4% / 4%	3%
2025/26	4% / 4%	2%

Policy Statement and Provisional Local Government Finance Settlement 2023/24

The government published a local government finance policy statement on 12 December 2022, which set out its intentions for the finance settlement over 2023/24 and 2024/25. Confirmations within the document included an increase in revenue support grant of 10.1%, continuation of a number of grants, and, most significantly, greater flexibilities on precept setting for 2023/24 for the Fire sector, allowing an increase of up to £5 before a referendum was required.

This development enabled the Authority to deal with the current year's inflationary pressures and also re introduce some modest growth into the budget:

- To explore the recommendations made following the on call sustainability review, and
- To create technical advantage to support service delivery and improvement into the medium term.

The provisional finance settlement was announced on 15 December 2022. Although the Spending Review was for a three year period, the settlement provided numbers for 2023/24 only, although the previous policy statement indicated where policies would continue for 2024/25.

The main points of the settlement were:

- Revenue Support Grant increased by 10.1%
- Rates and top up grant increased by 6.75%
- Rural Services Delivery Grant continued in cash terms
- Services Grant continued, with a reduction due to the cancellation of the planned national insurance increases from 2022/23
- S31 grant income for rates compensation was £340,000 higher than expected
- Council tax referendum spending limit for 2023/24 was confirmed at £5 for the Fire sector, reverting to 3% in 2024/25.

The increase in council tax referendum spending limit was in part due to coordinated lobbying by local members of Parliament, National Fire Chiefs Council, the Local Government Association, and the Home Office, as well as members of the Authority. This increase allowed the Service to meet its inflationary pressures, whilst continuing to strive for no degradation to service delivery.

Council Tax Increases – Options

Members were presented with a range of precept increases for consideration, ranging from 2.99% to 4.7% (£5.00).

	Surplus / (Deficit) prior to capital charges £'000		
Precept Increase	**2023/24**	**2024/25**	**2025/26**
£5.00 – 4.6%	280	148	338
£4.00 – 3.75%	124	-17	166
£3.50 – 3.3%	41	-104	75
£3.18 – 2.99%	-17	-163	12

A precept increase of £5.00, or 10p per week, would enable the Authority to cover inflationary pressures and also service its capital programme, but would still require a contribution from reserves in later years, or a reduction in expenditure.

Precept increases lower than the maximum of £5.00 would require higher contributions from reserves which are not sustainable. In addition, any growth would have to be reconsidered.

Following the approval of the Authority's capital programme, debt charges were added to the revenue budget, and surpluses from Council Tax and Business Rates Collection Funds were also factored in.

Section 31 rates related grants were confirmed at £1,097,000; this was substantially higher than in previous years, and also higher than the amount included in the Authority's scenario planning, due to an increased level of compensation for business rates discounts awarded.

It is not yet clear how much these s31 grants will be in future years, so this level of increase was not factored into future planning. Therefore, it was proposed that this one off increase in income was used to create a revenue contribution of £500,000 to the capital scheme for major refurbishments at Telford. This will contribute towards the increased costs that have been identified on this scheme, and will continue with the Authority's aim to reduce borrowing costs for local tax payers in future years.

Developments in Pay Negotiations

Following protracted negotiations, industrial action by members of the Fire Brigades Union was averted with a final pay offer of 7% for 2022/23 and 5% for 2023/24.

In order to fund the pay awards, an additional £290,000 was required in the revenue budget for 2023.24, and to facilitate this, the revenue contribution towards the refurbishments at Telford was reduced to £210,000.

Potential growth to implement the recommendations of the Service's strategic reviews would have to be re evaluated in light of the additional pay costs in future years.

Council Tax Increase – Final Options

Following the recommendation from Strategy & Resources Committee, the Authority's planning model incorporated a precept increase of 4.6% for 2023/24, in line with the referendum spending limit. The current Band D precept is £106.27, and a precept increase of 4.6% would raise this to £111.16, an increase of £4.89 per year.

The table below exemplified options for several different increases, and the deficits estimated in years two and three demonstrate the requirement for the option recommended.

	Surplus / (Deficit) £'000		
Precept Increase	**2023/24**	**2024/25**	**2025/26**
£5.00 – 4.6%	246	-269	-284
£4.00 – 3.75%	90	-433	-456
£3.50 – 3.3%	7	-520	-547
£3.18 – 2.99%	-179	-579	-610

After consideration of the options and their medium term consequences, as well as the ongoing pay negotiations, members approved a council tax increase of 4.6%, which equated to £4.89 or 9p per week.

