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Nottinghamshire and City of Nottingham Fire and Rescue Authority Finance and Resources Committee

Date: Friday, 19 January 2024 **Time:** 10.00 am

Venue: Joint Fire / Police HQ, Sherwood Lodge, Arnold, Nottingham, NG5 8PP

Members are requested to attend the above meeting to be held at the time, place and date mentioned to transact the following business

A handwritten signature in black ink, appearing to read 'M. J. [unclear]'. The signature is written in a cursive style.

Clerk to the Nottinghamshire and City of Nottingham Fire and Rescue Authority

Agenda	Pages
1 Apologies for Absence	
2 Declarations of Interests	
3 Minutes Minutes of the meeting held on 20 October 2023, for confirmation.	3 - 8
4 Revenue, Capital, and Prudential Code Monitoring Report to 30 November 2023 Report of Chief Fire Officer	9 - 24
5 Budget Proposals for 2024/25 to 2027/28 and Options for Council Tax 2024/25 Report of the Chief Fire Officer	25 - 44

Any councillor who is unable to attend the meeting and wishes to submit apologies should do so via the Personal Assistant to the Chief Fire Officer at Fire Services Headquarters on 0115 967 0880

If you need any advice on declaring an interest in any item above, please contact the Governance Officer shown on this agenda, if possible before the day of the meeting.

Governance Officer: *Cath Ziane-Pryor*
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<http://committee.nottinghamcity.gov.uk/mgListCommittees.aspx?bcr=1>

If you would like British Sign Language interpretation at the meeting, please contact the Service at least 2 weeks in advance to book this, either by emailing enquiries@notts-fire.gov.uk or by text on SMS: 0115 824 0400



Nottinghamshire and City of Nottingham Fire and Rescue Authority Finance and Resources Committee

**Minutes of the meeting held at Dunkirk and Beeston Suites - Highfields Fire Station,
Hassocks Lane, Beeston, Nottingham. NG9 2GQ on 20 October 2023.**

Part 1 - 10.04am – 10.05am

The meeting opened and Committee unanimously agreed to postpone the meeting until 10.30am due to severe weather conditions and flooding which has delayed the arrival of some Lead Officers and Members.

Part 2 – 10.30am- 11.15am

Membership

Present

Councillor John Clarke MBE (Chair)
Councillor Liaqat Ali
Councillor Callum Bailey
Councillor Richard Butler
Councillor Anwar Khan (minutes 17-18 inclusive)
Councillor Roger Upton

Absent

Councillor Sybil Fielding

Colleagues, partners and others in attendance:

Candida Brudenell – Assistant Chief Fire Officer
Becky Smeathers – Head of Finance and Treasurer to the Authority
Matt Reavill – Head of Corporate Risk management
Hassan Rohimun - External Auditor of Ernst and Young LLP
Catherine Ziane-Pryor – Governance Officer

13 Apologies for Absence

Councillor Sybil Fielding (medical appointment)
Councillor Anwar Khan for predicted lateness.

14 Declarations of Interests

None.

15 Minutes

The minutes of the meeting held on 16 June 2023 were confirmed as a true record and signed by the Chair.

16 Revenue, Capital and Prudential Code Monitoring Report to August 2023

Becky Smeathers, Head of Finance and Treasurer to the Authority, presented the report, highlighting the following points and responding to members' questions:

- a) Previously reported to the end of April 2023, this report sets out the position as of 31 August 2023, presenting an underspend of £1.4 million which equates to 3% of the overall budget;
- b) There are several factors contributing to the underspend, including the Service operating under establishment, lower than predicted on-call pay costs, higher than anticipated investment returns due to the higher interest rates, and slippage on payment for fire appliances from last year;
- c) Previously, it was intended to draw on £400k of reserves, but it is proposed to not utilise these at moment;
- d) It is proposed that the underspends be reallocated to recruitment, (training, including training facilities and HR resources. Additional spend is predicted for maintenance cost due to significant market price increases, so it is proposed to accelerate timeframes of some key projects, including the mobilising system, for which additional contract costs and the additional internal work required to house the new servers;
- a) Additional HR funding is required as the Service accelerates the previously paused recruitment. It is not unusual to receive in the region of 600 applications, all of which require additional officer time to process, and as other areas of work are demanding at this time and no capacity is available within recruitment, additional staffing is required;
- b) With reference to the £38k virement relating to the Building Safety Regulator grant, it is noted that the Committee's approval is required for the virement, which technically enables the accounts to balance, and this is not a cost to the Service;
- c) The entire costings for the new mobilising system can only be predicted at this stage due to several uncontrollable influences, including the impact of the Leicestershire Fire and Rescue Service withdrawing from the arrangement, which means that all costs are shared between Nottinghamshire and Derbyshire Services. As an initial response, the Authority had approved an additional £170k allocation to the capital programme. As the system servers will not be cloud-based, additional facilities are required to house them, hence the £100k spend for server costs with further costs anticipated;
- d) Breathing apparatus washing facilities are required in 2 stations along with establishing a system to collect and deliver kit;

- i) A significant increase in fuel costs was predicted and accounted for in next year's budget, but is yet to materialise, although prices continue to fluctuate;
- j) Capital Programme expenditure is not significant and mainly applies to 17 new vehicles. With increasing market costs, it is possible that there will be an overspend on appliances, but this is difficult to predict and a delivery date is not yet confirmed, but payment is only due on delivery;
- k) The buyer of the old Headquarters site has withdrawn, so other options are being considered and a long delay in selling is not anticipated;
- l) Electric charging points across all buildings are for the benefit of the Service's light fleet vehicles which are either electric or hybrid. Staff also have access to charging points on a recharge at cost basis. Where available, grants have been drawn down for the installation charging points and any other funding opportunities to further improve the infrastructure and progress the Services' commitment to decarbonisation;
- m) With regard to Prudential reporting, borrowing is purposely higher than the capital finance requirement as the Service took advantage of low interest rates but borrowing levels will return to required levels by the end of the year.

Resolved to:

- 1) note the report;**
- 2) approve the plans and virements for using £927k of the forecasted underspends, as outlined in Sections 2.2 – 2.3 of the report;**
- 3) approve the £38k virement relating to the Building Safety Regulator grant and the associated post (Section 2.4 of the report);**
- 4) approve the transfer of the £147k Fire Protection Uplift grant to earmarked reserves (Section 2.13 of the report).**

17 Corporate Risk Management

Matt Reavill, Head of Corporate Risk Management, presented the report.

The following points were highlighted and members' questions responded to:

- a) The risk situation is much improved, and has stabilised from that of a year ago, when there was uncertainty around industrial action, pension liabilities, and the Council Tax precept level;
- b) The report and register set out how risk levels are assessed and set from very high to low risk;
- c) Very high, high, and medium risk areas are summarised as follows:

Very High Risk	Mobilising (Risk 3)	No change
High Risk	Balanced budget (Risk 1)	Reduced from Very High
	Firefighters Pension Scheme (Risk 2)	Reduced from Very High
	Service reputation (Risk 15)	No change
	Preventable deaths (Risk 6)	No change
	Employee engagement (Risk 4)	No change
	Workforce sustainability (Risk 5)	No change
Medium Risk	Health, safety and welfare (Risk 7)	No change
	Availability of resources (Risk 9)	No change

- d) Members are assured of constant monitoring to identify any emerging or escalating risks, and that an audit of risk management provided an outcome of 'substantial assurance'.

Resolved to:

- 1) **endorse the Service's approach to managing the key risks to the Authority;**
- 2) **note the most recent version of the Corporate Risk Register attached at Appendix A to the report.**

18 External Audit Plan 2021/22

Hassan Rohimun, External Auditor of Ernst and Young LLP, presented the Audit Planning report for the year ended March 2022, as of September 2022.

