NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority

MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO 2028/29 AND BUDGET GUIDELINES 2025/26

Joint Report of the Chief Fire Officer and the Treasurer to the Fire Authority

Date: 13 December 2024

Purpose of Report:

To present an update to the Medium-Term Financial Strategy to the Fire Authority for approval.

To inform Members of the likely budget position for 2025/26 and to request that the Fire Authority set general guidelines within which the Finance and Resources Committee will develop a detailed budget proposal for 2025/26.

Recommendations:

It is recommended that Members:

- Approve the Medium-Term Financial Strategy (MTFS) as set out in Appendix A.
- Approve the Capital Strategy and Flexible Use of Capital Receipts Strategy contained within the MTFS.
- Approve the capital programme for 2025/26 included in the indicative 10-year capital programme within the MTFS.
- Approve the Reserves Strategy contained within the MTFS.
- Approve the proposed minimum level of general fund reserves of £4.25m as set out in the Reserves Strategy.

- Approve the re-allocation of Earmarked Reserve as detailed in the Reserves strategy and set out in the table below:

Re-allocation of Earmarked Reserve

Reserve	Balance 01-Apr-23 £'000	Required 2023/24 £'000	Required 2024/25 to 2026/27 £'000	To be Reallocated £'000
Fire Cover Review	53	0	0	53
On Call Pay and Contracts	38	0	-37	1
Crisis Team – ARA	10	0	0	10
External Evaluations	32	0	0	32
Occupational Therapist	104	0	0	104
Additional iTrent Support	33	-16	-15	2
Systel Extension/Disaggregation				172
Domestic Homicide Reviews				20
Community Advisory Group				10

- Task the Finance and Resources Committee with providing guidance to the Fire Authority in February in respect of:

  - The options for Council Tax limited to either a Council Tax Increase of 2.95% or an increase of £5

  - The options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.

- Approve the Member Allowance increase at 3.37% based on the average pay increase across the NJC pay spine for all staff.

CONTACT OFFICER

Name: Bev Bull
Head of Finance and Treasurer to the Fire Authority

Tel: 0115 8388100

Email: bev.bull@notts-fire.gov.uk

Media Enquiries Contact: Corporate Communications Team
0115 8388100 corporatecomms@notts-fire.gov.uk

1. BACKGROUND

1.1 The Fire Authority has a number of strategies in place to support the proper financial management and governance of the Authority.

1.2 The Medium-Term Financial Strategy (MTFS) provides an overarching view of the way in which the Authority's finances will be managed and it brings together various related financial strategies in one cohesive document. It demonstrates how the Authority's resources are used to support the Authority's Community Risk Management Plan (CRMP) and other key strategies and plans.

1.3 The updated MTFS builds on the strategy approved by the Fire Authority in December 2023 and covers the four-year period from 2025/26 through to 2028/29.

1.4 This MTFS has been written against a backdrop of financial and economic uncertainty. The Budget on the 30 October 2024 contained some information in relation to Local Government Funding. Further information has been made available in the Local Government Finance Policy Statement issued in November 2024. This included the Council Tax flexibility that the maximum core Band D threshold for fire authorities for 2025/26 will be £5. It also committed to a full package of funding reforms in 2026/27 including a Fair Funding Review and a full business rates baseline reset. The provisional local government finance settlement which will be released for consultation in mid-December.

1.5 In addition to funding, there are many other areas of uncertainty inherent in budget planning and the budget requirement figures contained within this report will be estimates. Nevertheless, the Authority must consider its budgetary position going forward and provide the Finance and Resources Committee with guidance as to the parameters within which to develop a budget proposal for 2025/26 and beyond, before final budget proposals are considered by the Fire Authority in February 2025.

1.6 The Reserves Strategy, Capital Strategy and 10-year Capital Plan form part of the MTFS.

2. REPORT

ISSUES IMPACTING ON THE BUDGET

2.1 The MTFS is attached in full to this covering report. It 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 the national and local financial position, including the levels of reserves that the Authority holds.

2.2 In February 2024, the Authority set a balanced budget for 2024/25, although this was only achieved after making £138k contribution from the Budget Pressure Support Earmarked Reserve. The report predicted shortfalls in 2025/26 and 2026/27 of £1.9m and £1.5m respectively.

2.3 Whilst there remain areas of uncertainty, budgets have been updated to reflect revised assumptions and other known changes, which include:

- 2025/26 and 2026/27 pay awards
- Non-pay inflation
- CRMP development
- Demand pressures
- Savings
- Revenue Support Grant revised projections
- Business Rates revised projections
- Minimum Revenue Provision revised projections
- Interest receivable and payable revised projections
- Council Tax precept levels

EFFICIENCY STRATEGY

2.4 The Futures 25 efficiency strategy has been the vehicle through which efficiency and productivity improvements have been delivered during the current CRMP 2022-2025.

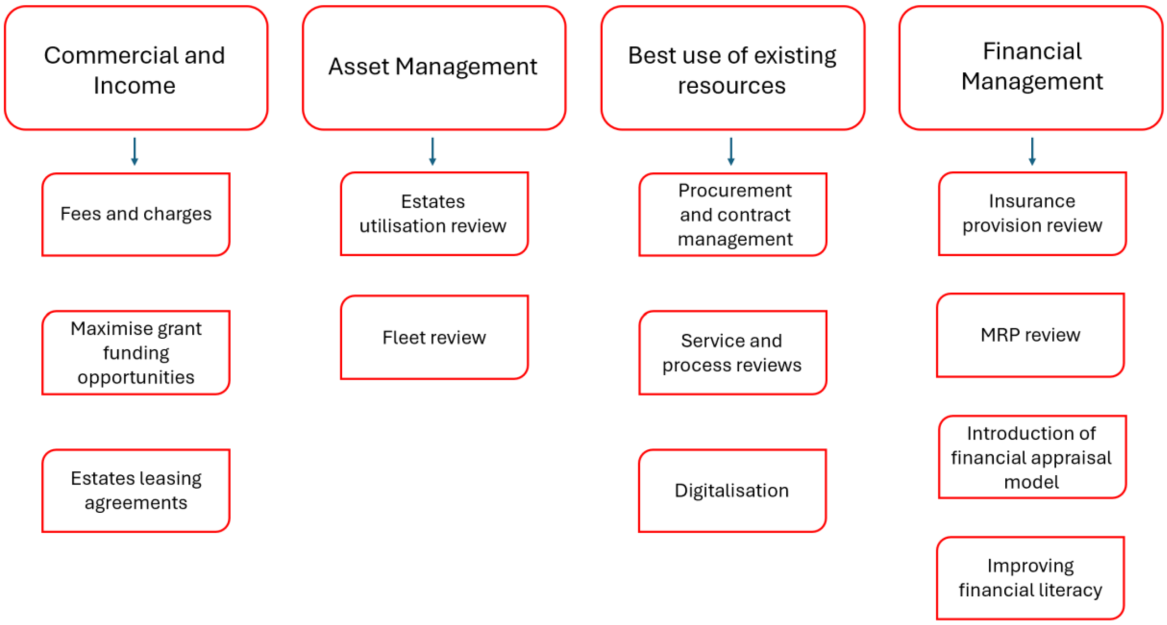
2.5 The Futures 25 efficiency strategy included the following reviews:

- Workforce review of Green Book posts at Grade 5 and above
- Fire cover review
- Review of the flexi duty officer collective agreement
- Governance review
- Revenue budget management
- Service redesign
- Culture, EDI and Leadership

2.6 A Futures 25 efficiency strategy closure report was presented to Policy and Strategy Committee on the 15 November 2024, setting out the achievements and next steps to incorporate service improvement as part of business as usual activities.

2.7 The proposed Efficiency Strategy for the next CRMP 2025-2028 is set out in diagram below it identifies themes and workstreams that will be undertaken to improve efficiency and productivity. The activities to deliver the workstreams are included within the Annual Delivery Plans to support the delivery of the CRMP.

Efficiency Strategy 2025-2028



COUNCILTAX

2.8 It was announced in the Local Government Finance Policy Statement that the maximum Council Tax increase for fire authorities is £5, compared to the existing assumption of 2.95% which equates to an additional £776k.

2.9 This will be confirmed the provisional local government finance settlement which will be released for consultation in mid-December.

2.10 Council Tax for the Fire Authority is currently £92.21 at Band D. A 2.95% increase would raise it by £2.72 to £94.93 per year which equates to £1.83 per week. A £5 increase would raise it to £97.71 which equates to £1.88 per week.

Table 1 – Council Tax Options Analysis

	Amount £	Increase £	Additional Income £'000
Current Band D Council Tax	92.21		
1.95% increase	94.01	1.80	613
2.95% increase	94.93	2.72	927
£5 increase	97.21	5.00	1.703

2.11 In addition to the above Council Tax scenarios there is an assumption that the Council Tax base has increased by £418k for 2025/26 budget.

RESERVES STRATEGY

2.12 The Local Government Act 2003 requires that Authorities maintain adequate reserves and provisions to help ensure that the medium-term policy programme is sustainable and deliverable. In accordance with good accounting and financial practice, reserves and provisions will always be held in the accounts where appropriate. In simple terms, the difference between a reserve and a provision is that a provision is made for a known liability arising from a legal obligation whereas a reserve is created for a discretionary purpose. The Authority's Reserves Strategy is attached at Appendix 4 of the MTFS.

2.13 Total estimated Reserve levels as at 31 March 2025 are £10.6m, consisting of £5.1m General Reserve and £5.5m Earmarked Reserves.

2.14 The Authority reviews the levels of reserves it requires as part of the Reserves Strategy. A General Fund reserve minimum level of £4.25m has been proposed for 2025/26, which is an increase of £150k from 2024/25, although several adjustments have been made to reflect changes in risk. The three highest areas of identified risk are detailed below (see section 2.12 of the Reserves Strategy for more information).

- Pay award above the rate included in the budget
- Inability to set a balanced budget due to the economic climate. Risk of significant overspend against budgets due to price increases, undeliverable savings, supply chain issues, fixed price external contracts failing to deliver and potential requirement for market supplement to recruit staff.
- Business failure of bank or investment counterparty

2.15 A review of the Earmarked Reserves has been undertaken in the Reserves Strategy. This has identified £202k of available reserves are no longer required. It is proposed that these are reallocated to the following existing earmarked reserve and two new reserves are established:

Table 2 - Re-allocation of Earmarked Reserve

Reserve	**Amount £'000**
Systel Extension/Disaggregation	172
Domestic Homicide Reviews – NEW	20
Community Advisory Group - NEW	10

2.16 Any unplanned expenditure or overspends will need to be met from the General Reserve or existing Earmarked Reserves.