While the finance settlement for 2023/24 was more favourable than anticipated and covered the inflationary pressures faced by authorities, continued single year settlements hamper medium term planning and sustainability. The Authority's strategy has been to assess the consequences of its decisions across the planning period, which enables timely strategic decisions to be implemented.

Assumptions were revised to better reflect the Authority's likely position following single year settlements. The Fair Funding Review, which would improve the distribution of funds across local authorities, was unlikely to be carried out within the next two years. This would negate the need for local authorities to rely on council tax to fill any funding gaps.

As in previous budget cycles, the years following 2023/24 were estimates only.

Efficiency and Productivity

The Local Government Finance Settlement confirmed that for 2023/24 the Council Tax Referendum Principle for standalone Fire and Rescue Authorities would be £5. Although this confirmed that Fire Authorities were appropriately funded and were being supported with inflationary pressures, the government was clear that “precept rises should not be in place of sound financial management and we expect FRAs to exhaust all other options to reprioritize budgets, seek efficiencies and to maximise productivity of their existing resources before looking at local taxpayers for additional funding.”

As part of the Spending Review 2021/22, the National Fire Chiefs Council (NFCC) and the Local Government Association made a commitment of behalf of the fire sector in England to create 2% of non-pay efficiencies and to increase productivity of the fire sector by 3% by 2024/25. It was not expected that these savings would be found through a reduction in frontline staff, and any savings should be reinvested.

In relation to the above targets, all standalone authorities were asked to produce and publish an efficiency and productivity plan for the financial year 2023/24 by 31 March 2023. These plans were submitted to the Fire Efficiency and Productivity Forum, established jointly by the NFCC and the Home Office in January 2022.

As part of the 2021-2025 Service Plan, an Efficiency Review was planned to identify improvements across the Service, which would produce cashable savings and productivity improvements.

It was recognised that some of the efficiencies and productivity improvements would be identified through the introduction of technology into areas that support frontline delivery. Therefore it was essential that investment is made into technological improvements to continue the Service’s transformation.

5. Budget Planning 2024/25

As the budget was approved for 2023/24, acceptance of a final pay offer for Grey book staff meant a re-evaluation of growth in the Service in future years.

Outcomes of the strategic reviews undertaken by the Service were to be funded from permanent growth in the revenue budget; £150,000 from 2022/23 and £150,000 from 2023/24. These were removed in 2023/24 in order to fund the pay awards.

The budget setting process for 2024/25 and future years focused on potential reintroduction of this growth, whilst continuing to navigate firefighter and support staff pay, and also reviewed efficiencies, following the submission of the Service's Efficiency and Productivity Plan to the Home Office.

Efficiency Review

The Fire Authority approved a strategic efficiency and productivity review as part of the Service Plan in 2022/23 and acknowledged that this area would form a part of all strategic reviews being undertaken. It was agreed that the review should be based around the requirements of the Service's Efficiency and Productivity Plan, submitted to the Home Office in March 2023:

- Efficiencies totalling 2% of non-pay budgets
- Productivity improvements of 3%

by the end of 2024/25. It would be completed in time to inform the initial budget report to Strategy & Resources Committee in November 2023.

Reviews took place in August and September 2023 and involved a wide range of staff from a number of departments. The scope and requirements of the project were laid out and officers were able to provide lots of examples where efficiencies had been identified, but perhaps not recorded.

Some of the efficiency savings had already been invested into other areas, and others were available to divert into other service priorities.

The following efficiencies have been recognised and removed from the revenue budget:

Efficiencies	**£000**
Debt charges - further contributions of surplus and underspend into the Major Projects Reserve have resulted in a reduction in debt charges for the Telford project	-130
Mileage – travel has reduced due to more meetings and conferences being done virtually	-30
Development - changes in the way that the Service assesses potential promotions has resulted in an efficiency	-30
Laundry – less repairs are being carried out following the replacement of fire kit	-10
Vehicle servicing – the frequency between aspects of appliance servicing has been extended, reducing annual costs	-10
Total	**-210**

These were reported to Strategy & Resources Committee as part of the first budget setting paper for 2024/25. With a saving of £210,000 in 2024/25, the Service surpassed its total of 3% efficiencies by the end of the Spending Review.

Productivity Improvements

The review undertaken focused on efficiency savings with a start point of the revenue budget 2022/23.

Following completion of the Home Office's Firefighter Utilisation Surveys, work has been undertaken to establish a start point from which to measure improvements in productivity in the wholetime duty system for 2024/25, such as station routines and enhanced contact time with the public..

The On Call Sustainability Review has also identified ways to further improve and sustain this most efficient method of service delivery.