The following points were highlighted and members' questions responded to:

- a) the Audit was on track to be completed by October 2023, but the Audit Manager responsible for this Audit has been taken ill, the Audit conclusion will be delayed as other officers release capacity to undertake the work;
- b) Section 1 of the Plan provides an overview of the strategy, including audit risks identified, with changes from the previous year highlighted;
 - i. Risk of fraud in revenue and expenditure recognition: Inappropriate capitalisation of expenditure;
 - ii. Misstatements due to fraud or error (as per international standards);
 - iii. Valuation of Pension Liabilities – LGPS;
 - iv. Valuation of land and buildings;
 - v. Valuation of Pension Liabilities – Firefighters' Pension Scheme;
- c) Set out in the report is a summary of the scope of the audit, including:
 - i. Overview of the audit strategy;
 - ii. Audit risks;
 - iii. Value for money risks;
 - iv. Audit materiality;
 - v. Scope of the audit;

- vi. The audit team and timeline;
 - vii. Interdependencies;
- d) No firm date can be provided yet for the predicted completion of the final Audit, nor the final cost as additional work may be required, but finance officers will be kept informed and a 'worst-case-scenario' estimate provided to members of the committee following the meeting;
- e) The external auditors currently have no responsibility to review climate impact within the corporate sector, but this may become more relevant to future public sector audits;
- f) The cost of the new External Audit contract for the new financial year will be significantly increased and expected to total approximately £95,000, although there has been some initial funding from Central Government to support these costs.

Whilst member of the committee acknowledged the additional National Audit requirements which have resulted in a significantly increased workload, along with the issues around availability of Auditors, concern was expressed that the cost has risen so significantly in recent years and that the Service and Local Authorities were expected to absorb this cost.

Resolved to note the report.

19 Becky Smeathers, Head of Finance and Treasurer to the Authority

As this is Becky Smeathers' last meeting with the Authority, the Chair wished Becky well in her new ventures and thanked her for her work, dedication and professionalism.

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NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

REVENUE, CAPITAL AND PRUDENTIAL CODE MONITORING REPORT TO 30 NOVEMBER 2023

Report of the Chief Fire Officer

Date: 19 January 2024

Purpose of Report:

To report to Members on the 2023/24 financial performance of the Service and Prudential Code monitoring to the end of November 2023.

Recommendations:

It is recommended that Members:

- Note the contents of this report;
- Approve the transfer of the £160k previously approved for breathing apparatus wash facilities to the capital programme (see Paragraph 2.28).

CONTACT OFFICER

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1. BACKGROUND

- 1.1 Budget monitoring is a key aspect of financial management for the Fire Authority. Regular reporting of spending against the revenue budgets is a check that spending is within available resources and if necessary, allows for financial resources to be re-assigned to meet changing priorities.
- 1.2 This report covers those areas with a higher risk of significant variance. An assessment of this risk has been made in the light of the size of the budgets selected and/or previous experience of variances, as well as the emergence of actual variances. It is vital that an overview of the budgetary position during the year is maintained, so that appropriate action can be taken in respect of significant variances and the budget is managed as a whole.
- 1.3 Monitoring against the revised prudential indicators is also included in this report, as required in the Prudential Code published by the Chartered Institute of Finance and Accountancy (CIPFA).

2. REPORT

- 2.1 The revenue monitoring position is set out in Table 1 below. It shows a forecast outturn position of £49.451m, which is an £0.606m underspend against the revised budget of £50.057m. The approved budget of £49.965m included a £404k contribution from the earmarked reserve for Budget Pressure Support to address a funding deficit. As things currently stand, this contribution is not required. The revised budget reflects the planned use of £239k of earmarked reserves relating to various projects, plus a £147k contribution to earmarked reserves.

	2023/4 Budget £'000	Revised Budget £'000	Forecast Outturn £'000	Variance £'000
Net Expenditure	49,965	50,057	49,451	(606)
Revenue Support Grant	(6,189)	(6,189)	(6,189)	0
Business Rates (including related grants)	(11,286)	(11,286)	(11,286)	0
Pension Grant	(2,340)	(2,340)	(2,340)	0
Council Tax	(29,746)	(29,746)	(29,746)	0
General Fund	0	0	202	202
Earmarked Reserves	(404)	(496)	(92)	404
Total	0	0	0	0

Table 1 – Summary Expenditure and Funding Position

- 2.2 At the previous meeting of the Finance and Resources Committee, Members approved plans for £927k of virements to fund wholetime recruitment activity plus a number of improvements works and projects. This has significantly reduced the forecast underspend from the previously reported level of £1.477m to £0.606m. As the £404k budgeted contribution from earmarked reserves is not required at this stage, the £606k forecasted underspend would result in a £202k contribution to general reserves. However, it is proposed instead that any underspend be used to fund capital expenditure, as this will result in budget savings in future years. A final decision will be taken at year end when the outturn position is known.
- 2.3 A more detailed analysis of expenditure can be found at Appendix A. Major variances on specific budgets are shown below.

WHOLETIME PAY

- 2.4 Wholetime pay is expected to underspend by £344k in total. At the end of November, the number of posts was 15.4 FTE below the approved establishment. 11 transferees from other fire and rescue services are expected to join in January and a recruitment course for 20 new apprentices is planned for April, subject to affordability. Overtime is being used to cover the ridership in the short term, resulting in an £80k overspend against the preplanned overtime budget.

ON-CALL PAY

- 2.5 On-call pay can vary significantly from month to month depending on levels of activity, so it can be difficult to forecast with certainty. At this stage it is expected that the on-call pay budgets will underspend by £112k. The largest variances relate to incident related costs and drills, which are both expected to underspend by around £46k. The number of mobilisations can be highly variable, and although activity levels have generally been lower than expected so far in 2023/24 there was a spike in October due to the flooding. Expenditure on drills has been lower than expected and as a result this budget will be reduced for 2024/25.

NON-UNIFORMED PAY

- 2.6 Non-uniformed pay is expected to underspend by £122k overall due to vacancies in the establishment.

PENSIONS

- 2.7 The pensions budgets are expected to overspend by £37k overall. The largest variance relates to gratuity payments, which has a forecasted overspend of £28k.

TRANSPORT RELATED COSTS

2.8 There is expected to be a net overspend of £1k. Significant variances include:

- A £100k underspend relating to fuel. Fuel prices have reduced during the year.
- A £50k overspend on unplanned fleet maintenance. This is due to an ageing fleet and unscheduled repairs to water and foam tanks.
- A £30k underspend on planned fleet maintenance. This is due to the restructuring of service patterns, plus the disposal of a number of vehicles and plant items from the fleet.
- A £33k overspend relating to mileage claims and public transport costs. There are a number of reasons for this, including an increase in detachments resulting from wholetime vacancies, and mileage allowances/public transport costs paid to staff compulsorily transferred to the Joint HQ.
- A £48k overspend relating to other transport-related supplies and services. These include a £20k overspend on tyres which has arisen due to extending the useful lives of some vehicles, and a £20k overspend on outsourced vehicle maintenance. This relates to specific repairs that cannot be carried out by the main contracted company.

PREMISES COSTS

2.9 Premises costs are expected to underspend by £49k. The most significant underspends relate to energy costs. At this stage electricity and gas are expected to underspend by £37k and £52k respectively. However, there is currently a dispute over a £85k invoice for gas so it is possible that this variance could be largely eliminated if the dispute is settled in the energy company's favour.

SUPPLIES AND SERVICES

2.10 Supplies and services are expected to overspend by £65k. Significant variances include:

- A £42k overspend relating to Firelink contract charges. The contractual price increases are linked to RPI inflation. In 2023/24 the prices have increased by 13.5%, which exceeds the 5% budgeted increase.
- The budget for contributions to partnership working is forecasted to underspend by £45k. This is mainly due to the budget relating to the Emergency Services Network Dimetra Communications Service no longer being required as the work is being carried out in-house.

OTHER INCOME

2.11 There is a forecasted surplus of £116k. £101k of this relates to secondment income due to recent secondment agreements which were not provided for in the budget.

RESERVES

- 2.12 Details of the use of reserves during 2023/24 can be found in Appendix B.
- 2.13 Expected levels of reserves at 31 March 2024 are £10.408m as detailed in Table 2 below.

Reserves	Balance 01/04/23 £'000¹	Anticipated Use 2023/24 £'000	Expected Balance 31/03/24 £'000
Net contributions from earmarked reserves	5,236	(92)	5,144
General Fund	4,961	202	5,163
Total	10,197	110	10,307
ESMCP² Regional Reserve	101	0	101
Total	10,298	110	10,408

Table 2 – Anticipated Movement in Reserves 2023/24

¹ The opening balances are still subject to external audit and are therefore provisional.