2.17 Whilst detailed expenditure budgets are still being developed, any additional costs that are already known have been included in the budget requirement.

2.18 Given the uncertainty discussed in this strategy, three scenarios have been considered – a worst case, a central case and a best-case scenario. These can be found in section 6 of the MTFS. A summary of these scenarios can be found in the table below.

Table 3 – Worst / Central / Best Case Scenarios

Scenario	Deficit / (Surplus) Position 2025/26 £'000	Comments / Assumptions
Worst Case	1,796	• 4% pay award for all employees for 2025/26 • 1.7% increase in Revenue Support Grant and Business Rates top up grant • Services Grant is removed • Pensions Grant remains flat • Council Tax Collection increases by 1.35% • 2.95% increase in Council Tax approved
Central Case	1,248	• 2% pay award for firefighter for 2025/26 • 3% pay award for support staff • 1.7% increase in Revenue Support Grant and Business Rates top up grant • Services Grant is removed • Pensions Grant remains flat • Council Tax Collection increases by 1.35% • 2.95% increase in Council Tax approved
Best Case	471	• 2% pay award for firefighter for 2025/26 • 3% pay award for support staff • 1.7% increase in Revenue Support Grant and Business Rates top up grant • Services Grant is removed • Pensions Grant remains flat • Council Tax Collection increases by 1.35% • £5 increase in Council Tax approved

2.19 The scenarios show the position considering different levels of council tax precept between 2.95% and £5 and pay awards.

2.20 The central case scenario indicates a deficit of £1.248m by 2025/26, this compares to the best-case scenario of approving the £5 Council Tax precept of indicating a deficit of £471k.

CAPITAL PROGRAMME

2.21 As detailed in the recommendations the Capital Strategy including the draft 10- year Capital Programme is appended to the MTFS.

2.22 It is worth noting that there have been the following developments within the current programme:

- Access and Inclusion Programme – The contracted supplier has gone into administration with the project being incomplete and remedial works required at some sites. The Service is currently assessing the impact with a view of engaging with a new contractor to complete the project. The Capital Programme includes an additional budget of £500k for 2025/26.
- Access Control System Replacement – The current site access system is becoming obsolete with the contractor confirming it is not intending to provide replacement parts and / or support the system. This project is considered high risk due to its complexities as it is required to be completed by March 2026. The budget identified for this project is £400k for 2025/26.

The above capital projects will be monitored alongside all other capital schemes and if the current budgets are identified as insufficient then a further formal decision paper will be required as necessary.

SUMMARY

2.23 This MTFS has been written against a backdrop of financial and economic uncertainty. The provisional local government finance settlement due to be received in mid-December will confirm the government funding figures and the collection fund details for business rates and council tax are known at the end of January 2025.

2.24 The best-case scenario assumes the £5.00 flexibility in council tax is taken and after considering the economic situation and expected costs, shows a 2025/26 deficit position of £471k. Future year deficits are then consistently higher.

2.25 It is therefore likely that the Service will need to identify savings in the region of £2.0m moving forward. The Service currently holds £1.126m in a Budget Pressure Support Earmarked Reserve. The service will need to realise savings through the Efficiency Strategy and utilise the Budget Pressure Support Earmarked Reserve to smooth budget deficits going forward.

2.26 In the worst-case scenario, assuming the pay-award is 4%, so higher than the budgeted pay award, estimates show that a 2025/26 deficit of £1.8m could be likely, even assuming a 2.95% council tax increase. If there were to be no increase in council tax levels the 2025/26 deficit would rise to £2.7m. If this were to be the case even further significant savings would be required.

2.27 The Reserves Strategy sets out plans for re-allocating £202k of Earmarked Reserves, some of which will be transferred into the Disaggregation project to fund potential additional costs should a further year of costs need to be incurred in relation to the existing mobilising system. Two new reserves have also been established.

2.28 Whilst there remain clear challenges ahead, the early announcement of the £5.00 flexibility in the Council Tax gives the Authority the opportunity to consider this option and enables it to start this journey in a relatively positive position whereby it has sufficient reserves to enable a phased approach to achieve the savings required in the coming years. With careful budgetary planning and resource maximisation it is anticipated that the Authority will be able to forge a future path that will enable it to meet priorities and balance the budget.

2.29 At its meeting on 28 February 2025 the Fire Authority will consider the budget report with the objective of setting council tax levels for 2025/26.

PROPOSED GUIDELINES

2.30 The meeting of the Finance and Resources Committee in January 2025 will be presented with the latest budgetary position. Although funding levels, council tax base and business rate estimations will not have been finalised by this point, the provisional settlement will have been released and the Authority should have more detailed expenditure estimates. Therefore, the Committee will have more information about the overall three-year budget plan to provide guidance to the Fire Authority meeting in February.

2.31 The Authority's total funding for the revenue budget comprises the external funding elements, as well as the council tax precept. Whilst the amount of external funding cannot be directly influenced by the Fire Authority, the amount of the council tax precept will be set by the Fire Authority in February. It would seem appropriate therefore for the Finance and Resources Committee to focus on two areas:

- The options for council tax to be recommended to the Fire Authority in February.

- The options for eliminating any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.2.33

The Authority has a few options for council tax:

a. Reduce council tax.

b. Maintain council tax at current levels.

c. Increase council tax by 2.95%

d. Increase council tax by £5

e. Increase council tax by an amount higher than the referendum limit.

2.32 The option to reduce council tax would present the Authority with an increased budgetary deficit to manage, as would the option to increase council tax by an amount higher than the referendum limit. For the latter option this is because a referendum would be triggered which would result in significantly increased costs to the Authority. In the current financial environment, the options in Paragraph 2.32 c) and d) are considered to be the most appropriate parameters within which the Finance and Resources Committee should work.

2.33 If a budgetary position which shows a funding deficit is presented to the Finance and Resources Committee, then this will require consideration of suitable options to eliminate this deficit. The options would depend upon the size of any deficit but may include:

- Tasking the Chief Fire Officer with proposing further savings for consideration by the Fire Authority.

- Planning the use of budget pressure support earmarked reserve to support the budget whilst further budgetary savings are planned and implemented.

APPROVAL OF MEMBERS ALLOWANCES

2.34 The allowances that Members can claim are set out in the Members' Allowance Scheme. At its meeting on 22 September 2017 Fire Authority approved that Members' basic allowances and special responsibility allowances would increase on an annual basis linked to increases set by the National Joint Council for Local Government Service. In 2022 and 2023 National Joint Council pay awards were both based on flat rate awards of £1925. This equated to an average pay increase of 4.04% in 2022 and 3.88% in 2023 across the NJC pay spine for all staff.

2.35 In 2024 National Joint Council pay award was agreed at based on flat rate awards of £1290. This equated to an average pay increase of 3. 37% across the NJC pay spine for all staff.

3. FINANCIAL IMPLICATIONS

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

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources or learning and development implications arising 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.

6. ENVIRONMENTAL AND SUSTAINABILITY IMPLICATIONS

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

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The prima corporate risk is that sufficient financial resources are not available to the Authority. An early guide for the Finance and Resources Committee in terms of the development of the budget will help to manage this risk.

9. COLLABORATION IMPLICATIONS

There are no collaboration implications arising from this report.

10. RECOMMENDATIONS

It is recommended that Members:

10.1 Approve the MTFS as set out in Appendix A.

10.2 Approve the Capital Strategy and Flexible Use of Capital Receipts Strategy contained within the MTFS.

10.3 Approve the Reserves Strategy contained within the MTFS.

10.4 Approve the capital programme for 2025/26 included in the indicative 10-year capital programme within the MTFS.

10.5 Approve the proposed minimum level of general fund reserves of £4.25m as set out in the Reserves Strategy.

10.6 Approve the re-allocation of Earmarked Reserve as detailed in the Reserves strategy and set out in the table below:

Reserve	Balance 01-Apr-23 £'000	Required 2023/24 £'000	Required 2024/25 to 2026/27 £'000	To be Reallocated £'000
Fire Cover Review	53	0	0	53
On Call Pay and Contracts	38	0	-37	1
Crisis Team - ARA	10	0	0	10
External Evaluations	32	0	0	32
Occupational Therapist	104	0	0	104
Additional iTrent Support	33	-16	-15	2
Systel Extension/Disaggregation				172
Domestic Homicide Reviews				20
Community Advisory Group				10

10.7 Task the Finance and Resources Committee with providing guidance to the Fire Authority in February in respect of:

- The options for council tax limited to either a council tax freeze or an increase in Council Tax within the referendum limit.

- The options for addressing any budget deficit to enable the Fire Authority to approve a balanced budget, as required by law.

10.8 Approve the Member Allowance increase at 3.37% based on the average pay increase across the NJC pay spine for all staff.

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

None.