During the efficiency reviews, it was evident that a lot of work is being done across other areas of the Service to improve the way in which time is spent completing tasks and duties. During the productivity phase of the review, it is hoped that more case studies will be produced to demonstrate how departments and teams are working smarter to achieve more with the same resources.

Autumn Statement 2024/25

On 22 November 2023, the Chancellor of the Exchequer delivered a speech outlining the Autumn Statement for 2024/25 and future years, with the following headlines:

- No additional funding for local government although an inflationary increase based on September 2023 CPI (6.7%) was anticipated
- Inflation expected to fall to 2% by 2025, then falling gradually towards year 3
- Council tax flexibilities for local authorities set at 2.99%, although no announcement had been made about the Fire sector.

The Fire sector and Government departments continued to lobby the Treasury for a precept increase of £5 or 2%, whichever was higher. This was in line with referendum principles that were set in 2.23/24 for fire authorities.

The Authority's current assumptions at this point were revised in light of new information:

- Precept increase of 2.99% from 2024/25;
- 5% pay award for 2024/25, reducing to 4% 2025/26, and 3% in future years;
- Inflation of 3.5% for 2024/25, 2% thereafter;
- Revenue Support Grant increased by 6.7% in 2024/25, 2% thereafter;
- Rates income increased by 2% from 2024/25
- Council tax base increase of 1.87% from 2024/25.

The government produced its local government finance policy statement on 5 December 2023, which confirmed its intentions for the finance settlement in 2024/25. As well as the increases in RSG and continuation of grants, the statement confirmed that s31 grant for pension contribution increases had been rolled into RSG. Precept referendum principles for the Fire sector were reduced from £5 or 2%, to 2.99% for 2024/25.

Provisional Grant Settlement 2024/25

The provisional settlement was announced on 18 December, providing numbers for 2024/25. The settlement encapsulated all of the announcements in the policy statement, and also confirmed the payment of Funding Guarantee, which ensures that all authorities will receive at least 3% increase in core spending power.

As a result of the precept announcement, and after consultation with other fire & rescue services, it was agreed that the pay award assumption for 2024/25 would be reduced from 5% to 4%

Fire Pension Scheme Valuation 2020

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

It has been confirmed by the Home Office that the total costs of this increase for 2024/25 will be funded by government; however, as 2025/26 is that beginning of the next Comprehensive Spending Review, continued funding for this increase cannot be guaranteed.

The contribution increase represents an increase in the revenue budget of around £800,000 per year. This potential cost from 2025/26 must be borne in mind as future precept increases are considered.

Future Growth and Investment

Community Risk Management Plan Outcomes

The Community Risk Management Plan forms the basis of the contract between Shropshire and Wrekin Fire and Rescue Authority and the communities and individuals it serves. The plan underpins the Service strategy for the next 4 years and sets out how it plans to ensure the right people and equipment are in the right place at the right time.

Work is currently underway to develop the CRMP objectives for 2025-2029 and these include using data to determine where our assets are located to meet risk. Initial evidence suggests that the Service would benefit from having specialist stations concentrating on the following areas:

- Working at height
- Water capability and water rescue
- Technical rescue and animal rescue capabilities

This will ensure the Service has specialist assets available with high levels of competence to meet existing and future risk. Focus will also be placed on ensuring that the Service is structured to meet new and emerging risks, such as response to climate change (flooding and wildfires) and new technologies, such as electric vehicles and battery energy storage sites.

This work will require investment to meet current and future demands; indicative figures have been included within the capital report and may vary as an evidenced based approach to CRMP is developed.

Other growth and investment

Some departments are currently being reviewed and a number of growth posts were considered to ensure that the service can continue to meet its objectives. Officers are conducting a strategic review of the Service's structure, and it is felt that temporary posts are appropriate until the strategic direction of the Service is determined.

In addition, members will be aware of the strategic reviews that were introduced in 2022/23, as part of the Authority's new Service Plan. These will continue throughout the four-year strategic planning period.

These include reviews of the Service's operational resource requirements, the sustainability of its On Call service, the productivity and efficiency of the Service and how its resources are used, and how they are identified, measured and reported.

A total of £200,000 was allocated to the Service Transformation Board Staff Reserve in 2022/23 to ensure that these projects and reviews were adequately resourced.

Consideration was also given to the ongoing resource requirements as these reviews were completed. The Authority considered the introduction of some modest growth in the budget in 2023/24 and 2024/25, however due to pay awards over and above contingency levels, this was withdrawn. The current funding position has enabled the reintroduction of £150,000 of this growth from 2024/25. Its use will be determined as the reviews progress.

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 has reverted to 2.99% for fire authorities, which, coupled with a one-year settlement, limits scope for development and medium-term planning.