² Emergency Services Mobile Communications Programme

- 2.14 The Emergency Services Mobile Communications Programme (ESMCP) regional reserve has been shown separately to those reserves held by the Authority to reflect that the funds are to be allocated regionally and do not belong to Nottinghamshire Fire and Rescue Service (NFRS).
- 2.15 The general reserve is predicted to be £5.163m at the end of the financial year, which is above the minimum level of £4.5m general fund reserve agreed by Fire Authority in December 2022.

CAPITAL PROGRAMME

- 2.16 The current approved 2023/24 capital programme is £9.168m. The total capital spend to the end of November 2023 was £3.220m. The current capital programme is shown at Appendix C. The most significant areas of variance are detailed below.

TRANSPORT

- 2.17 The appointment of a delivery and build contractor for two Aerial Ladder Appliances (ALPs) is still pending, which presents a risk that the chassis will not be delivered and invoiced this financial year. This will result in £1.1m being slipped into 2024/25, however further information will be known once the Working Group has visited one of the manufacturers in late January.
- 2.18 The chassis for the Command Support Unit (CSU) was delivered in late November 2023. Costs of the vehicle build, ICT and electrical fitout have been confirmed, with a total cost including chassis at £475k. This is £225k

over the original budget. An exception report increasing the budget was approved by SLT on 21 Nov 2023. It is anticipated that £394k will be spent in 2023/24 with the remainder slipping into next year.

- 2.19 Light Vehicle budget: this budget is for the replacement of the Chief's and the Assistant Chief Fire Officers' cars, five Flexi Duty Officers cars, two vans and blue light fits. The Flexi Duty cars have been delivered and the blue lights have been fitted. The vans have now been delivered and the modifications for stowage of equipment will be completed before the end of March 2024. Orders have now been placed for the Assistant Chief Officers' cars and it is expected that they will be received by the end of the financial year. In addition, an order for the Chief Officers car has been placed but is not expected to be delivered in this financial year and therefore may slip into the next financial year.
- 2.20 Fire Appliances (£2.840m in 2023/24, £2.820m in 2024/25): Angloco Ltd recently issued a revised build programme for the 17 new pumping appliances which showed a quicker than expected delivery of the chassis from Scania. All 17 chassis now having been delivered. This has capital budget implications as the 2023/24 budget for this project only accounted for 12 to be delivered. The revised forecast spend for this FY is now £3.410m (including equipment), up from the original forecast of £2.8m. The programme also indicates that only one appliance will be fully completed and delivered into service this year (March 2024). The remaining 16 are forecast to be fully completed and in service by December 2024. The additional funding will be partially offset by delayed expenditure in other projects, and permission will be requested to bring forward the budget in 2024/25 if required. This will be requested in the next report to the Finance and Resources Committee if necessary, when further delivery information will be available.
- 2.21 An area of risk has been identified with the contract pricing, with the supplier who have submitted a cost increase of 10% (in line with CPI inflation), meaning an approximate uplift of £30k per Appliance. Legal advice has been obtained and a solicitor's letter issued to challenge the cost increase.
- 2.22 The 2024/25 Fire Appliance programme includes funding for equipment such as ladders and PPVs (fans) and LPPs (light portable pumps). Reduced lead times mean that some of this equipment can now be delivered this financial year. Depending on the timings of deliveries of both appliances and equipment, it may be necessary to bring forward the £141k from the 2024/25 programme to allow the Service to take advantage of the change in circumstances. An update will be provided at the March meeting of this Committee along with a request to bring the budget forward if necessary.
- 2.23 Rural unit: a list of options was presented to SLT members in December 2023. Some clarifications were requested and these will be presented in January 2024 before any decisions are made. Depending on the preferred options chosen, there will be slippage of the capital allocated to this project. Any required slippage will be requested in the next report to the Finance and Resources Committee.

EQUIPMENT

- 2.24 Replacement Duty Rig: it is anticipated that the order will be placed before the end of the financial year. The procurement process is taking longer than expected, with suppliers not getting the premarket samples to NFRS in a timely manner. This has impacted upon on the timing of the trials. Bulk purchase lead times are also impacting on the project, with lead times expected to be between 7-9 months. It is now anticipated that this project will not be fully completed until 2024/25. Members will be kept up to date, and it may mean that the budget will be slipped into 2024/25.
- 2.25 Gas Tight Suits: these will be purchased in year for operational use.
- 2.26 A capital grant previously received for Marauding Terrorist Attack (MTA) equipment is held in the Capital Grant Unapplied reserve.

ESTATES

- 2.27 Access and Inclusion (£760k): tenders for alteration works to 9 On-call stations and Ashfield Fire Station have been received and are being analysed. Works are planned to commence in early January 2024 with three stations undergoing works concurrently. The £760k budget for 2023/24 includes an additional £260k approved at the October meeting of the Finance and Resources Committee for the Ashfield Fire Station works.
- 2.28 Training and Development Centre (£500k): this project is for the alteration and refurbishment of existing welfare and training facilities, including the replacement of the Fire House control system. Tenders were returned above the original budget, therefore an additional £160k was approved at the October meeting of the Finance and Resources Committee. In addition, £500k has been built into the 2024/25 budget. This will allow the project to continue without reducing the scope of works and the requirements. Works will commence on site 8 January. The expected spend in 2023/24 is £660k, which includes an additional £160k allocated to install BA Wash facilities at SDC and Mansfield Fire station. This additional £160k was initially approved by Members as revenue expenditure but as it meets the criteria for capital expenditure it is requested that Members now approve it as an addition to the capital programme, to be funded by a revenue contribution.
- 2.29 Electric Charging Points (£25k in 2023/24, £100k in 2024/25): this is for the cost of the installation of vehicle charging points at selected fire stations the estate. In addition, funding has been secured from D2N2 shared public sector charging network for four sites. Orders will be raised for this work and a refund for the work will be received on proof of completion. These will be added to the programme once costs are known.
- 2.30 Energy Reduction and Decarbonisation (£50k in 2023/24, £250k in 2024/25): a consultant has been appointed to determine NFRS's roadmap to Net '0' Carbon, and the data gathering exercise is underway. Detailed surveys to decarbonise Eastwood and Highfields Fire Stations have been completed, leading to a Public Sector Decarbonisation Scheme grant application for

Highfields. If successful, NFRS can expect to receive £190k of grant funding to offset works to replace the gas boilers, although match funding of £153k will be required. The remaining 2024/25 budget will be used to improve the energy efficiency at across the site.

- 2.31 Worksop Station was opened in May 2022 and is fully operational. All the works and retentions have been paid, and it is expected that a further £25k will be paid to resolve the heat pump technology issue. This can be contained within the remaining budget.
- 2.32 The original offer we accepted from for the sale of the old headquarters has now formally fallen through and an increased alternative offer has been accepted. Members will be kept informed in future reports.

ICT

- 2.33 Replacement Equipment £520k: the budget will fund any replacement equipment that is required to keep the Service's ICT provision robust and sustainable. The more significant projects include software replacement for the Wide Area Network (WAN) which is required for mobilising (£120k), laptop replacement (£100k) and devices on appliances (£90k).
- 2.34 CFRMIS (Community Fire Risk Management Information System): two projects are still in the scoping stage due to the priority given to other projects. Work is planned to commence. Progress on the project will be reported in March.
- 2.35 Cyber Security project: a consultant has been appointed to implement the system. Progress will be reported to Members in due course.
- 2.36 Appliance Handheld Airwave Radio: this project involves the purchase of 30 handheld radios and aims to improve business continuity and resilience. An order has been placed for £40k and the radios are expected to be in service before the end of this financial year. An additional revenue contribution of £10k has been approved to fund the additional cost.
- 2.37 System upgrades: a budget of £30k is set aside to upgrade core systems to enable them to be maintained and supported. This may be slipped into 2024/25.
- 2.38 The ICT programme includes replacement equipment and software and supports specific schemes which underpin the Community Risk Management Plan (CRMP). Overall spend has been slower than originally anticipated due to vacancies within the ICT team. The rate of expenditure is expected to pick up as this year progresses. The mobile computing, and Mobile Data Terminal (MDT) replacement projects have been merged into the replacement equipment budget, to come in line with the spending objectives of the ICT section.
- 2.39 The Replacement Mobilising System was added to the capital programme at the Fire Authority meeting on 23 September. This is the 2023/24 anticipated

cost of the project. There are some elements of the project that are still out to tender. The future year capital costs for the overall project will be included in the Medium Term Financial Strategy and budget reports.