Bev Bull
TREASURER TO THE FIRE AUTHORITY

Craig Parkin
CHIEF FIRE OFFICER

NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Medium Term Financial Strategy

2025/26 to 2028/29

MEDIUM TERM FINANCIAL STRATEGY

2025/26 to 2028/29

CONTENTS

Section 1	Purpose and Objectives of the Strategy
Section 2	Economic Context
Section 3	Unpredictability of Future Years Funding
Section 4	Issues Impacting on the Medium-Term Financial Strategy
Section 5	Reserves
Section 6	Medium Term Financial Plan 2025/26 to 2028/29
Section 7	Summary
Appendix 1	Capital Strategy 2025/26
Appendix 2	Ten Year Capital Plan 2025/26 – 2034/35
Appendix 3	Reserves Strategy
Other References	• Community Risk Management Plan • Efficiency Strategy • Treasury Management Strategy • Community Safety Strategy • Enabling Services Strategy • People and Culture Strategy • Estates Strategy • Fleet Strategy • ICT Strategy

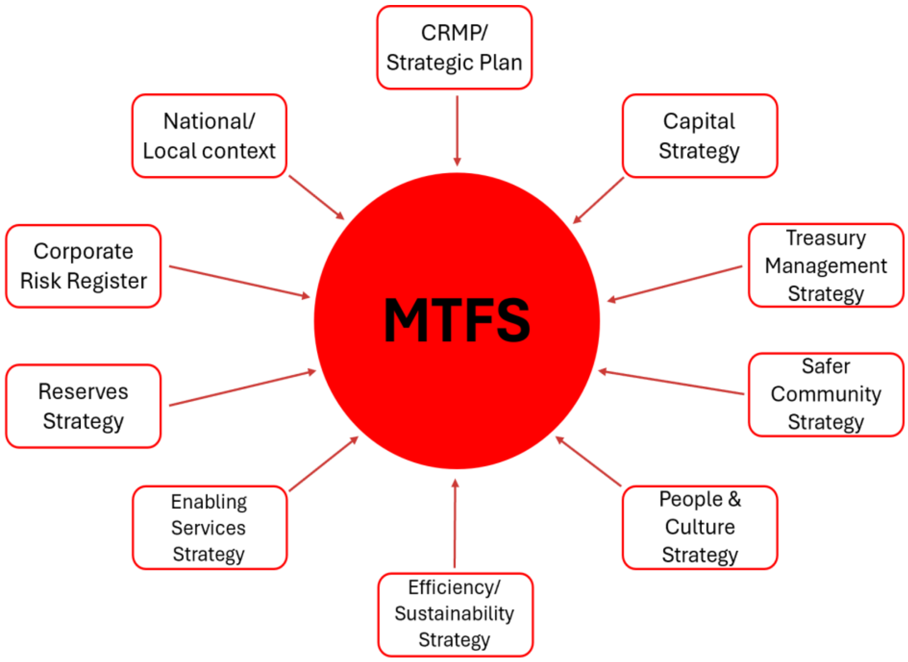
SECTION 1: PURPOSE AND OBJECTIVES OF THE STRATEGY

PURPOSE OF THE STRATEGY

1.1 The purpose of the Authority's financial strategy is to provide clear and understandable information on actions which are needed to ensure the long-term financial sustainability of the Authority. It supports affordable, sustainable service delivery throughout the planned use of revenue budgets, capital budgets and reserves.

1.2 A Medium-Term Financial Strategy (MTFS) sets out how finances are to be managed in such a way as to manage levels of Council Tax and reserves. In simple terms, it will set out how a stable and robust financial platform can be created such that developments and improvements in services set out in the Community Risk Management Plan (CRMP) can both be achieved and sustained over time.

1.3 The Strategy should reflect the priorities outlined in the CRMP and link together with all other strategies of the organisation such as the Capital Strategy, Treasury Management Strategy and Reserves Strategy.



OBJECTIVES OF THE STRATEGY

1.4 The objectives of the Authority's financial strategy are as follows:

a) To provide a stable financial foundation to assist in decision making.

b) To be fully cognisant of other supporting plans and strategies such as the CRMP, Workforce Plan, equalities objectives and ICT strategies to provide a cohesive framework.

c) To enable the Authority to be proactive rather than reactive in terms of financing.

d) To support the continuance of the Authority’s core service strategies.

e) To support sustainable service delivery using revenue budgets and reserves.

f) To seek to minimise the impacts on the Council Tax payer of fluctuations in demand for resources.

g) To hold a working balance of cash and reserves sufficient to respond to unexpected events and/or opportunities.

h) To be flexible and responsive to changes in needs and legislation.

i) To take account of the wider economic climate and local influences.

j) To ensure that the capital base of the Authority can be maintained within affordable and sustainable limits.

k) To provide forward looking indications of Council Tax levels.

1.5 A number of principles have been developed to underpin these objectives:

a) Resources will be prioritised to meet the core aims of the Service as set out in the CRMP and other strategies which flow from the CRMP.

b) Priorities will be reviewed in the light of available resources and financial performance.

c) Priorities will be influenced by the Corporate Risk Register.

d) Capital will be financed using the most advantageous method prevailing at the time finance is required, within the requirements of the Prudential Code. A full options appraisal will be carried out before financing decisions are taken.

e) Investment decisions will be based on a balance of risk and return, remain biased towards low-risk activity and follow the CIPFA principles of security, liquidity, and yield in that order.

f) Council Tax rates will be transparent and sustainable. This means that budgets will not be lowered and supported by reserves unless this is part of a long-term sustainable strategy and approved by Members.

g) Charging for services will remain sensitive to the needs of communities and their expectations of the Service.

h) Sponsorship funding will not be sought to underpin front line or core service delivery unless a long-term plan for sustainability has been developed.

i) The Authority will continue to direct resources to the areas of greatest need within communities and seek to address the wider safety agenda. This will be influenced by the latest Fire Cover Review.

j) The Authority will actively seek to collaborate with partner organisations in both setting and delivering priorities, as set out in the Collaboration Strategy.

k) The Authority will apply any year end surpluses / deficits to general fund reserves once any allocations to earmarked reserves have been made.

l) Longer term financial planning will take account of the possible use of reserves to minimise the effect of reductions in funding as a means of transition, but not of permanent support.

FINANCIAL MANAGEMENT

1.6 The process for the preparation of the revenue budget is strongly linked to the priorities outlined in the CRMP.

1.7 Budget managers are fully involved in developing revenue and capital budgets to ensure that annual budgets accurately reflect demand levels and cost pressures. Inflation is built in where necessary and not applied at a flat rate across the board.

1.8 Salary budgets reflect staffing levels outlined in the workforce plan and pay inflation is estimated at the time of setting the budget.

1.9 The Finance and Resources Committee has full involvement in the process and the Chair of the Finance and Resources Committee plays an active part in understanding the underlying detail within the budgets. The Finance and Resources Committee makes budget and precept level recommendations to the Authority.

1.10 The external auditors of the Authority have consistently issued unqualified audit reports and positive management letters to the Authority in respect of their audit of accounts and their conclusion on the effective arrangements in place to achieve value for money. However, it should be noted that for both the 2021/22 and 2022/23 statement of accounts the Authority will be receiving a disclaimed audit opinion. This is due to the national local audit system reset, and due to the auditors not having the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report. The Authority has received the auditors' commentary on value for money for 2021/22 and 2022/23, this reports no significant weaknesses and that the Fire Authority had proper arrangements in place in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.

1.11 The Internal Annual Audit Report for 2023/24 provided a view on the internal control environment and concluded that:

"Based on the coverage and detailed outcomes, overall, we consider the collective evidence provides substantial assurance concerning the

arrangements in place for corporate governance, risk management and the control environment."

1.12 The Service received its third inspection report by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in September 2024. HMICFRS graded the Service as 'Good' in ten areas with one area receiving 'Adequate'. The 'Good' areas included 'Making best use of resources' and 'Making the fire and rescue service affordable now and in the future'.

1.13 The prevailing economic climate has caused increased financial pressures to be placed upon all public sector bodies and the fire service is no exception. The overall funding position remains uncertain over the next three years.

1.14 The challenge to the organisation is how to continue to both provide and develop high quality services for the communities it serves. Finance is a clear enabler in this context and sound financial management is essential to ensure that maximum value can be achieved with the resources available.

1.15 The Service will continue to manage its financial resources to the highest professional standards and back this up with a strong governance framework which will include scrutiny by the Finance and Resources Committee (both generally and as an Audit Committee) and regular reporting to elected members and the Strategic Leadership Team. In addition, an independent internal audit function is maintained to give additional assurances to both elected members and senior officers. The Service follows the Financial Management Code published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1.16 The post of Head of Finance and Treasurer is responsible for developing and maintaining the MTFS and this post reports directly to the Chief Fire Officer.

SECTION 2: ECONOMIC CONTEXT OF THE STRATEGY

2.1 The current economic climate remains uncertain with many external influences. In September 2024, CPI (Consumer Price Index) inflation decreased to 1.7% falling from 2.2% in July and August 2024. The Bank of England inflation forecast expects inflation to be around 2.7% by the end of 2025 and 2.2% by the end of 2026 before dropping back to 1.8% in 2027.

2.2 The bank rate has decreased in April 2024 from 5.25% (its highest level since February 2008) to 4.75% in November 2024. The high interest rate has a significant impact on the Authority's ability to borrow to fund the Capital Programme.

2.3 The three-month Gross Domestic Product (GDP) figure to the end of June 2024 showed an increase of 0.5%, but growth is projected to have slowed in the second half of 2024. GDP is expected to grow to 1.75% in 2025 before falling back slightly.

SECTION 3: UNPEDICTABILITY OF FUTURE YEARS FUNDING

3.1 The Service receives funding from three main sources

- Grants direct from central government,
- Business Rates a local tax on commercial properties,
- Council Tax a local tax on residential properties.

3.2 The Budget on the 30 October 2024 contained some information in relation to Local Government Funding. Further information has been made available in the Local Government Finance Policy Statement issued in November 2024, the policy statement is issued in advance of the provisional local government finance settlement due to be received in mid-December.

GOVERNMENT GRANTS

3.3 Central government grants can be ringfenced and relate to specific areas of activity (such as Fire Prevention) or be general and make up ‘core funding’. Grant funding in the form of core funding (particularly Revenue Support Grant (RSG)) has declined in recent years overall for all Fire Services.

3.4 The Revenue Support Grant will increase by 1.7% (September Consumer Price Indexation) in 2025/26. A reduction in RSG is currently forecast for 2026/27 as a result of the fair funding review and business rates baseline reset, this is based on information from our funding advisors.

3.5 The Services Grant is to be abolished in 2025/26. This had previously been assumed to £76k in 2025/26.

3.6 The Minimum Funding Guarantee is not expected to be received in 2025/26 and futures years. The Minimum Funding Guarantee was introduced to ensure a minimum increase in Core Spending Power was achieved, it is anticipated the increase in Core Spending Power guaranteed will be achieved through the uplifts on RSG, business rates baseline and business rates top up grant meaning no Minimum Funding Guarantee will be received.

3.7 The firefighter pension scheme employer superannuation rates increased significantly in 2019/20 following the scheme valuation exercise in 2016. This had the impact of increasing superannuation costs for the Service in excess of £2.5m. In response, the Treasury issued an additional Section 31 grant of £2.3m to part cover the costs. This has continued to be paid each year, initially it was paid as a standalone grant and was not increased for inflation, however as part of the Local Government Finance Settlement for 2024/25 it was rolled into Revenue Support Grant which is increased each year by September Consumer Price Index, an increase of 1.7% will be applied for 2025/26.