It is prudent to consider a range of precept increase options and the consequences of these options. The maximum of 2.99% is shown in the table, along with lower percentage increases. The potential increase in pension costs following the 2020 scheme valuation has also been factored into the options.

		Surplus / (Deficit)* £'000		
Precept Increase	**Pensions Increase?**	**2024/25**	**2025/26**	**2026/27**
2.99% from 24/25	N	313	125	491
2.99% from 24/25	Y	313	-675	-309
1.99% 24/25, then 2.99%	N	117	-80	276
1.99% 24/25, then 2.99%	Y	117	-880	-524

0.99% 24/25, then 2.99%	N	-78	-285	61
0.99% 24/25, then 2.99%	Y	-78	-1,085	-739
Nil 24/25, then 2.99%	N	-272	-488	-152
Nil 24/25, then 2.99%	Y	-272	-1,288	-952

*The surpluses and deficits shown in the table are prior to capital charges.

Further Developments

The final position of the revenue budget for 2024/25 incorporated capital charges following approval of the capital programme, and further costs relating to operational communications.

In terms of funding, the final settlement awarded the Authority further grants and funding following government consultation. A further £200,000 was awarded in Funding Guarantee, to ensure that the Authority saw an increase of at least 4% in core spending power.

The table below exemplifies options for several different increases for the final budget package, with and without continued pensions funding. Consideration was given to the uncertainty of a new spending review in 2025/26, particularly with the deficits evident in the last two options.

	Surplus / (Deficit) £'000		
Precept Increase	**2024/25**	**2025/26**	**2026/27**
2.99%	208	-212	86
2.99% - no pension funding	208	-1,012	-716
1.99%	26	-417	-130
1.99% - no pension funding	26	-1,217	-930

Following the recommendation from Strategy & Resources Committee, the Authority approved a precept increase of 2.99% for 2024/25, in line with the referendum spending limit. The current Band D precept is £111.16, and a precept increase of 2.99% raises this to £114.49, an increase of £3.33 per year.

The maximum precept increase will enable the Authority to cover inflationary pressures and prepare for the future, and officers are committed to ensuring that the funds available are used in a way which demonstrates excellent value for money.

While the finance settlement for 2024/25 is more favourable than anticipated, 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 made and implemented.

Assumptions have been revised to better reflect the Authority's likely position following single year settlements. The Fair Funding Review, which would improve the distribution of funds across local authorities, is unlikely to be carried out over the next two years. This would negate the need for local authorities to rely on council tax to fill any funding gaps.

The Revenue Budget 2024/25 to 2026/27

The following table sets the Authority's revenue budget for 2024/25 to 2026/27 and its sources of funding

Revenue Budget	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Pay			
Pay costs	22,295	23,528	24,146
Other employee costs	449	449	449
Total pay	**22,744**	**23,977**	**24,595**
Non pay			
Premises	1,240	1,240	1,240
Transport	692	692	692
Supplies & services	3,054	3,159	3,384
Total non pay	**4,986**	**5,091**	**5,316**
Income			
Income – general	-28	-28	-28
Interest receivable	-220	-220	-220
Govt grants	-48	-48	-48
Total income	**-296**	**-296**	**-296**
Debt charges			
Interest payable	759	**765**	766
MRP	777	**940**	1,008
Total debt charges	**1,536**	**1,705**	**1,774**
Transfer to reserves	208	**-212**	**86**
Total Revenue Budget	**29,178**	**30,265**	**31,475**
Income	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**
Revenue support grant	-2,701	-2,755	-2,810
Retained income from Rate Retention Scheme	-4,176	-4,321	-4,407
Specific grants	-2,218	-2,077	-2,108
Sub total	**-9,095**	**-9,153**	**-9,325**
Collection fund surplus	40	0	0
Council tax requirement	-20,123	-21,112	-22,150
Total Income and Funding	**-29,178**	**-30,265**	**-31,475**

Council tax base	175,765	179,501	182,400
Council tax base growth	1.35%	1.87%	1.87%
Band D precept	£114.49	£117.91	£121.43
Increase in band D precept	2.99%	2.99%	2.99%