- 2.40 £100k for the Regional Mobilising System (Server) was approved at the October meeting of the Finance and Resources Committee. It has been allocated in 2023/24 and will be funded by a revenue contribution.

PRUDENTIAL CODE MONITORING

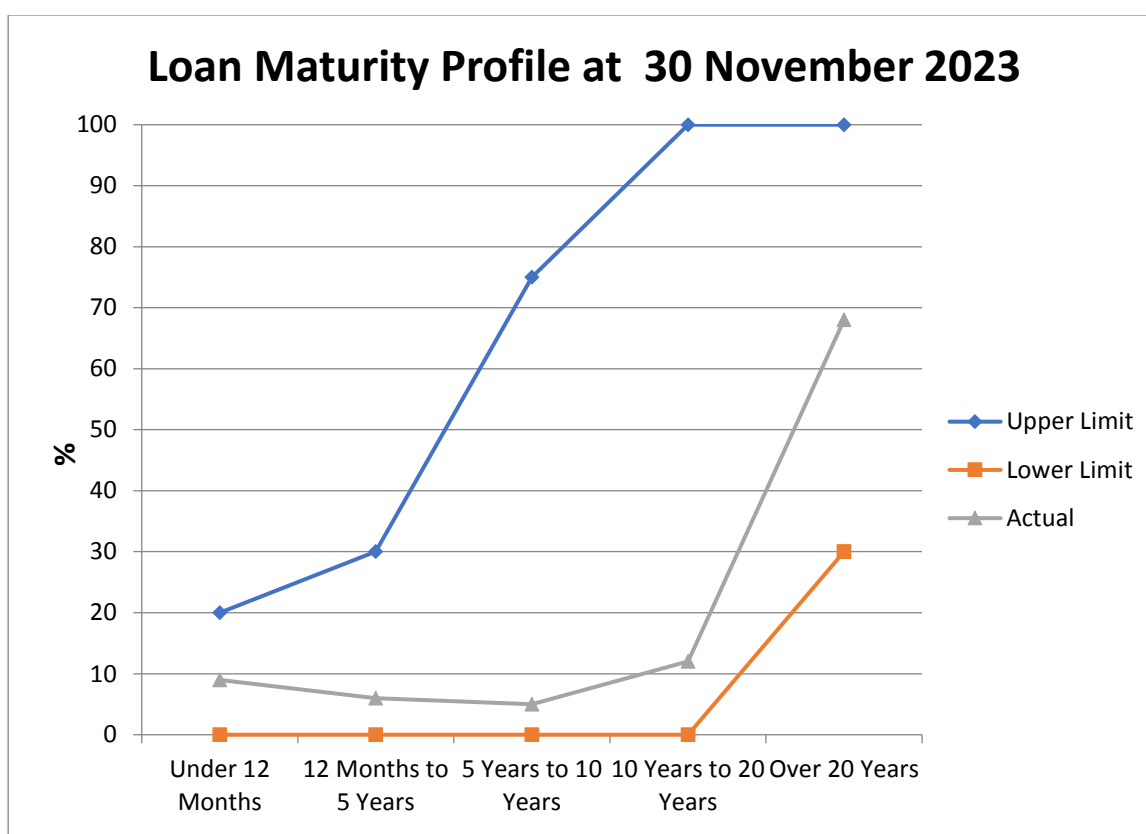
- 2.41 The Fire Authority approved the prudential indicators for 2023/24 at its meeting on 24 February 2023. The Prudential Code requires that performance against these indicators is reported to Members.
- 2.42 The approved indicators along with performance as of 30 April 2023 are shown in the table below. There are some indicators which cannot be calculated until the year end expenditure is known.

Prudential Indicator	Approved Indicator	As of 30 November 2023
Estimate of Ratio of Financing Costs to Net Revenue Stream	8%	Year End Only
Estimate of Total Capital Expenditure to be Incurred	£3,995,000	Year End Only
Actual Borrowing		£32,900,000
Estimate of Capital Financing Requirement	£30,646,000	£30,646,000
Operational Boundary	£36,901,000	£36,901,000
Authorised Limit	£41,591,000	£41,591,000
Upper limit for fixed rate interest exposures	100%	100%
Upper limit for variable rate interest exposures	30%	30%
Loan Maturity:	<u>Limits:</u>	
Under 12 months	Upper 20% Lower 0%	See Graph
12 months to 5 years	Upper 30% Lower 0%	See Graph
5 years to 10 years	Upper 75% Lower 0%	See Graph
Over 10 years	Upper 100% Lower 0%	See Graph
Over 20 years	Upper 100% Lower 30%	See Graph
Upper Limit for Principal Sums Invested for Periods Longer than 365 Days	£2,000,000	0
Upper limit for internal borrowing as a % of the Capital Financing Requirement	20%	10.21%

Table 3 - Prudential Code Monitoring

2.43 The total borrowing at the end of November 2023 was £32.9m. This is within the Operational and Authorised Limits set out in Table 4. It does, however, exceed the Capital Financing Requirement of £30.646m. This is because borrowing has been taken out earlier than the funding is required to avoid expected rises in interest rates. There is a £3m loan repayment due in March 24 which will bring the borrowing level back below the CFR by the end of the year. This is permitted within the Code of Practice guidance which states that the Authority should ensure that gross debt does not, except in the short term, exceed the total capital financing requirement in the preceding year plus the estimate of any additional capital financing requirement for the current and next two financial years.

2.44 The loan maturity profiles are all within the limits set. These are best demonstrated by graph:



2.45 Investments as of 30 November 2023 totalled £13.5m. Investment rates are monitored by a benchmarking group including councils and police which is supported by Link Asset Services. As at the end of September 2023, NFRS weighted average rate of return was 5.02%, compared with a group average of 5.17%.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service. Its purpose is to explain variances to the approved budget which reflects existing policies.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental and sustainability implications arising directly from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising directly from this report.

8. RISK MANAGEMENT IMPLICATIONS

Budget monitoring and the regular receipt of financial reports is key to managing one of the most significant risks to the organisation, that of financial risk. The process of budget monitoring is a key risk management control measure, as are the management actions which are stimulated by such reporting.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising directly from this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Note the contents of this report.
- 10.2 Approve the transfer of the £160k previously approved for breathing apparatus wash facilities to the capital programme (see paragraph 2.28).

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

**REVENUE BUDGET MONITORING POSITION
AS AT 30 NOVEMBER 2023**

Budget Area	Annual Budget £'000	Revised Budget £'000	Exp to Date £'000	Forecast Outturn £'000	(Under) / Over Spend Against Revised budget £'000
Employees	39,942	39,947	25,987	39,408	(539)
Premises	4,111	4,477	3,264	4,428	(49)
Transport	2,220	2,224	1,478	2,225	1
Supplies & Services	4,392	4,399	3,986	4,464	65
Third Party	951	951	455	951	0
Support Services	171	171	82	171	0
Capital Financing Costs	2,692	2,915	2,547	2,943	28
Fees and Charges	(425)	(519)	(215)	(515)	4
Other Income	(4,088)	(4,508)	(2,331)	(4,624)	(116)
Net Cost	49,965	50,057	35,253	49,451	(606)
Financed by:					
Revenue Support Grant	(6,189)	(6,189)	(4,688)	(6,189)	0
Non-Domestic Rates	(11,286)	(11,286)	(7,748)	(11,286)	0
Council Tax	(29,746)	(29,746)	(20,822)	(29,746)	0
Pension Grant	(2,340)	(2,340)	(2,340)	(2,340)	0
Earmarked Reserves	(404)	(496)	(92)	(92)	404
General Reserve	0	0	0	202	202
Funding Total	(49,965)	(50,057)	(35,690)	(49,451)	606
Total	0	0	(437)	0	0

ESTIMATED RESERVE POSITION AT 30 NOVEMBER 2023

Reserve	Opening Balance* 01/4/23 £'000	Movement During 2023/24 £'000	Closing Balance 31/3/24 £'000
Resilience Crewing and Training	36	0	36
Prevention Protection and Partnerships	261	88	349
Business Systems Development	59	0	59
Transformation and Collaboration	360	(61)	299
Operational	480	(360)	120
Covid-19	15	(15)	0
ESN Reserve	1,620	473	2,093
Headquarters move	49	(49)	0
Budget Pressure Support	1,125	0	1,125
Efficiency Programme	900	(164)	736
Other	370	(4)	366
Estates	62	0	62
Total	5,337	(92)	5,245
General Reserve	4,961	202	5,163
Total Reserves	10,298	110	10,408