3.8 An additional standalone Pension Grant was received in 2024/25 for the results of the 2020 valuation of the Firefighters' Pension Scheme following a delay to allow the McCloud remedy costs to be included in the valuation. The change in employer costs is effective from 2024. The increased cost is substantial and has been fully funded via the £1.6m government grant in 2024/25, there was no commitment to the grant beyond 2024/25 and this remains an area of uncertainty.

3.9 The Chancellors Budget on the 30 October 2024 announced additional targeted deprivation funding. The Local Government Policy Statement confirmed this by introducing a new Recovery Grant. This will be highly targeted towards authorities with the highest levels of deprivation. Authorities will be notified of allocations in the Provisional Local Government Finance Settlement to be received in mid-December. It is anticipated the Fire Sector will only receive a small amount or nothing from this funding.

BUSINESS RATES

3.10 Business rate growth within Nottinghamshire has held strong, largely due to a significant number of new industrial buildings along the county's transport networks. The revaluation of business rate properties from 1 April 2023 also provided additional income to the Authority.

3.11 Business rates income accounts for almost a quarter of the Authority's funding, although much of this is funded from the top up grant received from the government.

3.12 Business rates legislation requires that rates increase in line with CPI inflation, which means that this element of the Authority's income is largely protected. Since the Covid-19 pandemic, these inflationary increases have not been passed on to local businesses and additional business rates reliefs have been given for certain sectors. The Authority receives Section 31 Grant by way of compensation for the reduction in Business Rates collected directly.

3.13 As part of the Budget Statement on 30 October 2024, the Chancellor announced the following changes to the compensations to businesses:

- The small business rates multiplier will be frozen, and the standard multiplier indexed by September Consumer Price Index.
- Retail, Hospitality and Leisure (RHL) discounts will continue but at a lower level.

- Local authorities will be “fully compensated for the loss of income from these business rates measures”.

3.14 The Government has delayed a business rate reset several times since it was originally expected in 2020/21. In the Finance Policy Statement received in November 2024 a full package of funding reforms in 2026/27 was announced including a Fair Funding Review and a full business rates baseline reset. The reset will establish new baseline funding levels and business rate baselines for each local authority. This will interplay with the level of RSG we receive.

COUNCIL TAX

3.15 It was announced in the Finance Policy Statement received in November 2024 that the maximum core Band D threshold for fire authorities for 2025/26 will be £5. This will be confirmed in the provisional local government finance settlement which will be released for consultation in mid-December.

3.16 The funding assumptions for Council Tax include an increase in Council Tax base of 1.35%, this is based on the trend over recent years. This forecast level of increase in the Council Tax base increases funding by £418k in 2025/26.

3.17 A 1.95% increase in Council Tax will create an additional funding of £613k. A 2.95% increase in Council Tax will create additional funding in the region of £613k. A £5 increase would create additional funding in the region of £1.703m. These amounts are all in addition to the £418k for the forecast increase in base.

3.18 Council Tax for the Authority is currently £92.21 at Band D. A 1.95% increase in would raise it by £1.80 to £94.01 per year which equates to £1.81 per week. A 2.95% increase would raise it by £2.72 to £94.93 per year which equates to £1.83 per week. A £5 increase would raise it to £97.71 which equates to £1.88 per week.

Table 1 – Council Tax Options Analysis

	Amount £	**Increase £**	**Additional Income £’000**
Current Band D Council Tax	£92.21		
Council Tax Base increase (1.35%)			418
1.95% increase	£94.01	1.80	613
2.95% increase	£94.93	2.72	927
£5 increase	£97.71	5.00	1,703

SECTION 4: ISSUES IMPACTING ON THE MEDIUM-TERM FINANCIAL STRATEGY

COMMUNITY RISK MANAGEMENT PLAN (CRMP)

4.1 The 2025-2028 CRMP is currently in draft and is out to public consultation, the final version will be presented to be approved by the Authority on 28 February 2025. 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.

4.2 The revised assumptions include £150k investment for CRMP developments to support activities that must be completed to deliver the 2025-2028 CRMP. As the CRMP is further developed it is expected further resources will be needed to deliver the workstreams within the CRMP.

EFFICIENCY STRATEGY

4.3 The Futures 25 efficiency strategy has been the vehicle through which efficiency and productivity improvements have been delivered during the current CRMP 2022-2025.

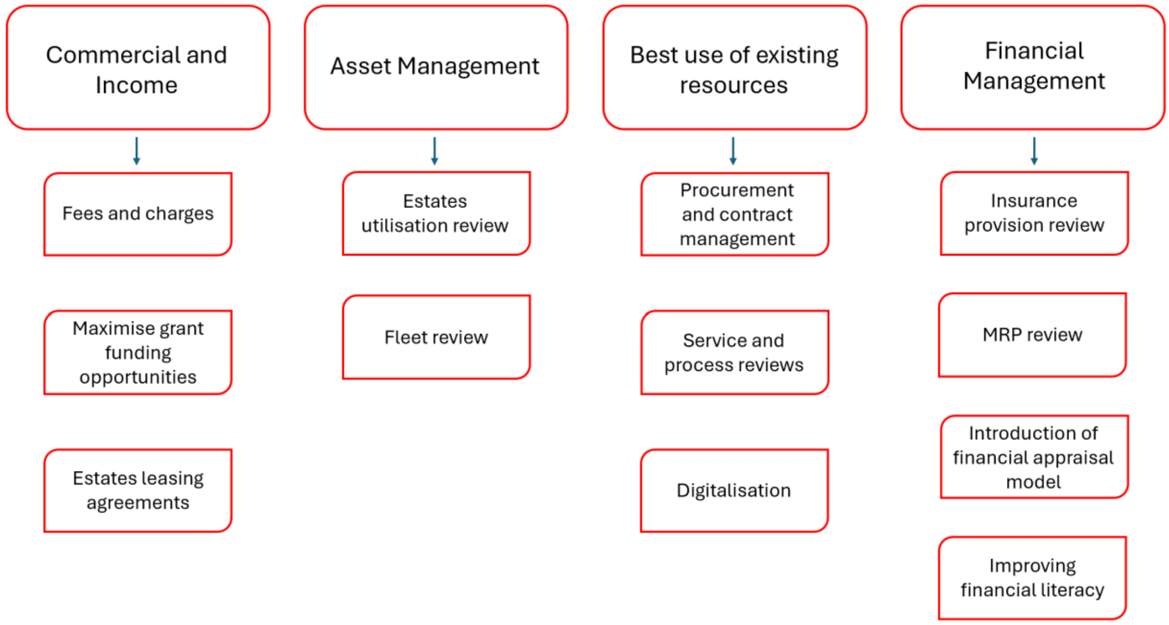
4.4 The Futures 25 efficiency strategy included the following reviews:

- Workforce review of Green Book posts at Grade 5 and above
- Fire cover review
- Review of the flexi duty officer collective agreement
- Governance review
- Revenue budget management
- Service redesign
- Culture, EDI and Leadership

4.5 A Futures 25 efficiency strategy closure report was presented to Policy and Strategy Committee on the 15 November 2024, setting out the achievements and next steps to incorporate service improvement as part of business as usual activities.

4.6 The proposed Efficiency Strategy for the next CRMP 2025-2028 is set out in the diagram below identifying themes and workstreams that will be undertaken to improve efficiency and productivity. The activities to deliver the workstreams are included within the Annual Delivery Plans to support the delivery of the CRMP.

Efficiency Strategy 2025-2028



CORPORATE RISK REGISTER

4.7 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 complexities in implementing the pension remedy legislation
- Availability of resources - the Service loses access to key resources impacting its ability to deliver service
- Information and Data Security - potential threat that could lead to the loss of an organisations ICT systems, information or data.

4.8 The financial implications of these risks have been addressed in both the capital and revenue proposed budgets and in the Reserves Strategy.

HMICFRS INSPECTION

4.9 The Service received its third inspection from HMICFRS in April 2024. The inspection assessed how effectively and efficiently the Service delivers its services and how well it looks after the people who work for the service. The inspection assessed 11 areas.

4.10 The outcome of the inspection was made public in September 2024. HMICFRS graded the Service as 'Good' in ten areas with one area receiving 'Adequate'. The 'Good' areas included 'Making best use of resources' and 'Making the fire and rescue service affordable now and in the future'.

4.11 The report identified one area for improvement which is currently being addressed by inclusion in the CRMP and annual delivery plan, and this will be monitored through the Authority committee structure.

PENSIONS

4.12 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.

4.13 Another pensions case, Matthews and O'Brien, identified discriminatory conditions against part time workers. Remedying legislation similarly became law in October 2023. This legislation allows further backdating of the modified pension scheme from 2006 to when on-call firefighters first joined the fire service.

4.14 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 Fire Authority cannot be ruled out.

4.15 The Service has a £200k earmarked reserve to mitigate against any costs that have to be met internally. It is also included in the General Fund reserves risk register (Appendix 3 to this strategy).

4.16 Further information can be found in the Local Firefighter Pension Annual Report 2024 report considered by Fire Authority on 13 December 2024

4.17 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 and 2024/25 in order that this work can be undertaken.

4.18 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 £2.5m for the Service. The Home Office agreed to fund £2.3m of this pressure in 2019/20 but has been kept at the same cash value, leaving increases in costs due to pay inflation to be met by the Service. The £2.3m grant was rolled into Revenue Support Grant in 2024/25, which means it is increased annually by September Consumer Price Index, an increase of 1.7% will be applied for 2025/26.

4.19 An additional standalone Pension Grant was received in 2024/25 for the results of the 2020 valuation of the Firefighters' Pension Scheme following a delay to allow the McCloud remedy costs to be included in the valuation. The change in employer costs is effective from 2024. The increased cost is substantial and has been fully funded via the £1.6m government grant in 2024/25, there was no commitment to the grant beyond 2024/25 and this remains an area of uncertainty.

PAY AWARD

4.20 The firefighter pay award was agreed at 4% for 2024/25. A 2% increase has been included in the MTFS for 2025/26 onwards based on the award being in line with inflation (the latest available data (September 2024) shows CPI at 1.7%). Any increase above these assumptions will create a cost pressure (a 1% increase relates to approximately £320k ongoing costs per year).

4.21 The 2023/24 pay award offer for support staff was agreed as a flat increase of £1,280. This equates to approximately a 3% increase across all support staff. A 3% increase has been included in the MTFS for 2025/26 to allow for a similar flat increase, the assumption has then reduced to 2% for future years, in line with inflation. Any increase above these assumptions will create a cost pressure (a 1% increase results in a £80k additional costs).