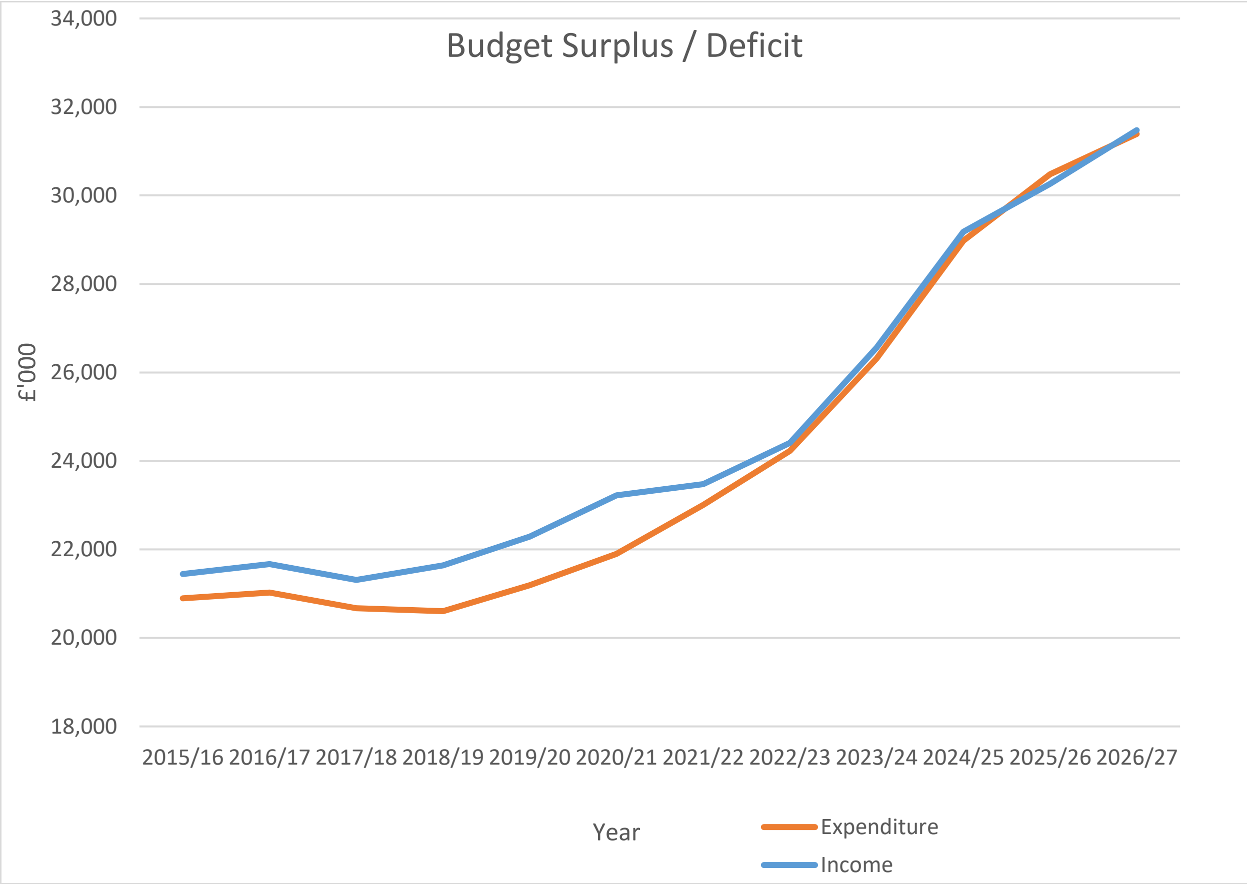
Summary of Planning Assumptions

Current assumptions around cost pressures and funding streams at this time are shown in the table below. Officers and members recognise the uncertainty surrounding future years and indicative assumptions for the following two years are also shown.

Cost assumptions	**2024/25**	**2025/26**	**2026/27**
Pay award - brigade managers (Gold book conditions)	4.0%	4.0%	3.0%
Pay award – operational and Control staff (Grey book conditions)	4.0%	4.0%	3.0%
Pay award - support staff (Green book conditions)	4.0%	4.0%	3.0%
Prices	3.5%	2.0%	2.0%

Funding assumptions - Current	**2024/25**	**2025/26**	**2026/27**
Precept	2.99%	2.99%	2.99%
Council tax base growth	1.35%	1.87%	1.87%
Business rates increase	6.7%	2.0%	2.0%
Business rates top up grant increase	2.6%	2.0%	2.0%
RSG increase	6.7%	2.0%	2.0%
Rural services delivery grant	y	y	y
Pension grant (2020 valuation)	-	y	y
Services grant	y	y	y
Surplus /(Deficit) £000	***208***	***-212***	***86***

Using these assumptions, the graph below demonstrates that expenditure is forecast to exceed assumed income into the medium term, then return to a surplus.



The Planning Cycle

The Authority continues to monitor and review its strategic planning options and is well placed to react to future funding decisions. Financial planning is reviewed and considered by officers and members in Strategy & Resources Committee, before being recommended to the Fire Authority for decision. There is also opportunity for further discussion at the Authority's Strategic Advisory Group.