*Provisional opening balance figures

CAPITAL - BUDGET MONITORING REPORT – 30 NOVEMBER 2023

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	Forecast Outturn 2023/24 £'000	(Under)/ Overspend Against Revised Budget £'000
Transport				
Special Appliances	1,355	0	394	(961)
Light Vehicle Replacement	346	206	275	(71)
Fire Appliances	2,840	2,445	3,361	521
Rural Equipment	100	0	20	(80)
	4,641	2,651	4,050	(591)
Equipment				
Replacement Duty Rig	100	0	0	(100)
Gas Tight Suits	50	0	50	0
BA Quick Connect Cylinder Valve	50	50	50	0
Digital Voice Recorders (MTA Grant)	12	1	12	0
Personal Issue Dry Suits	65	0	65	0
	277	51	177	(100)
Estates				
Access and Inclusion	760	38	760	0
Training Development Centre	660	19	660	0
Electric Vehicle charging points	25	0	25	0
Estate Energy Reduction and Decarbonisation	50	0	50	0
Workshop Fire Station	192	115	192	0
Joint Head Quarters	230	171	230	0
	1,917	343	1,917	0
IT & Communications				
Replacement Equipment	520	131	520	0
CFRMIS Quick Screens	100	51	100	0
CFRMIS Accessibility	150	0	150	0
Cyber Security	46	22	46	0
Appliance Handheld Airwave Radio Addition	30	0	40	10
Payroll, Finance and Occy health Upgrade	30	(2)	30	0
Upgrade of Switches - Estate Wide	0	6	6	6

Scheme	Revised Budget 2023/24 £'000	Actual Expenditure 2023/24 £'000	Forecast Outturn 2023/24 £'000	(Under)/ Overspend Against Revised Budget £'000
Airwave - Mobilisation system DCS	60		60	0
ICT SharePoint Internet/Intranet	13		13	0
Tri-Service Control Project	103	(57)	103	0
Cloud Migration	30	10	30	0
ESMCP Grant from DCLG (ESN)	41		41	0
Emergency Services Mobile Communication Programme ESN	100		100	0
Tri Service Mobilisation Infrastructure Replacement	40		40	0
Replacement Mobilising System	970	0	970	0
RMS server Costs	100		100	0
Rostering	0	14	14	14
	2,333	175	2,363	30
Total	9,168	3,220	8,507	(661)
Financed by:				
Capital Grant	12	12	12	0
Capital Receipts	3,310	0	3,310	0
Revenue Contribution to Capital and Earmarked Reserves	595	10	595	0
Borrowing	5,251	3,198	4,590	(661)
Total	9,168	3,220	8,507	(661)



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

BUDGET PROPOSALS FOR 2024/25 TO 2027/28 AND OPTIONS FOR COUNCIL TAX 2024/25

Report of the Chief Fire Officer

Date: 19 January 2024

Purpose of Report:

To enable Members to consider the options for Council Tax to recommend to Fire Authority for acceptance.

Recommendations:

It is recommended that Members:

- Consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of 2.99%.
- Provide a view on the pay award assumptions for the final 2024/25 budget.

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1. BACKGROUND

- 1.1 The Finance and Resources Committee is charged with considering the financial position of the Authority and proposing revenue and capital budgets to the Fire Authority for approval. The Fire Authority will decide upon levels of Council Tax for the coming year and will consider the recommendations of the Finance and Resources Committee in doing so.
- 1.2 The provisional finance settlement for 2024/25 was released on 19 December 2023. The final settlement for 2024/25 will be laid before Parliament in February 2024.
- 1.3 The Fire Authority approved the Medium-Term Financial Strategy (MTFS) 2024/25 to 2027/28 on 15 December 2023. The strategy considers the current financial position of the Authority and looks at the estimated budgetary position over the next four years against a backdrop of both national and local financial positions, including the levels of reserves that the Authority holds.
- 1.4 The revenue and capital budgets have been developed to ensure that the Community Risk Management Plan (CRMP) is adequately resourced. The financial implications of high-level risks identified in the Corporate Risk Register are also addressed.

2. REPORT

CAPITAL BUDGET PROPOSALS 2024/25 TO 2027/28

- 2.1 The Authority maintains a sustainable capital programme which reflects and supports the CRMP. This programme seeks to replace appliances and vehicles when they are approaching the end of their useful life, maintains a rolling programme of ICT replacements and a property programme which will ensure that property remains fit for purpose and is appropriately located.
- 2.2 The proposed capital programme for 2024/25 to 2027/28 is attached at Appendix A. The 2024/25 programme totals £8.228m. This will increase to reflect any slippage from the 2023/24 programme at the end of the year. Future year programmes will be kept under review.
- 2.3 The £3.1m transport capital programme includes significant investment in the Service's appliances in line with the renewal programme. Angloco Ltd have recently issued a revised build programme for the 17 new pumping appliances which shows a quicker than expected delivery of the chassis from Scania. All 17 chassis have now been delivered. The programme also indicates that only one appliance will be fully completed and delivered into Service this year (March 2024). The remaining 16 are forecast to be fully completed and in service by December 2024.

- 2.4 There has been a purposeful delay in 2025/26 and 2026/27 in the pumping appliances programme to manage Minimum Revenue Provision (MRP) which is the Service's debt costs.
- 2.5 The ICT programme has been developed in line with the CRMP commitments. Alongside the ongoing replacement and updating of equipment and software, the programme includes plans to replace the Service Control and Mobilising system. This is a joint procurement exercise with Derbyshire Fire Service. The £2m budget for the replacement system is indicative only at this stage and may require revising once the procurement exercise is finalised.
- 2.6 The capital programme can be funded from capital receipts, grant funding, contributions from revenue, reserves and borrowing.
- 2.7 **CAPITAL RECEIPTS** – these are received from the sale of assets and can be used to fund either the revenue cost of transformational projects, to fund capital expenditure or to reduce borrowing. The flexible use of capital receipts strategy was approved at Fire Authority on 15 December 2023. It is not proposed to fund any transformational projects using capital receipts during 2024/25.
- 2.8 **GRANT FUNDING** – there is no anticipated capital grant funding available at present to support the 2024/25 capital programme, although the Service does sometimes use revenue grants to help fund capital projects.
- 2.9 **REVENUE AND RESERVES** – the 2024/25 to 2027/28 programme does not propose the use of funding from revenue or reserves.
- 2.10 **BORROWING** – the proposed 2024/25 capital programme set out in Appendix A will be largely funded from borrowing. The related costs will be tested for affordability as part of the Prudential Code for capital finance to be considered by the Fire Authority on 23 February 2024. Estimated costs have been built into the revenue programme considered in this report.

REVENUE BUDGETS 2024/25 TO 2027/28

- 2.11 The MTFs and budget guidelines approved by Fire Authority on 15 December 2023 projected that it would be difficult to set a balanced budget in 2024/25. This is largely due to the impact of increased inflation and the effect it is likely to have on pay awards in 2024/25, plus uncertainty around income streams.
- 2.12 At the time of writing the MTFs report, it was anticipated that there would be a £2.587m deficit in the 2025/26 budget if a 2.95% increase in Council Tax was approved, or a £1.758m if a £5 increase was approved. Since the MTFs was written, the Government has released the draft Local Government Finance Settlement for 2024/25. The main changes to assumptions are detailed in Table 1 below.

	MTFS	Current	Difference £'000
RSG increase	6.7%	6.7%	0
Services Grant	£366k	£366k	0
NNDR Section 31	£900k	£447	£453
NNDR From Billing Authorities	£3.613m	£3.776m	(£163)
NNDR Top up Grant	£7.653m	£7.988m	(£335)
Council Tax increase	£5	2.95%	553
Total Decrease in budget			508

Table 1 – Changes in Assumptions Since the Medium-Term Financial Strategy

- 2.13 The 1-year finance settlement did not provide settlement data for 2025/26, although the Local Government Finance Policy Statement published in December did provide some indication that funding would increase in line with inflation for 2025/26 and that authorities would have the flexibility to increase Council Tax by up to 3%.
- 2.14 The main pressures on budgets and/or changes in assumptions are detailed below.
- 2.15 In the December Settlement the Pension Grant has been rolled into the Revenue Support Grant (RSG), this means that in future years it will be subject to Consumer Price Index (CPI) increases.