EMPLOYERS NATIONAL INSURANCE CONTRIBUTIONS

4.22 The Chancellor's Budget Statement on 30 October 2024 increased the Employers' National Insurance Contributions rate from 13.8% to 15.0%, with reduction in the threshold from £9,100 to £5,000. It has been confirmed in the Finance Policy Statement that the direct costs of this are funded for public sector. However, the funding will be through a formula which may result in the costs not being fully funded.

INVESTMENT IN TECHNOLOGICAL CAPABILITY

4.23 Technological changes and cyber security needs to be kept under constant review, as does the acquisition of new software packages.

4.24 All of these areas are placing increased pressure on the Information and Communication Technology (ICT) Department. The department has committed to securing appropriate equipment and software in future years in order to enable improved ways of working and improve efficiency.

4.25 In recent years the ICT Department has been operating with part its resourcing being funded on a temporary basis to support time restricted projects. This will continue into 2025/26 budget. As part of the Future 25 service redesign workstream the ICT structure was to be reviewed to ensure workforce resourcing aligns to risk and future business need in these areas. A digital maturity assessment has been commissioned as part of the Futures 25 programme to inform future capability requirements in this area. This ICT review will be concluded once the newly appointed Head of Digital joins the Service.

4.26 On the basis that investment is needed in ICT the budget for the temporary resource has been built into base budgets for future years beyond 2025/26 to enable a permanent structure to be established following the review and approval by the Senior Leadership Team.

GRENFELL TOWER INQUIRY RESPONSE

4.27 The Grenfell Tower Inquiry and subsequent Hackitt review identified that much work was required within the sector to address the issues within the built environment. This will result in increased workload for the Service and the requirement to develop competency and capacity. The Service has received numerous grants to help it deliver on the recommendations coming out of the review over the past four years. Fire protection uplift grant of £128k was received in 2024/25, further funding has not been confirmed at this stage.

4.28 The Authority is in receipt of new burdens funding from the Home Office relating to the creation of a new regional Building Safety Regulator. Further funding has not been confirmed at this stage.

EMERGENCY SERVICES MOBILE COMMUNICATION PROGRAMME (ESMCP)

4.29 Set up by the Home Office, ESMCP is expected to replace the current communication service provided by Airwave. The new service will be called the Emergency Services Network (ESN). ESN aims that the functionality, coverage, security, and availability needs of the UK's emergency services are fully met.

4.30 There have been significant delays to the programme and funding has similarly been subject to delay. The national project has recently been put on hold. More information is awaited, and Members will be kept informed regarding any updates.

FEES AND CHARGES

4.31 The Authority is permitted to make charges for the provision of a range of services to the public and to commerce. It has however, been the practice of the Authority to avoid making charges for services which the public have a reasonable expectation of receiving free of charge. Revised scales for fees and charges are approved by Authority as part of the budget setting report in February of each year. An example of where a charge would be made is for the containment and clearance of debris, spillages, discharges or leaks from a vehicle or storage tank where the owner can be readily identified. Charges are made on the basis of recovering costs only – ie: with no profit element and no charges are made in situations where there is a risk to life or property, nor where vulnerable persons are involved.

EXTERNAL FUNDING

4.32 Efforts will continue to be made to secure as much external funding as possible either from Government Grant or from sponsorship and partnerships. These are managed carefully to ensure that the sudden withdrawal of funding does not have a negative impact on revenue budget nor cause the Authority embarrassment from having to close down successful projects due to lack of external funding.

TREASURY MANAGEMENT STRATEGY

4.33 The Treasury Strategy for the Authority was set out in full in a report to the Fire Authority on 23 February 2024. This strategy complies fully with the Chartered Institute of Public Finance and Accountancy code of practice on Treasury Management which the Authority has adopted. Successful implementation of this strategy is supported by the appointment of financial advisors who enable the Authority to lend and borrow as prudently as possible. Efforts will continue to be made to ensure a sufficient spread of investment counterparties to minimise risk exposures.

CAPITAL STRATEGY

4.34 The Capital Strategy for each year is approved by Authority alongside the MTFS. The updated Capital Strategy for 2025/26 is attached at Appendix 1 (to this strategy) for approval. It sets out how the Authority intends to optimise the use of available capital resources to help achieve its objectives in such a way that it ensures that the programme is affordable, prudent and sustainable. It also includes the flexible use of capital receipts strategy.

4.35 The Authority has considered the sustainability of its capital plans in terms of the ICT Strategy, the Fleet Strategy and the Property Strategy and these have been mapped out over future years to assist in the revenue budget planning process.

4.36 These individual plans have been brought together to form a 10-year capital programme to assist financial planning and monitoring of debt costs. This is attached at Appendix 2 to this strategy. The first four years of this programme will be considered alongside revenue budgets by the Authority on 28 February 2025. The programme includes the replacement mobilising system, delivery of replacement fire appliances and investment in new fire stations.

4.37 The 10-year capital plan is considered to ensure long term affordability. The capital programme consists of longer-term projects which cross over the financial year end boundaries. This means that projects may overspend or underspend within a single year, and historically the position has been one of underspending which has an impact on debt repayment costs in the revenue budget. This is taken into account when calculating the revenue cost of the associated debt.

THE PRUDENTIAL CODE

4.38 The Authority’s Prudential Code was approved by Authority on 23 February 2024. It sets out the prudential indicators approved for 2024/25. The freedoms provided by the Prudential Code for Capital Accounting are to be fully used to make the best possible investment decisions in relation to capital spending in order that meaningful choices can be made between borrowing, leasing, and the use of capital receipts. Nevertheless, it is still considered important that the Authority should not expose itself to unduly high levels of debt and it is necessary for a view to be taken as to how much debt is sustainable in the longer term. The Authority currently has set a limit for the ratio of debt costs to revenue budget of 8% and this is considered in terms of the long-term capital plans. This limit was set in 2008.

4.39 The Authority currently has set a limit for the ratio of debt costs to revenue budget of 8% and this is considered in terms of the long-term capital plans. This limit was set in 2008. The 10-year Capital Plan in Appendix 2 to this strategy shows that in 2028/29 the debt to budget ratio exceeds 8% and then remains above this limit. It is proposed to remove this limit as it was established in a different economic and funding environment.

4.40 Going forward the capital programme must be monitored and managed across the short and medium term as part of the revenue budgetary process and the associated level of debt and capital financing charges must be considered in the context of the overall budget position and affordability. Capital investment decisions must be made considering all implications for the service.

4.41 An appropriate target for this prudential indicator for the ratio of debt costs to revenue budget will be set each year as part of the Prudential Code for Capital Finance report that is considered and approved in February of each year.

4.42 The 10-year programme set out at Appendix 2 is an indicative programme and will be reviewed on an annual basis. It may be in the future that changes are made to delay or stop some of the capital schemes to maintain affordability. At this point in time the indicative programme includes all the capital investment the service has identified to meet the future needs of the service.

4.43 The Authority predominantly funds its capital investments through borrowing. A general policy of using fixed interest rate vehicles is included in the Treasury Management Strategy in order to minimise this risk to interest rate increases. However, in the longer term there is still an exposure from the loan charges on new capital being greater than anticipated. This may require some revision to future years' capital plans.

4.44 It is common in the public sector to use maturity loans as the most appropriate vehicle for capital financing. These loans consist of half-yearly payments of interest only with a single repayment of capital at the end of the term, and they therefore present a refinancing risk at their maturity date. They are currently the most cost-effective way of borrowing, but it is considered essential that the Authority has sufficient accumulated cash to repay the principal at term. This ensures that the Authority retains control of overall debt levels.

4.45 The Authority will also take opportunities to make voluntary Minimum Revenue Provision (MRP) contributions as they arise.

4.46 The Authority has adopted a medium-term strategy to hold long term debt at low rates and to make use of debt rescheduling opportunities if the terms are advantageous. The overall strategy for borrowing is set out in the Treasury Management Strategy document and in the Prudential Code Report.

COLLABORATIVE WORKING

4.47 The Policing and Crime Act 2017 has introduced a duty to collaborate with the three emergency services where it is in the interest of efficiency and effectiveness. To this end, a Collaboration Strategy was approved by the Authority on 22 September 2017. This will not preclude collaboration with other types of organisations where there are benefits to be achieved.

4.48 Collaboration is not something new to the organisation. The Authority has taken advantage of many opportunities to reduce costs and increase resilience and effectiveness through joint procurement, joint use of estates and shared specialist vehicles.

4.49 The Authority remains committed to supporting joint and collaborative working with fire and other emergency service sector colleagues across the region.

SECTION 5: RESERVES

5.1 The Local Government Act 2003 requires that authorities maintain adequate reserves and provisions to help ensure that the medium-term policy programme is sustainable and that it can be delivered. In accordance with good accounting and financial practice, reserves and provisions will always be held in the accounts where appropriate. In simple terms, the difference between a reserve and a provision is that a provision is made for a known liability arising from a legal obligation whereas a reserve is created for a discretionary purpose. The Authority's Reserves Strategy is attached at Appendix 3 to this strategy for approval by Authority alongside the MTFS.

5.2 Total estimated reserve levels as at 31 March 2025 are £10.6m, consisting of £5.1m General Reserve and £5.5m Earmarked Reserves.

5.3 The Authority reviews the levels of reserves it requires as part of the Reserves Strategy. A General Fund reserve minimum level of £4.25m has been proposed for 2025/26, which is an increase of £150k from 2024/25, although several adjustments have been made to reflect changes in risk. The three highest areas of identified risk are detailed below (see section 2.12 of the Reserves Strategy for more information):

- Pay award above the rate included in the budget.
- Risk of significant overspend against budgets due to price increases, undeliverable savings, supply chain issues, fixed price external contracts failing to deliver and potential requirement for market supplement to recruit staff.
- Business failure of bank or investment counterparty

5.4 A review of the Earmarked Reserves has been undertaken in the Reserves Strategy. This has identified £202k of available reserves are no longer required. It is proposed that these are reallocated to the following existing earmarked reserves:

- Systel Extension/Disaggregation £172k
- Domestic Homicide Review £20k

- Community Advisory Group £10k

5.5 Any unplanned expenditure or overspends may need to be met from the General Reserve or existing Earmarked Reserves.

SECTION 6: MEDIUM TERM FINANCIAL PLAN 2025/26 TO 2028/29

6.1 In February 2024, the Authority set a balanced budget for 2024/25, although this was only achieved by using £138k of the Budget Pressure Support Earmarked Reserve. The report predicted shortfalls in 2025/26 and 2026/27 of £1.9m and £1.5m respectively.