The Authority prepares short, medium and long term revenue and capital budgets, leading in February each year to the setting of the precept (council tax) for the year ahead.

The detailed process for budget planning is agreed and the leading factors are service planning, government grant settlement and precept strategy. Effective strategic planning demands that all service plans are consistent with the budgets as agreed each February.

To be successful, strategic planning must ensure that the Service's ambitions are quantified in the revenue budget and capital programme, both now and in the medium term. Attention must also be paid to long term budget requirements and the resources likely to be available. Exact budgets cannot be formulated in such uncertain circumstances and so the Authority should have a range of options available to redesign service delivery according to varying levels of budget reduction.

The Revenue Budget

There are a number of stages to the review of the revenue budget and they are outlined in the table below.

Review of the base budget	Individual budget areas are reviewed by officers and amended where necessary
Committed costs	Changes to expenditure are made where decisions have already been taken i.e. pension scheme increases, leasing costs, debt charges for approved capital scheme
Pay and prices	Assumptions are made around likely pay awards and inflationary pressures, and adjustments are made to the budget
Efficiencies	Reductions to the budget will be made where more efficient ways of working are identified
Capital programme	Where capital schemes are to be funded from borrowing, the associated debt charge will be reflected in the revenue budget

Revenue Resources available

The revenue budget is funded from the following:

Council Tax	Precept income is the largest of the Authority's income streams, and currently covers around 70% of the budget requirement
Business rates from authorities	Business rates are no longer collected centrally and redistributed by central government; they are paid to the Authority directly from Shropshire Council and Borough of Telford & Wrekin
Business rates top up grant	Top up grant is paid to the Authority as the direct payment of business rates from the constituent authorities is less than the previously redirected rates from central government
Revenue Support Grant	This is a grant received directly from central government and is distributed via the Fire Formula.
Other grants	The Authority receives a number of grants directly from central government, including rates compensation and rural services delivery grant in recent years.

Reserves Strategy

Overview of the Reserves Strategy

The Fire Authority's reserves strategy is an integral part of its financial planning and capital strategy.

CIPFA state that when reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- A contingency to cushion the impact of unexpected events and emergencies – this also forms part of general reserves
- A means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

Earmarked Reserves

a) Extreme Incidents Reserve

This reserve is in place to deal with extreme weather conditions and unanticipated future activity, which may not be containable within the revenue budgets.

b) Pension Liabilities and Other Staff Issues Reserve

The purpose of this reserve is to meet one-off contributions, required by the Government, to the Pensions Account for sickness retirements. Until 2015/16, only ill health contributions over and above those budgeted in revenue were funded from the reserve. However, as part of the 2020 consultation outcomes, all ill health contributions are funded from the reserve, and the revenue account has been reduced accordingly.

The scope of this reserve was widened to include the potential liabilities arising from the part-time workers employment tribunal case; compensation payable to retained firefighters for terms and conditions has been met from the reserve.

Another small element of this reserve is to provide for staff issues relating to equality and diversity. Provision has been made for expenditure for reasonable adjustments and mediation, in order that these issues are not budgeted for on an annual basis.

The Authority has enjoyed very low levels of ill health retirements, although provision still has to be made for instances in future years. In addition the Modified Pension Scheme has now been introduced with no one off costs anticipated. It was considered prudent during the reserves review to reduce this reserve while still maintaining a buffer for future costs.

c) Earmarked Capital Reserve

This reserve is to fund elements of the capital programme, thereby reducing debt charges into the future.

Until 2015/16, contributions were made back over the lives of any assets funded from the reserve; however as part of the 2020 consultation outcomes, these contributions were removed, and the revenue budget reduced accordingly.

This reserve is now fully depleted and future capital schemes will be funded from revenue or by borrowing.

d) Capital – Major Projects Reserve

The objective of this reserve was to build up funding from revenue savings that could then be used to maximise major capital schemes. The objective is to minimise borrowing and, therefore, committed debt charges in future years. This reserve will be used towards the funding of major improvements at the Telford site.

Budgeted surpluses on the revenue budget have been allocated to this reserve, as well as budgeted contributions where required.

The Authority is now in a position where borrowing is required; the timing of this will be decided in consultation with our Treasury Services provider. It has been determined that calculations of the minimum revenue provision are most efficient when based on the Telford scheme, due to its 40 year asset life. Therefore, some of this reserve will fund the capital programme as a whole, with borrowing costs based on the Telford project.

e) ICT Reserve

This reserve is designed to ensure that ICT improvements and resilience issues are managed and funded in a clear and consistent manner. The reserve may also be used to fund ICT capital projects.

f) Service Transformation Programme Staff Reserve

The original Service Transformation Programme (STP) was established in 2012 and was based on activities that were assessed as delivering a sustainable service to the community into the future. Central to the programme was the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery.