ECONOMIC CLIMATE

- 2.16 The current economic climate remains uncertain with many external influences. Local Government is expected to receive a one-year funding settlement for 2024/25. With a general election due to be held in 2024 there remains significant uncertainty around local government funding beyond 2024/25.
- 2.17 In October 23, CPI inflation fell back to 4.6% from 6.7% the previous month. The Bank of England forecast expects inflation to fall to around 3.1% by the end of 2023 and to carry on falling to reach the target of 2% by mid-2025.
- 2.18 Bank rate has increased from 0.75% in April 2022 to 5.25% in September 2023, its highest level since February 2008. Interest rates are expected to peak at either the current rate or possibly at 5.5% by the end of 2023. The increase in base rates has a significant impact on the Authority's ability to borrow to fund the Capital Programme.
- 2.19 The three-month Gross Domestic Product (GDP) figure to the end of August 23 showed an increase of 0.3%. GDP is expected to remain around this level for the rest of 2023 and into 2024.

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

- 2.20 The 2022-2025 CRMP was approved by Fire Authority on 25 February 2022. The delivery of the CRMP is linked closely to the MTFs to ensure that resources are matched to key workstreams. The Annual Delivery Plan, which sits behind the CRMP, identifies priority areas where investment is needed.

FUTURES 25 EFFICIENCY PROGRAMME

- 2.21 The Service identified £1.1m of savings that were either reinvested in CRMP projects or contributed towards reducing the deficit. This is well in excess of the 2% target set by the Home Office, although it is noted that these savings include pay related savings, some of which are one-off in nature.
- 2.22 Since the 2023/24 budget was approved there have been significant additional financial pressures on the Service. Revised inflation and pay award assumptions during the autumn have increased the amount of savings required from the efficiency strategy.
- 2.23 The Futures 25 Efficiency Strategy was initially presented to Policy and Strategy Committee in May 2022, with a further report to the Fire Authority in July 2023. In its initial phase the Workforce Review identified £144k of savings through the disestablishment of support staff posts across several departments, made possible by the consolidation of primary management grade posts.
- 2.24 The Workforce Review has identified that a wider change and improvement programme is required. This will include structural redesign and business process improvement to maximise the efficiency and effectiveness of the Service. This is a significant piece of work and it is expected to be completed during 2024/25.
- 2.25 The Flexi Officer Review set out to review the Flexi Officer Collective Agreement to ensure that the command group structures were efficient and provided the levels of resilience of specialist functions required to mitigate operational risk. On commencing this exercise it became clear that competing priorities, including the fire cover review and preparation for possible industrial action, meant that there was insufficient capacity to deliver the review. This workstream has therefore been paused and will be restarted at a future date.
- 2.26 Futures 25 aims to co-ordinate a number of improvement workstreams designed to support the Service to become outstanding by 2032. This includes continuing to drive productivity and efficiency throughout the Service.
- 2.27 As the scoping of the Futures 25 programme has developed, it has become clear that the delivery of national priorities relating to culture, values, EDI and leadership in the Fire and Rescue Service are an integral part of the improvement journey. For this reason, these workstreams have been brought within the scope of Futures 25 to ensure the delivery of the People Strategy relating to these areas is prioritised and resourced appropriately.

2.28 It has already been identified that efficiencies are required to ensure that the Authority is in a position to set a balanced budget for 2024/25. An efficiency savings target of £200k has been included in the proposed budget. This target may need to be revisited and revised during the next financial year. The longer-term sustainability of the Service will be assured through the development of more efficient and effective systems, processes, and ways of working. The Futures 25 improvement programme remains the vehicle through which these efficiency and productivity improvements will be delivered.

CORPORATE RISK REGISTER

2.29 The corporate risk register is reported to the Finance and Resources Committee on a six-monthly basis. The five highest risks facing the Authority at present are:

- Mobilising – procurement of new mobilising system
- Inability to set a balanced budget in current economic climate.
- Firefighters Pension Scheme – impact of and uncertainty around ongoing national legal cases
- Service Reputation – risk that the public will lose confidence in their fire service through national media reporting on issues such as HMICFRS findings and the London Fire Brigade cultural review.
- Preventable Deaths – that a person will die in an incident that may have been preventable.

2.30 The financial implications of these risks have been addressed in both the capital and revenue proposed budgets, and in the Reserves Strategy which was approved by Fire Authority in December 2023.

PAY AWARD

2.31 The firefighter pay award was agreed at 5% for 2023/24. Negotiations for 2024/25 are in their very early stages. A 5% increase has been included for 2024/25, followed by 3% for 2025/26 and 2% thereafter. Any increases above these assumptions will create a cost pressure (a 1% increase relates to approximately £320k ongoing costs per year).

2.32 The 2023/24 pay award for support staff was flat increase of £1,925. This equates to an approximate increase of 4% in green book costs, which is higher than the 2% included in the 2023/24 budget. This has resulted in £120k of additional costs.

2.33 The 2024/25 support staff pay award is yet to be agreed. A 5% increase has been included for 2024/25, followed by 3% for 2025/26 and 2% thereafter. The government has told organisations that reviews for pay in the public sector is vital. Pay review bodies (PRBs) recommend the pay for public sector, and the governments tone might mean that pay settlements could be lower.

In October 2023, CPI (Consumer Price Index) inflation fell back to 4.6% from 6.7% the previous month. The Bank of England forecast expects inflation to fall to around 3.1% by the end of 2023 and to carry on falling to reach the target of 2% by mid-2025. Members may wish to consider an option for a lower pay award to be built into the budget in February. The impact of lowering the pay budget by 1% would be in the region of £300k 2024/25 and £371k 2025/26.

ENERGY COSTS

- 2.34 The Service procures both gas and electric from a not-for-profit public sector framework which purchases energy in bulk, and usually outperforms market averages on our behalf. Gas costs are expected to increase by 7% in 2024/25 and electricity by 4%. Work is ongoing to improve the efficiency of buildings and minimise usage of energy.
- 2.35 The Service's fuel budget for 2023/24 was £900k per year but expenditure is set to be nearer £854k, based on the anticipated usage (including that to be recharged to the Police). The 2024/25 budget has been reduced accordingly.

PENSIONS

- 2.36 The remedying legislation for the McCloud judgement became law in October 2023. This addresses the transition arrangements into the 2015 firefighters' pension scheme which were found to be discriminatory. It is expected that the majority of additional costs will be met from the pension top up grant, however the Service has a £200k earmarked reserve to mitigate against any costs that have to be met internally. Further information on this can be found in the Firefighter Pension Scheme, Immediate Detriment Review report considered by Policy and Strategy Committee on 1 April 2022.
- 2.37 The remedying legislation is expected to increase the overall costs of the firefighters' pension scheme. These are expected to be largely funded by Central Government, but additional costs falling to the Fire Authority cannot be ruled out.
- 2.38 Another pensions case, Matthews and O'Brien, identified discriminatory conditions against part time workers. Remedying legislation similarly became law in October 2023. On-call firefighters were previously allowed to purchase modified pension scheme service going back to 2000, but this legislation allows further backdating of the modified pension scheme to the fire service start dates of eligible on-call firefighters. When the modified scheme was created the backdated costs were met by the Government, and it is expected that this will similarly be the case for costs relating to further backdating.
- 2.39 Both of these remedies are having a large impact on the workload of staff dealing with the cases, and additional resources were allocated in 2023/24 in order that this work can be undertaken.

- 2.40 The 2016 Government Actuaries Department (GAD) revaluation of the firefighter's pension fund resulted in a headline rate increase of 12.4% of employer pension costs, which equated to an additional £2.5m for the Service. The Home Office agreed an additional grant to fund £2.3m of this pressure in 2019/20. This grant funding has since been kept at the same flat-rate cash value, leaving increases in costs due to pay inflation to be met by the Service. The £2.3m grant is to continue into 2024/25, and the December Settlement confirmed that it will be added to the baseline funding for the Authority rather than being paid as a Section 31 grant. This will mean that in future years the £2.3m will be subject to CPI increases.