6.2 Whilst there remain areas of uncertainty, budget assumptions have been reviewed, which include:

Funding updates

- Revenue Support Grant revised projections
- Removal of the Services Grant
- Pension Grant remains with no increase
- Removal of Minimum Funding Guarantee
- Business Rates revised projections
- Changes in Council Tax precept levels

Expenditure updates

- 2025/26, 2026/27 and 2027/28 pay awards.
- Non pay inflation
- Service demands – including increases in fleet management costs, and buildings repairs and maintenance, contract cleaning, a reduction in the non-uniform vacancy factors.
- CRMP development
- Savings identified including wholetime pay development rates, reductions on gas, electricity and fuel, prevention review, SLT review
- Changes in MRP and interest payable impacted by changes in capital programme
- Changes in interest receivable to reflect the forecast cash balances and interest rates

6.3 The budget requirement for future years cannot be accurately estimated at this point as the full budget is still to be determined. It has been amended for known major pressures as detailed above, but figures are likely to change. More detailed figures will be provided to the Finance and Resources Committee in January 2025 and the Authority in February 2025.

6.4 Given the uncertainty discussed in this strategy, three scenarios have been considered – a worst case, a central case and a best-case scenario.

SCENARIO 1 – WORST CASE SCENARIO

6.5 The worst-case scenario assumes that:

- The 2025/26 pay award is settled at 4% for all staff

- Government funding Revenue Support Grant (RSG) and Business Rates top up grant increase by Sept CPI of 1.7% for 2025/26 and 2% for all future years.

- Pension Grant remains flat in cash terms at £1.639m.

- Minimum Funding Guarantee is not received in 2025/26 and futures years

- Services Grant is removed

- Council Tax base increases by 1.35% in 2024/25 and future years.

- Council Tax is increased at 2.95% in all future years

6.6 This scenario would result in a £1.8m deficit in 2025/26 and has an ongoing deficit in excess of £3m as detailed in the table 2 below. Significant ongoing savings will need to be identified in order to balance the budget if this scenario happens.

Table 2 – Worst Case Scenario 2.95 % Council Tax increase and 4% Pay Award

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Estimated Spend/ Budget Requirement	**52,688**	**55,118**	**56,652**	**58,614**	**59,744**
Revenue Support Grant (RSG)	(8,939)	(9,088)	(7,804)	(7,643)	(7,469)
Business Rate (BR) Income	(3,892)	(3,818)	(4,618)	(4,680)	(4,746)
BR Top up Grant	(7,988)	(8,078)	(7,439)	(7,538)	(7,646)
Funding Guarantee	(738)	-	-	-	-
Council Tax 2.95% in all years	(30,993)	(32,338)	(33,741)	(35,205)	(36,733)
Budget Deficit	**138**	**1,796**	**3,050**	**3,548**	**3,150**

6.7 If the 5% Council Tax flexibility is taken in 2025/26 the deficit position would become £1.019m in 2025/26 and 2.238m 2026/27.

If a nil Council Tax increase is taken in 2025/26 the deficit position would become £2.723m in 2025/26 and £4.016m 2026/27.

SCENARIO 2 – CENTRAL CASE

6.8 The Central Case scenario assumes that:

- The 2025/26 pay award is settled at 2% for fire fighters and 3% for support staff (the equivalent of the 2024/25 flat rate increase)

- Government funding Revenue Support Grant (RSG) and Business Rates top up grant) increase by Sept CPI of 1.7% for 2025/26 and 2% for all future years.

- Pension Grant remains flat in cash terms at £1.639m.

- Minimum Funding Guarantee is not received in 2025/26 and futures years

- Services Grant is removed

- Council Tax base increases by 1.35% in 2024/25 and future years.

- Council Tax is 2.95% in all future years

6.9 This scenario would result in a £1.248k deficit in 2025/26 which increases to £2.335m by 2026/27. This scenario is likely to need both the use of reserves and savings to be made.

Table 3 – Central Case Scenario 2.95% Council Tax in all years

	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**
Estimated Spend/ Budget Requirement	**52,688**	**54,570**	**55,937**	**57,885**	**59,000**
Revenue Support Grant (RSG)	(8,939)	(9,088)	(7,804)	(7,643)	(7,469)
Business Rate (BR) Income	(3,892)	(3,818)	(4,618)	(4,680)	(4,746)
BR Top up Grant	(7,988)	(8,078)	(7,439)	(7,538)	(7,646)
Funding Guarantee	(738)	0	0	0	0
Council Tax £5 2025/26 and 2.95% all future years	(30,993)	(32,338)	(33,741)	(35,205)	(36,733)
Budget Deficit	**138**	**1,248**	**2,335**	**2,819**	**2,406**

6.10 If a nil Council Tax increase is taken in 2025/26 the deficit position would become £2.175m in 2025/26 and £3.301m 2026/27

SCENARIO 2 – BEST CASE

6.11 The Best-Case scenario assumes that:

- The 2025/26 pay award is settled at 2% for fire fighters and 3% for support staff (the equivalent of the 2024/25 flat rate increase)

- Government funding Revenue Support Grant (RSG) and Business Rates top up grant) increase by Sept CPI of 1.7% for 2025/26 and 2% for all future years.

- Pension Grant remains flat in cash terms at £1.639m.

- Minimum Funding Guarantee is not received in 2025/26 and futures years

- Services Grant is removed

- Council Tax base increases by 1.35% in 2024/25 and future years.

- Council Tax is increased at £5 in 2025/26, 2.95% in all future years

6.12 This scenario would result in a £471k deficit in 2025/26 which increases to £1.7m by 2026/27. This scenario is likely to need both the use of reserves and savings to be made.

Table 4 – Best Case Scenario £5 Council Tax increase in 2025/26 and 2.95% all future years

	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**
Estimated Spend/ Budget Requirement	52,688	54,570	55,937	57,885	59,000
Revenue Support Grant (RSG)	(8,939)	(9,088)	(7,804)	(7,643)	(7,469)
Business Rate (BR) Income	(3,892)	(3,818)	(4,618)	(4,680)	(4,746)
BR Top up Grant	(7,988)	(8,078)	(7,439)	(7,538)	(7,646)
Funding Guarantee	(738)	0	0	0	0
Council Tax £5 2025/26 and 2.95% all future years	(30,993)	(33,115)	(34,553)	(36,051)	(37,616)
Budget Deficit	**138**	**471**	**1,523**	**1,973**	**1,523**

6.13 It is therefore likely that the Service will need to identify savings in the region of £2.0m moving forward. The Service currently holds £1.126m in a Budget Pressure Support Earmarked Reserve. The service will need to realise savings through the Efficiency Strategy and utilise the Budget Pressure Support Earmarked Reserve to smooth budget deficits going forward to enable the Service time to implement the activities to deliver the saving needed.

SECTION 7: SUMMARY

7.1 This MTFS has been written against a backdrop of financial and economic uncertainty. The provisional local government finance settlement due to be received in mid-December will confirm the government funding figures and the collection fund details for business rates and Council Tax are known at the end of January 2025.

7.2 Whilst the Local Government Finance Policy Statement issued in November 2024 announced the fire sector has the flexibility to increase Council Tax by £5 in 2025/26, it is not known if this flexibility will remain after 2025/26. The impact of the fair funding review and business rates baseline funding levels in 2026/26 adds to the uncertainty in future years.

7.3 The best-case scenario assumes the £5.00 flexibility in Council Tax is taken and after considering the economic situation and expected costs, shows a 2025/26 deficit position of £471k. Future year deficits are then consistently higher.

7.4 It is therefore likely that the Service will need to identify savings in the region of £2.0m moving forward. The Service currently holds £1.126m in a Budget Pressure Support Earmarked Reserve. The service will need to realise savings through the Efficiency Strategy and utilise the Budget Pressure Support Earmarked Reserve to smooth budget deficits going forward.

7.5 In the central case scenario, estimates show that a 2025/26 deficit of £1.2m could be likely, even assuming a 2.95% Council Tax increase. If there were to be no increase in Council Tax levels the 2025/26 deficit would rise to £2.175m. If this were to be the case, then more significant savings would be required.

7.6 In the worst-case scenario, assuming the pay-award is 4%, so higher than the budgeted pay award, estimates show that a 2025/26 deficit of £1.8m could be likely, even assuming a 2.95% Council Tax increase. If there were to be no increase in Council Tax levels the 2025/26 deficit would rise to £2.7m. If this were to be the case even further significant savings would be required.

7.7 Whilst there remain clear challenges ahead, the early announcement of the £5.00 flexibility in the Council Tax gives the Authority the opportunity to consider this option and enables it to start this journey in a relatively positive position whereby it has sufficient reserves to enable a phased approach to achieve the savings required in the coming years. With careful budgetary planning and resource maximisation it is anticipated that the Authority will be able to forge a future path that will enable it to meet priorities and balance the budget.

7.8 At its meeting on 28 February 2025 the Fire Authority will consider the budget report with the objective of setting Council Tax levels for 2025/26.

APPENDIX 1

CAPITAL STRATEGY 2025/26

Date Reviewed by Fire Authority: December 2024

TABLE OF CONTENTS

Section 1	Introduction and Background
Section 2	Governance
Section 3	The Capital Programme
Section 4	Capital Financing
Section 4	Summary
Appendix A	Flexible Use of Capital Receipts Strategy

1 INTRODUCTION AND BACKGROUND

1.1 This Capital Strategy is a key corporate document that outlines how the Authority intends to optimise the use of available capital resources to help achieve its objectives. Capital expenditure is a major cost to the Authority and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated and prioritised.

1.2 This document sets out the framework for planning and financing capital in order to ensure the broad requirements set out above can be consistently met by the Authority. The Strategy sits alongside the Medium-Term Financial Strategy (MTFS) and the proposed 10-year capital programme is included in the MTFS. The Strategy is supported by the Authority's Estates Strategy, asset management plans and the capital programme which, in combination, lay out how the Authority will use its assets and its capital investments in pursuit of the key goals set out in the CRMP.