The programme has overseen a considerable amount of activity, workstreams and projects that has brought about technological improvements across all areas of the Service. Following the publication of the CRMP 2021 to 2025, agreed by the Combined Fire Authority on 16th December 2020, a new programme structure has been developed to build on the previous STP and to support the priorities and aspirations of the CRMP and Service Plan. By tying into the Service's financial and service planning processes, the programme will ensure that the appropriate level of governance, control and visibility of all activities, workstreams and projects are maintained throughout its the lifecycle.

Funding for projects will be taken into account in the revenue budget and the capital programme, and this reserve covers the staff elements of the projects. It continues to fund transformational staffing costs, including those relating to the Fire Alliance with Hereford & Worcester Fire and Rescue Service.

g) Income Volatility Reserve

This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.

At the end of 2019/20, £450,000 was added to the Income Volatility Reserve, due to the uncertainty of Covid 19 on the Authority's income streams. This was not required, however the increased pressures from pay and inflation may require reserves funding as the revenue budget is built up.

h) Service Delivery Reserve

This reserve was set up to fund initiatives in service delivery and prevention, to avoid irregular movement in the revenue budget.

i) Training Reserve

This reserve was created to enable additional training and development to be carried out, without adding additional pressure to the revenue budget.

j) New Operational Equipment Reserve

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established. In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

k) Building Maintenance Reserve

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget.

a) Extreme Incidents Reserve

This reserve is in place to deal with extreme weather conditions and unanticipated future activity, which may not be containable within the revenue budgets.

b) Pension Liabilities and Other Staff Issues

The purpose of this reserve is to meet one-off contributions, required by the Government, to the Pensions Account for sickness retirements. Until 2015/16, only ill health contributions over and above those budgeted in revenue were funded from the reserve. However, as part of the 2020 consultation outcomes, all ill health contributions are funded from the reserve, and the revenue account has been reduced accordingly.

The scope of this reserve was widened to include the potential liabilities arising from the part-time workers employment tribunal case; compensation payable to retained firefighters for terms and conditions has been met from the reserve.

Another small element of this reserve is to provide for staff issues relating to equality and diversity. Provision has been made for expenditure for reasonable adjustments and mediation, in order that these issues are not budgeted for on an annual basis.

The Authority has enjoyed very low levels of ill health retirements, although provision still has to be made for instances in future years. In addition, the Modified Pension Scheme has now been introduced with no one off costs anticipated. It was considered prudent during the reserves review to reduce this reserve while still maintaining a buffer for future costs.

c) Capital – Earmarked

This reserve is to fund elements of the capital programme, thereby reducing debt charges into the future.

Until 2015/16, contributions were made back over the lives of any assets funded from the reserve; however as part of the 2020 consultation outcomes, these contributions were removed, and the revenue budget reduced accordingly.

This reserve is now fully depleted and future capital schemes will be funded from revenue or by borrowing.

d) Capital – Major Projects

The objective of this reserve was to build up funding from revenue savings that could then be used to maximise major capital schemes. The objective is to minimise borrowing and, therefore, committed debt charges in future years. This reserve will be used towards the funding of major improvements at the Telford site.

Budgeted surpluses on the revenue budget have been allocated to this reserve, as well as budgeted contributions where required.

The Authority is now in a position where borrowing is required; the timing of this will be decided in consultation with our Treasury Services provider. It has been determined that calculations of the minimum revenue provision are most efficient when based on the Telford scheme, due to its 40 year asset life. Therefore, some of this reserve will fund the capital programme as a whole, with borrowing costs based on the Telford project.

e) ICT Reserve

This reserve is designed to ensure that ICT improvements and resilience issues are managed and funded in a clear and consistent manner. The reserve may also be used to fund ICT capital projects.

f) Service Transformation Programme Staff Reserve

The original Service Transformation Programme (STP) was established in 2012 and was based on activities that were assessed as delivering a sustainable service to the community into the future. Central to the programme was the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery.

The programme has overseen a considerable amount of activity, workstreams and projects that has brought about technological improvements across all areas of the Service. Following the publication of the CRMP 2021 to 2025, agreed by the Combined Fire Authority on 16th December 2020, a new programme structure has been developed to build on the previous STP and to support the priorities and aspirations of the CRMP and Service Plan. By tying into the Service's financial and service planning processes, the programme will ensure that the appropriate level of governance, control and visibility of all activities, workstreams and projects are maintained throughout its the lifecycle.