MINIMUM REVENUE PROVISION (MRP)

- 2.41 Minimum Revenue Provision (MRP) is the amount required to pay debt costs relating to prior year capital programmes. The amount of MRP required in 2024/25 has slightly reduced from the levels anticipated in 2023/24 due to planned delays to some projects. However, there are increases of £465k and £169k in 2025/26 and 2026/27 respectively to reflect the Regional Mobilising System (RMS) and station rebuilds.

COUNCIL TAX

- 2.42 The Council Tax base is calculated on the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwellings in the council's area, after allowing for dwelling demolitions and completions during the year, Council Tax exemptions, discounts, disabled reliefs and premiums, and the estimated collection rate. It is usual for the Council Tax base to increase year on year by an average of 1.35% to reflect new build properties, thus providing additional income to the Service. The increase in Council Tax base will be confirmed by the billing authorities at the end of January 2024.
- 2.43 There remains a £247k surplus charged to the Council Tax Collection Fund adjustment in 2024/25, this will be updated when the final figures come in from authorities in January 2024.
- 2.44 It was announced in the Local Government Finance Policy Statement released in December 19 that the fire sector will not be given the flexibility to increase the referendum limit up to £5.
- 2.45 A 2.95% additional increase in Council Tax will create additional funding in the region of £1.290m. A 1.95% additional increase in Council Tax will create additional funding in the region of £991k.

BUSINESS RATES

- 2.46 From 1 April 2024, the rateable values of all non-domestic properties in England will be updated to reflect the property market as at 1 April 2021. This has the effect of re-setting the baseline for Non-Domestic Rates (NDR). Under

the current system, precepting authorities retain any growth above their baseline.

2.47 As part of the Autumn Statement on 22 November, the Chancellor announced:

- A transitional relief scheme to limit bill increases caused by changes in rateable values.
- A 2024/25 Retail, Hospitality and Leisure 75% rate relief scheme
- A freezing of business rates multipliers, meaning that there will be no inflationary increases in charges to businesses.
- A new Supporting Small Business relief scheme.

2.48 The Authority will be compensated for lost income from these measures by way of additional Section 31 grant. The top up grant element of this compensation was released in the Local Government Finance Settlement on 19 December, and this has been built into the business rate income estimates.

2.49 The Service will receive information from billing authorities at the end of January regarding the business rate collection figures from local businesses, including business rate growth, revaluation estimates, related appeals and remaining expected Section 31 grant. This may bring in additional income of up to £300k.

2.50 The business rates reset has been delayed until the next parliament and has not been reflected in the figures included in this report.

RESERVES

2.51 Taking account of the spending position reported in the budget monitoring report elsewhere on this agenda, total reserve levels held at 1 April 2024 are expected to be £10.3m.

2.52 The general fund reserve is predicted to be £5.2m at 1 April 2024. This remains above the minimum level set by the Fire Authority in December 2023 of £4.1m.

2.53 The earmarked reserves are expected to be in the region of £5.1m by 1 April 2024. These reserves are earmarked for known projects or items of one-off expenditure. They include reserves of £1.125m to provide budget pressure support and £0.7m to deliver the Futures 25 Efficiency Strategy to create future years savings.

FINANCING THE BUDGET

2.54 The Authority primarily receives income from Central Government, business rates and Council Tax. The Government announced the provisional finance settlement for 2024/25 on 19 December 2022. The final settlement for 2024/25 is expected in February 2024. Experience shows that there is likely to be little change from the provisional figures.

- 2.55 Funding for 2025/26 and beyond will be determined in the Autumn of 2024. A 6.7% inflationary increase has been assumed for 2024/25, 2.81% for 2025/26 and 1.7% for 2026/27. Pay awards have been assumed at 5%, 3% and 2% over the same period. There is a risk that funding will be increased at a lower rate than inflation and pay awards, which would then create additional budget pressures in these years.
- 2.56 The Authority will continue to receive the £2.3m grant in 2024/25 to cover the increased costs of firefighter pension employer contribution. In the settlement on the 19 December it was announced that this will be rolled into the Revenue Support Grant (RSG) and will attract CPI in future years.
- 2.57 The Council Tax base and business rate figures will not be known until the end of January 2024, so figures are based on assumptions for this report.
- 2.58 Business rate Section 31 compensation grants other than those related to the BR Top Up grant will not be known until the end of January, so have been estimated for the purpose of this report.

OUTLOOK FOR 2024/25 TO 2027/28

- 2.59 At its meeting on 15 December 2023, the Fire Authority recommended that the Finance and Resources Committee provides guidance to the Fire Authority in respect of the options for Council Tax. These options should range from a Council Tax freeze to an increase in Council Tax within the referendum limit of 2.99% for 2024/25. To aid this Committee in this task, figures for three options have been prepared:
- A Council Tax Freeze for 2024/25 to 2027/28.
 - A 1.95% increase in Council Tax for 2024/25 to 2027/28; and
 - A 2.95% increase in Council Tax for 2024/25 to 2027/28.
- 2.60 Detailed expenditure budgets have been prepared the four years from 2024/25 to 2027/28, which can be found in Appendix A. The budget for 2024/25 will not be finalised until February 2024, when the surplus or deficit on the collection fund and the tax base are confirmed by the billing authorities and the final finance settlement is released.
- 2.61 In making predictions about budget financing some other assumptions have been made. These are:
- That the firefighter pay award for 2024/25 will be settled at 5%. A 1% additional increase in pay would result in an increase in the budget requirement of approximately £320k.
 - The 2024/25 pay award for non-uniformed staff will be agreed at 5%. The effect of a 1% additional increase in pay would be approximately £60k in 2024/25.

- Inflation will reduce to around 2.81% during 2025/26 and down to 1.7% from 2026/27 onwards.
- Pension Grant (£2.34m) remains at a flat rate in 2024/25. However, if this is built into RSG in future years it will attract an inflationary increase.
- The 2024/25 tax base will increase annually by 1.35%.
- The actual settlement is the same as the provisional settlement.
- Revenue Support Grant will rise in line with inflation in 2024/25. A 6.7% increase in RSG has been assumed for 2024/25.

2.62 Clearly there remain several uncertainties around both the pay award and funding. Applying the above assumptions, the impact of a nil increase in Council Tax in each of the four years 2024/25 to 2027/28 is set out in Table 2.

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Requirement	49,965	52,264	54,883	56,090	57,677
Revenue Support Grant (RSG) & Pension Grant	(8,529)	(8,939)	(8,462)	(9,226)	(9,214)
Business Rate (BR) Income	(3,649)	(3,776)	(3,862)	(4,304)	(4,397)
BR Top up Grant	(7,638)	(7,988)	(8,090)	(7,608)	(7,704)
Council Tax (0%)	(29,746)	(30,147)	(30,554)	(30,967)	(31,385)
To be met from Reserves	404	0	0	0	0
Budget Deficit	0	1,414	3,915	3,985	4,977

Table 2 – Budget Deficit with Nil Council Tax Rise

A breakdown of the budget can be seen in Appendix B

2.63 Table 2 shows that with no increases in Council Tax levels there will be a deficit of £1.414m in 2024/25. This will rise to £3.9m in 2025/26. It increases further to £4.9m by 2027/28.

2.64 The 2024/25 deficit would increase to £1.7m should an additional 1% pay increase be awarded to staff in 2024/25.

2.65 Table 3 below shows the impact of a 1.95% increase in Council Tax across all years:

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Requirement	49,965	52,264	54,883	56,090	57,677
Revenue Support Grant (RSG) & Pension Grant	(8,529)	(8,939)	(8,462)	(9,226)	(9,214)
Business Rate (BR) Income	(3,649)	(3,776)	(3,862)	(4,304)	(4,397)
BR Top up Grant	(7,638)	(7,988)	(8,090)	(7,608)	(7,704)
Council Tax (1.95%)	(29,746)	(30,736)	(31,758)	(32,816)	(33,908)
To be met from Reserves	404	0	0	0	0
Budget Deficit	0	825	2,711	2,135	2,454

Table 3 – 1.95% Council Tax Increase 2024/25 to 2027/28

A breakdown of the budget can be seen in Appendix B

- 2.66 Table 3 shows that even with a 1.95% increase in Council Tax there would be a significant deficit of £825k in 2024/25, rising to £2.7m in 2025/26 and a deficit of £2.4m in 2027/28.
- 2.67 The 2024/25 deficit would increase to £1.1m should an additional 1% pay increase be awarded to staff in 2024/25.
- 2.68 A significant level of savings would need to be implemented in order to balance the budget over the coming years, even with a 1.95% increase in Council Tax.
- 2.69 Finally, Table 4 shows the impact if Council Tax is increased by 2.95% in 2024/25 and each year thereafter:

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Requirement	49,965	52,264	54,883	56,090	57,677
Revenue Support Grant (RSG)	(8,529)	(8,939)	(8,462)	(9,226)	(9,214)
Business Rate (BR) Income & Pension Grant	(3,649)	(3,776)	(3,862)	(4,304)	(4,397)
BR Top up Grant	(7,638)	(7,988)	(8,090)	(7,608)	(7,704)
Council Tax (2.95%)	(29,746)	(31,036)	(32,383)	(33,788)	(35,253)
To be met from Reserves	404	0	0	0	0
Budget Deficit	0	525	2,086	1,164	1,108

Table 4 – 2.95% Council Tax Increase 2024/25 and 2.95% in Following Years

A breakdown of the budget can be seen in Appendix B

2.70 The above table shows that the estimated deficit position for 2024/25 would reduce to £525k should a 2.95% increase in Council Tax be approved in February. This increases to £2.086m in 2025/26 and £1.108m by 2027/28.