1.3 There are several influences which feed into the capital investment process, the main ones being:

- CRMP
- Treasury Management Strategy
- Medium Term Financial Strategy
- Property Strategy
- Corporate Asset Management Plans (buildings, vehicles and equipment)
- Procurement Strategy
- ICT Strategy
- Transport Strategy
- Community Safety Strategy
- Work Force Plan
- Learning & Development Strategy
- Risk Register
- Environmental, Social impact of capital projects and assets

2 GOVERNANCE

2.1 The Local Government Act 2003 sets out a framework for the financing of capital investments in local authorities which came into operation from April 2004. Alongside this, the Prudential Code was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) as a professional code of practice to support local authorities' decision making in the areas of capital investment and financing. Authorities are required by regulation to have regard to the Prudential Code.

2.2 The objectives of the Prudential Code are to ensure that the capital investment plans of authorities are affordable, prudent and sustainable. This is achieved through the use of a number of prudential indicators covering affordability, prudence, capital expenditure, debt levels and treasury management. These indicators are included in the Prudential Code for Capital Finance which is approved by the Fire Authority each year and monitored throughout the year by the Finance and Resources Committee. A 10-year capital programme is included in the MTFS which includes a projection of future year debt costs to ensure that they are affordable in the long term.

FIRE AUTHORITY

2.3 The capital programme is an aggregation of the approved schemes which will help ensure that the Authority can deliver on its strategic objectives. The capital programme approved by Authority as part of the annual budget process covers a 4-year period in line with revenue budget forecasting. Estimating expenditure beyond 4 years is more difficult, although still important in determining the affordability of capital expenditure in future years. For this reason, a proposed 10-year capital programme is included as a separate document in the Medium-Term Financial Strategy (Appendix 2) for planning and cost projection purposes.

2.4 The full revenue implications of the capital programme are presented to members prior to each financial year within the revenue budget. The Authority is also responsible for approving the Treasury Management Strategy and Prudential Code prior to the start of each year to ensure that the capital programme is affordable, prudent and sustainable.

FINANCE AND RESOURCES COMMITTEE

2.5 The Finance and Resources Committee is responsible for receiving quarterly monitoring reports on the capital programme and Prudential Code.

CORPORATE GOVERNANCE

2.6 Corporate Governance is ensured throughout the process through the Authority's:

- Internal Audit
- Service plans and procedures
- Performance management
- Financial Regulations and procedures
- Standing Orders.

STRATEGIC LEADERSHIP TEAM (SLT)

2.7 SLT has oversight of and make appropriate decisions relating to the revenue and capital budgets set by the Fire and Rescue Authority in order to operate within the delegated financial authority agreed by the Authority to deliver a balanced budget position.

2.8 SLT also has responsibility for managing project performance and receive regular monitoring updates, project closure reports and to ensure that any lessons learned are shared across the organisation.

TREASURER

2.9 Under Section 25 of the Local Government Act 2003, the Treasurer is specifically required to report to the Authority regarding the estimates for the purposes of calculations in order that the Fire Authority can make informed decisions about future years' budgets. The Treasurer also has responsibility to ensure compliance with regulatory frameworks and to report on unlawful expenditure or on an unbalanced budget.

FINANCE EMPLOYEES

2.10 The Authority ensures that the Finance Team contains staff who are appropriately trained in capital accounting and treasury management. In addition, the Service employs external treasury management advisors who provide specialist advice and resources.

3 THE CAPITAL PROGRAMME

3.1 The capital expenditure recommendations are determined from an assessment of the Authority's Asset Management plans for buildings, equipment and vehicles. As the impact of capital expenditure and the associated borrowing is spread over a number of years, it is important to consider the effects of any proposals in both the forthcoming and future financial years.

3.2 The Authority's approach to developing capital investment is to evaluate projects against criteria such as:

- Fire Authority objectives
- Funding availability
- Statutory obligations
- Reserve savings and implications
- Any surplus assets for which a receipt will subsequently be available
- Any special considerations
- Affordability
- Sustainability (by considering whole life costs)
- Evaluation of condition, suitability, and sufficiency information from the Asset Management system
- Collaborative Opportunities.

3.3 Where there is a possibility to take a collaborative approach to purchasing or using assets it will be pursued providing that the partnership or sharing arrangements are financially viable and in the best interests of Nottinghamshire Fire & Rescue Service.

3.4 Where collaborative projects are undertaken, consideration will be given to the most appropriate delivery vehicle whether it be leasing arrangements, joint ownership, or the setting up of partnership arrangements such as a Limited Liability Partnership (LLP).

3.5 The purpose of the capital investment programme is to support the CRMP, which currently does not include investment in commercial activities due to the Authority not wishing to undertake undue risk.

3.6 Establishing the level and type of investment available, which is currently projected for up to ten years in advance enables the revenue implications of the capital programme to be considered in detail, including repair and maintenance costs, energy efficiencies and economies for scale. The debt charges (Minimum Revenue Provision and interest charges) are built into the revenue budget and monitored to ensure that they remain affordable.

3.7 The Finance and Resources Committee recommend a draft capital programme to the Fire Authority, who approve the final programme at its budget setting meeting in February of each year. Additional approval is sought from the Finance and Resources Committee before major building projects are commenced.

3.8 Projects utilise the principles of Prince 2 methodology where appropriate and are subject to a review following completion where clients, occupiers and consultants establish how far the project has achieved the objectives and outcomes against targets (as detailed in the original investment appraisal) and identify areas of good practice or areas for improvement.

4 CAPITAL FINANCING

4.1 The capital programme is currently constrained by the availability of finance, which continues at present to be provided by traditional methods including:

- Borrowing under the Prudential Code.
- Revenue funding.
- Capital receipts.
- Capital grant.
- Leasing.

4.2 Funding is expected to be limited in the medium term and the Funding Settlement expected in December 2024 will set the funding limits for the period from 2025/26. The capital programme will be revised accordingly and considered as part of the budget setting process, with final approval being sought from Fire Authority in February 2025.

4.3 Surplus assets are disposed of, and all receipts are treated as a corporate resource and are used to underpin and support the Capital Strategy. This is done in line with the Flexible Use of Capital Receipts Strategy, which will be approved alongside the Capital Strategy (see Appendix A).

4.4 The main limiting factor on the Authority’s ability to undertake capital expenditure is whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs, after allowing for any support provided by central government.

4.5 Capital financing charges are expected to represent 4.8% of the Authority’s revenue budget by the end of 2024/25, which is considered within prudent limits. On 24 October 2008, the Finance and Resources Committee set a maximum limit for this ratio of 8% in order to meet the Prudential Code requirements of affordability and sustainability (as part of the Sustainable Capital Plans Report). This ratio forms one of the Prudential Indicators approved by Fire Authority as part of the Prudential Code for Capital Finance report considered in February of each year.

As the 8% limit was established in a different economic and funding environment as part of the 2025/26 budget process, it is recommended that the 8% cap is removed from 1st April 2025. An appropriate target for this prudential indicator will be set each year as part of the Prudential Code for Capital Finance report that is considered and approved in February of each year. The level of debt and associated capital financing charges will be monitored and managed across the short and medium term as part of the revenue budgetary process.

5 SUMMARY

5.1 This Capital Strategy is a key corporate document that outlines how the Authority intends to optimise the use of available capital resources to help achieve its objectives. Capital expenditure is a major cost to the Authority and as a result it is necessary to ensure that key programmes of work requiring capital expenditure have been properly identified, evaluated, prioritised and authorised.

5.2 Due to the long-term impact of the Capital Programme and the high levels of expenditure involved, strong and effective governance arrangements have been put in place to manage any associated risks.

5.3 The Authority continues to plan for its Capital Expenditure in such a way that ensures that it is affordable, prudent and sustainable.

APPENDIX A

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Introduction

Statutory Guidance relating to the flexible use of capital receipts (updated August 2022) permits local authorities to spend up to 100% of their capital receipts from the sale of fixed assets on the revenue cost of reform projects. This gives local authorities the power to treat as capital expenditure, expenditure which is incurred in generating on-going revenue savings in the delivery of public services either by way of reducing the cost of or reducing demand for services in future years. This impact of cost or demand reduction can be realised by any public-sector delivery partners but must be properly incurred by authorities. The Provisional Statement (released 18th December 2023) confirmed the flexibility to use capital receipts to fund revenue reform projects has been extended to March 2030.

This new power and its guidance are issued under Section 15(1) of the Local Government Act 2003, which requires local authorities to have regard to guidance that the Secretary of State may specify.

Application

The guidance specifies that authorities may not borrow to finance the revenue costs of service reform, nor may they use capital receipts accumulated from prior years. The key criteria to be used when deciding whether expenditure can be funded by the capital receipts flexibility is that it is forecast to generate on-going savings to an authority's or several authorities' and / or to another public-sector body's net service expenditure.

Qualifying Expenditure

Examples of projects that may generate qualifying expenditure include setting up alternative delivery models to deliver services more efficiently. However, the qualifying expenditure for these projects is limited to set up and implementation costs. The ongoing revenue costs of new processes or arrangements cannot be classified as qualifying expenditure. Furthermore, with respect to redundancy payments, qualifying expenditure is limited to statutory payments - the guidance explicitly excludes non statutory payments and pension strain costs, which would still need to be met from the Authority's revenue funding.

Accountability and Transparency

The guidance specifies that authorities must disclose the individual projects that will be funded, or part funded through capital receipts flexibility to the full Fire Authority. This requirement can be satisfied as part of the annual budget setting process or through the Medium-Term Financial Strategy. It is recommended that the disclosure of projects to be funded in this way should be made prior to the start of each financial year, however if the strategy is updated part way through the year it must be approved by the Fire Authority and notified to central government. A revised strategy must also include the impact on Prudential Indicators. Both the initial strategy and any revised strategy must be made available online to the public.

The strategy must list each project to be funded through capital receipts flexibility, with details of the expected savings and service transformation. Details must also be included of projects approved in previous years, and progress against achievement of the benefits outlined in the original strategy.

Capital Receipts Strategy for 2025/26

For the financial year 2025/26 it is not proposed to fund any reform projects through the capital receipts flexibility. This is largely due to the limited nature of qualifying costs that can be funded this way. There are currently sufficient funds held in reserves to cover costs of transformational projects, and it is felt that capital receipts would be better used to finance capital expenditure. This will enable the Authority to minimise the use of borrowing which needs to be kept within the affordable limits as set out in the Prudential Code for Capital Finance.

If it is felt in the future that the use of capital receipts flexibility would be beneficial to the Authority, then a revised strategy will be reported to the Fire Authority for approval.