Funding for projects will be taken into account in the revenue budget and the capital programme, and this reserve covers the staff elements of the projects. It continues to fund transformational staffing costs, including those relating to the Fire Alliance with Hereford & Worcester Fire and Rescue Service.

The Service Transformation Programme is a high-level programme of activities, which will be completed to ensure that the Service is best placed to meet the challenges it is likely to face over the coming years.

Funding for projects identified as part of the Programme have been taken into account in the revenue budget and the capital programme. This reserve was set up to cover the staff elements of the projects.

g) Income Volatility Reserve

This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium Term Corporate Plan.

At the end of 2019/20, £450,000 was added to the Income Volatility Reserve, due to the uncertainty of Covid 19 on the Authority's income streams. This was not required, however the increased pressures from pay and inflation may require reserves funding as the revenue budget is built up.

h) Service Delivery Reserve

This reserve was set up to fund initiatives in service delivery and prevention, to avoid irregular movement in the revenue budget.

i) Training Reserve

This reserve was created to enable additional training and development to be carried out, without adding additional pressure to the revenue budget.

j) New Operational Equipment

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established. In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

k) Building Maintenance

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget.

General Fund

The General Fund is simply the net balance of over and underspendings during the year. The Authority's policy is not to accumulate funds year on year (and obviously to deal with any potential overspend). The balance in the General Fund at 1 April 2023 was £1.723m (subject to audit completion) and the Fire Authority agreed to hold £265,000 back; £125,000 for expenditure relating to Protection, and funded by grants, and £140,000 in project support, building maintenance and prevention activities. The balance of the General Fund (£1.458m) has been allocated to the following reserves:

- £908,000 to Major Projects Reserve
- £250,000 to STB Staff Reserve
- £150,000 to Training Reserve
- £150,000 to Equipment Replacement Reserve

This allocation was approved by the Fire Authority at its June meeting.

Adequacy of Reserves

As the revenue budget was set for 2019/20, members considered the reserves held by the Authority, and deemed them to be adequate and reflective of its risks. There was a net reduction in the total level of reserves in 2018/19 – a budgeted contribution had been made to the Major Projects Reserve for improvements at Telford, and contributions from reserves were made for capital expenditure and spend on pensions and one-off revenue items.

The reasons for holding reserves are still valid in terms of risk areas for the Authority, and a review was held during 2018/19 to ensure that the level of each reserve was justified and reasonable.

It was agreed by the Fire Authority in 2014 that all available funds and underspends would be diverted to the Major Projects Reserve to maximise funds available for improvements at Telford; however contributions to other reserves have also been requested and approved where appropriate.

General Reserve

This reserve represents a risk assessment of the pressures likely to face the Authority, based on the probability of the occurrence of those risks. This is a small proportion of the total reserves held, as the majority of the pressures identified are recognised in the earmarked reserves. However, there are still occurrences that need to be provided for that are unanticipated, and this reserve provides funding for those events.

The content of the General Reserve is reflective of the risks recorded corporately and departmentally. There are no plans to amend the balance held, although the proportions held for events within the reserve may change over time. However, a review will be held over the next year to reassess the General Reserve.

	01/04/24 £000	Spend £000	Income £000	31/03/25 £000	Spend £000	Income £000	31/03/26 £000	Spend £000	Income £000	31/03/27 £000
Capital Reserves:										
Major Projects	4,000	-4,000	0	0	0	0	0	0	0	0
Resource Reserves:										
General	456	0	0	456	0	0	456	0	0	456
Extreme Incidents	219	0	0	219	0	0	219	0	0	219
Pensions and Other Staff Matters	678	0	0	678	0	0	678	0	0	678
Information and Communications Technology (ICT)	776	-250	0	526	-250	0	276	-250	0	26
Income Volatility	687	0	0	687	0	0	687	0	0	687
Service Transformation Programme Staff	974	-300	0	674	-300	0	374	-300	0	74
Service Delivery	10	-10	0	0	0	0	0	0	0	0
Building Maintenance	300	-50	0	250	-50	0	200	-50	0	150
Operational Equipment	274	-50	0	224	-50	0	174	-50	0	124
Training	127	-50	0	77	-50	0	27	-27	0	0
Total	**8,501**	**-4,710**	**0**	**3,791**	**-700**	**0**	**3,091**	**-677**	**0**	**2,414**

Once the capital reserves have been depleted following the completion of major projects, the Authority will hold reserves equal to 9.8% of its net revenue budget by 31 March 2026.