2.71 The 2024/25 deficit would increase to £875k should an additional 1% pay increase be awarded to staff in 2024/25.

BUDGET OPTIONS

2.72 The Futures 25 Efficiency Strategy was discussed in sections 2.21 to 2.28. Fire Authority has a legal obligation to set a balanced budget for 2024/25 and will need to use a blend of savings from the Efficiency Strategy, income from Council Tax and the use of reserves to do this.

2.73 A Council Tax increase of 1.95% raises £589k additional funding compared to no increase in Council Tax and £889k compared to 2.95% increase. Furthermore, if this increase were to be approved for 2024/25 it remains in the base and provides security of funding for future years.

2.74 The Authority holds £1.126m of earmarked reserves set aside for budget pressure support. This is not sufficient to cover the projected deficit should Council Tax be frozen or increased by 1.95%. Both options would require significant additional savings to be made from the Futures 25 Efficiency Strategy.

2.75 A 2.95% increase would still require £525k to be met from a mixture of savings or reserves but this would be far more manageable. It would also leave a level of reserves available to assist with future year budget management.

2.76 For a Band D household, a 1.95% increase would see Council Tax rise to £91.32 per annum. The impact of increases on other bands and of 2.95% increases are given in the table below:

Band	Annual Council Tax 2023/24 £	1.95% Increase 2024/25 £	2.95% Increase 2024/25 £
A	59.71	59.71	61.47
B	69.67	69.67	71.72
C	79.62	79.62	81.96
D	89.57	91.32	92.21
E	109.47	109.47	112.70
F	129.38	129.38	133.19
G	149.28	149.28	153.68
H	179.14	179.14	184.42

Table 5 – Impact of 1.95% and 2.95% increase in Council Tax

2.77 At its meeting on 15 December 2023, the Fire Authority recommended that the Finance and Resources Committee work within the following guidelines in making its recommendations to the Fire Authority in February:

- The options for Council Tax to be recommended to the Fire Authority will be limited to either a Council Tax freeze or an increase in Council Tax within the referendum limit.
- Options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget as required by law.

2.78 The effect of 0%, 1.95% and 2.95% increases in Council Tax are set out in Tables 2 to 4 above and show a significant deficit for the three years.

2.79 A comparison of the deficit if Council Tax is increased by 0%, 1.95% and 2.95% in each of the four years of the budget strategy is shown in the table below:

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Budget Requirement	52,264	54,883	56,090	57,677
Total External Funding	(20,703)	(20,414)	(21,138)	(21,315)
Balance to be met locally	31,561	34,469	34,952	36,362
Council Tax Yield (0%)	(30,147)	(30,554)	(30,967)	(31,385)
Council Tax Yield (1.95%)	(30,736)	(31,759)	(32,816)	(33,908)
Council Tax Yield (2.95%)	(31,036)	(32,383)	(33,788)	(35,253)
Budget Shortfall (0%)	1,414	3,915	3,985	4,977
Budget Shortfall (1.95%)	825	2,710	2,136	2,454
Budget Shortfall (2.95%)	525	2,086	1,164	1,109

Table 6 – Comparison Between Council Tax Options

- 2.80 If Fire Authority were to approve a 0% or 1.95% increase in Council Tax a significant level of savings would be required, which is likely impact on the delivery of front-line services. A 2.95% increase would provide a more manageable deficit although this would still be dependent on the level of pay award agreed for both 2024/25 and 2025/26.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in full in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising directly from this report, although the achievement of budgetary savings in future years will undoubtedly have an impact.

5. EQUALITIES AND ETHICAL IMPLICATIONS

An equality impact assessment has not been undertaken because this report is not associated with a policy, function or service.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

There are no environmental and sustainability implications arising from this report.

7. LEGAL IMPLICATIONS

The Authority must set a balanced budget for 2024/25 but may acknowledge potential budget shortfalls for future years.

8. RISK MANAGEMENT IMPLICATIONS

- 8.1 Risks associated with budget setting are always significant. Budgets are by their very nature estimates of future activity and these estimates can sometimes be incorrect. Changes involving contraction of activities may not be made on the envisaged timescales, public consultation may vary policy and external issues such as national pay awards may not align with the assumptions.
- 8.2 Council Tax base figures used for this report are only estimates at present and the grant settlement details are only provisional. It is possible that both or either of these could change.

8.3 There can be no control over external issues however the Authority has sufficient reserves to cope with any in year changes which alter these budget assumptions significantly.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

- 10.1 Consider the contents of this report and make recommendations to the Fire Authority in respect of Council Tax increases between a Council Tax freeze and an increase in Council Tax, up to the maximum of 2.99%.
- 10.2 Provide a view on the pay award assumptions for the final 2024/25 budget.

11. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Craig Parkin
CHIEF FIRE OFFICER

Capital Programme 2024/25 to 2027/28

10 YEAR CAPITAL PROGRAMME	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28
TRANSPORT	£'000	£'000	£'000	£'000
Pumping Appliances	2,416			855
Special Appliances	393			118
Light Vehicle Replacement	0	0	0	0
Aerial Ladder Appliances	308	533		
Sub Total	3,117	533	0	973
EQUIPMENT				
Structural PPE				591
Replacement Duty Rig	150			
Coveralls	100			
Radios			315	
Holmatro (RTC Equipment)				457
Gas Monitoring			35	
Fire Hoods	140			
Body Cam Equipment	65			
Sub Total	455	0	350	1,048
ESTATES				
Access and Inclusion	750			
Training Development Centre	500			
Training Development Centre – Welfare training Classroom Refurb	500			
Station A	30	1,500	3,875	135
On training Facilities		150		150
Station B			30	1,500
Estate energy reduction and Decarbonisation	250	125		125
Sub Total	2,030	1,775	3,905	1,910
I.T. & COMMUNICATIONS				
ICT Capital Programme - Replacement Equipment	230	180	200	250

Mobile Computing	90			90
CFRMIS	150			
Command Support Unit Software and install	55			
HQ Core Switch Upgrade			50	
Payroll, Finance and Occ. Health Upgrade	101	30		30
Sub Total	626	210	250	370
Emergency Services Mobile Communications				
Control & Mobilising System	2,000	1,000	300	0
Sub Total	2,000	1,000	300	0
TOTAL	8,228	3,518	4,805	4,301

TO BE FINANCE BY	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Budget 2027/28 £'000
Borrowing	7,601	3,508	4,595	4,191
Capital Receipts	10	10	210	110
Revenue / Earmarked Reserves	617			
TOTAL	8,228	3,518	4,805	4,301

Subjective Variance

	Revised Budget 2023/24 £,000	Budget 2024/25 £'000	Variance
Employees	39,988	41,637	Pay Awards
Premises	4,112	4,465	Inflation and Growth
Transport	2,220	2,258	Inflation
Supplies & Services	4,344	4,598	Inflation
Third Party	950	996	Control Pay and inflation
Support Services	172	183	Inflation
Capital Financing Costs	2,692	3,125	Increase in Capital Budget (MRP)
Fees and Charges	(425)	(470)	Growth
Other Income	(4,088)	(4,530)	Change in funding on the Section 31 Grant
Net Cost	49,965	52,264	

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