APPENDIX 2

PROPOSED TEN YEAR CAPITAL PLAN 2025/26 TO 2034/35

Capital Expenditure Forecast	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Budget 2029/30 £000	Budget 2030/31 £000	Budget 2031/32 £000	Budget 2032/33 £000	Budget 2033/34 £000	Budget 2034/35 £000	10 Year Programme Total £000
TRANSPORT											
Pumping Appliances	0	2,007	1,605	1,605	1,605	0	1,204	803	0	0	**8,829**
Special Appliances	200	750	0	200	195	320	0	0	0	240	**1,905**
Light Vehicle Replacement	420	485	486	260	480	330	245	192	194	240	**3,332**
Aerial Ladder Appliances	1,050	0	0	0	0	0	0	0	0	0	**1,050**
Subtotal: Transport	**1,670**	**3,242**	**2,091**	**2,065**	**2,280**	**650**	**1,449**	**995**	**194**	**480**	**15,116**
EQUIPMENT											
Lightweight Fire Coat	0	0	0	0	250	0	0	0	0	0	**250**
Rescue Gloves	0	0	0	0	40	0	0	0	0	0	**40**
Structural PPE	0	0	0	1200	0	0	0	0	0	0	**1,200**
Fire Helmets	0	0	0	280	0	0	0	0	0	0	**280**
Fire Gloves	0	0	0	150	0	0	0	0	0	0	**150**
Fire Boots	0	0	0	250	0	0	0	0	0	0	**250**
Replacement Duty Rig	0	0	0	0	0	0	300	0	0	0	**300**
Water Rescue kit	0	0	0	0	320	0	0	0	0	0	**320**
Coveralls	230	0	0	0	0	0	0	0	270	0	**500**
Operational Surcoats	0	0	0	0	0	40	0	0	0	0	**40**
Fire Hood - Contaminants	0	150	0	0	0	0	175	0	0	0	**325**
Radios	0	300	0	0	0	0	0	0	0	0	**300**
RTC Equipment (Holmatro)	900	0	0	0	0	0	0	0	0	0	**900**
Gas Monitoring	40	0	0	0	0	0	0	0	0	0	**40**
Subtotal: Equipment	**1,170**	**450**	**0**	**1880**	**610**	**40**	**475**	**0**	**270**	**0**	**4895**
ESTATES											
Access and Inclusion	500	0	0	0	0	0	0	0	0	0	**500**
Station-end Training	150	0	150	150	150	0	0	0	0	0	**600**
Stockhill Fire Station	1500	3875	135	0	0	0	0	0	0	0	**5,510**
Wholetime Fire Station B	0	30	1500	2875	135	0	0	0	0	0	**4,540**
Estate energy reduction decarbonisation	125	0	125	0	0	0	0	0	0	0	**250**

Capital Expenditure Forecast	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Budget 2029/30 £000	Budget 2030/31 £000	Budget 2031/32 £000	Budget 2032/33 £000	Budget 2033/34 £000	Budget 2034/35 £000	10 Year Programme Total £000
Access management system	400	0	0	0	0	0	0	0	0	0	**400**
Subtotal: Equipment	**2,675**	**3,905**	**1,910**	**3,025**	**285**	**0**	**0**	**0**	**0**	**0**	**11,800**
I.T. & COMMUNICATIONS											
ICT Replacement Equipment	180	200	250	391	250	250	250	250	250	250	**2,521**
Mobile Computing	0	0	90	0	0	90	0	0	0	0	**180**
HQ Core Switch Upgrade	0	50	0	0	0	0	0	0	0	0	**50**
Payroll, Finance and Occupational Health Upgrade	30	0	30	0	30	30	0	0	0	0	**120**
Subtotal: IT & COMMUNICATIONS	**210**	**250**	**370**	**391**	**280**	**370**	**250**	**250**	**250**	**250**	**2871**
EMERGENCY SERVICES MOBILE COMMUNICATIONS											
Tri-Service Control & mobilisation	781	300	0	0	0	1,000	0	0	0	0	**2,081**
Subtotal: EMERGENCY SERVICES MOBILE COMMUNICATIONS	**781**	**300**	**0**	**0**	**0**	**1,000**	**0**	**0**	**0**	**0**	**2,081**
TOTAL: CAPITAL PROGRAMME	**6,506**	**8,147**	**4,371**	**7,361**	**3,455**	**2,060**	**2,174**	**1,245**	**714**	**730**	**36,763**

Capital Financing Forecast	Budget 2025/26 £000	Budget 2026/27 £000	Budget 2027/28 £000	Budget 2028/29 £000	Budget 2029/30 £000	Budget 2030/31 £000	Budget 2031/32 £000	Budget 2032/33 £000	Budget 2033/34 £000	Budget 2034/35 £000	10 Year Programme Total £000
Capital Receipts	10	210	110	10	510	10	10	10	10	0	**890**
Borrowing	6,496	7,937	4,261	7,351	2,945	2,050	2,164	1,235	704	730	**35,873**
Revenue / Earmarked Reserves	0	0	0	0	0	0	0	0	0	0	**0**
TOTAL	**6,506**	**8,147**	**4,371**	**7,361**	**3,455**	**2,060**	**2,174**	**1,245**	**714**	**730**	**36,763**
Forecasted Debt Cost Ratio	6.43%	7.90%	8.95%	9.58%	10.10%	9.98%	10.34%	10.48%	10.34%	9.95%	**N/A**

APPENDIX 3

NOTTINGHAMSHIRE
Fire & Rescue Service

RESERVES STRATEGY

2025/26 to 2028/29

TABLE OF CONTENTS

Section 1	Introduction and Background
Section 2	Risk Assessment to Determine the Adequacy of the General Reserve
Section 3	Annual Review of Earmarked Reserves
Section 4	Summary
Appendix A	2025/26 Risk Assessment of General Fund Reserve
Appendix B	Earmarked Reserves
Appendix C	Details on Individual Reserves

1 INTRODUCTION AND BACKGROUND

1.1 Sections 32 and 43 of the Local Government Finance Act 1992 require that, when setting the budget for the forthcoming year, precepting authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.

1.2 Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances' which was issued in July 2014.

1.3 In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website. The Reserves Strategy can form part of the Medium-Term Financial Strategy (MTFS) or be a stand-alone document.

STRATEGIC CONTEXT

1.4 There are a number of reasons why a Local Government Authority might hold reserves. these include to:

- Mitigate potential future risks such as increased demand and costs
- Help absorb the costs of future liabilities
- Temporarily bridge a funding gap should resources be reduced suddenly
- Enable the Authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax
- Spread the cost of large-scale projects which span a number of years.

1.5 Reserves only provide one-off funding, so the Authority aims to avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

1.6 **Long-Term Sustainability** - Reserves are an essential tool to ensure long term budget stability particularly at a time when the Authority is facing significant year on year reductions in grant funding over the medium term.

1.7 Reserve balances have been identified as a key indicator of financial health and the Authority continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

1.8 There are two different types of reserves and in addition to these, provisions can be held for more certain commitments:

Earmarked Reserves – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all the agreed funds are required then the agreement of the Authority would be sought to decide how any remaining balance is to be utilised.

General Reserve – usage from this reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget such as a sudden increase in inflation or a pay award higher than anticipated when the budget was set.

Provisions - A provision is held to provide funding for a liability or loss that is likely to occur in the future, but where the timing or amount of the liability or loss is uncertain.

2 RISK ASSESSMENT TO DETERMINE THE ADEQUACY OF THE GENERAL RESERVE

2.1 Whilst it is primarily the responsibility of the local authority and its Chief Financial Officer to maintain a sound financial position, external auditors will, as part of their wider responsibilities, consider whether audited bodies have established adequate arrangements to ensure that their financial position is soundly based. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual authorities or authorities in general.

2.2 CIPFA does not prescribe a formula for calculating a minimum level of reserves. Local authorities, on the advice of their Chief Financial Officers, should make their own judgements on such matters considering all the relevant local circumstances, which may vary between authorities. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed. In assessing the appropriate level of reserves, a well-managed authority will ensure that the reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

2.3 A common benchmark used for the General Reserve is 5% of annual budget. The Authority has consistently set a minimum level of General Reserve higher than 5% (currently 10%). However, as discussed in sections 2.1 and 2.2, it is the responsibility of the Authority to set an appropriate level of reserves reflecting the individual circumstances of the Authority. The method used is a risk-based approach, in line with CIPFA guidance. The levels of reserves set are felt to reflect the circumstances and risk appetite of the Authority.

2.4 The Authority has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of external influences on its income and expenditure (e.g. national and local economics and government policy), there is always a risk that the Authority will unexpectedly become liable for expenditure that it has not budgeted for. This is particularly true in the current uncertain economic climate given the uncertainty around future funding streams, inflation and pay awards.

2.5 At the start of 2024/25, the General Reserve was £5.083m, which represented 9.6% of the 2024/25 net revenue budget of £52.688m. Current budget monitoring would indicate that the General Fund Reserve will remain close to this level at the end of the financial year.

2.6 A risk assessment of the adequacy of the Authority's General Reserve is carried out annually to determine the extent to which the Authority is exposed to uninsured and unbudgeted losses. The risk assessment is shown in Appendix A. Where risks have been identified, control measures are in place to minimise either the likelihood or the impact of the risk and these are also shown in Appendix A.

2.7 The approach has examined each of the risk exposures and considered both the possible financial impact on the Service and the likelihood of occurrence. A risk factor has been allocated to each risk reflecting the likelihood of occurrence of that risk based on historic experience and professional judgment. It should be noted that the underlying assumption is that not all of these risk events will occur simultaneously and, to reflect this, the potential value of each financial impact is multiplied by its risk factor.

2.8 The approach also considers the extent to which financial risks can be transferred by way of insurances or through additional government grant (through the Bellwin scheme). This creates a balance between mitigated and self-financed risk. Where insurances are in place, the risk value reflects the level of excess within the insurance policy.

2.9 Residual risk is the extent to which the Authority remains exposed to risks which are neither insured nor provided for within revenue budgets or balances. The level of acceptable residual risk equates to the "risk appetite" of the Service and the estimated minimum level of balances reflects this risk appetite.

2.10 The risk review included an assessment of the financial implications of risks included in the corporate risk register. There were several changes to reflect current levels of uncertainty and risks associated with the changing economic environment. The frequency of risk occurrence has also been reviewed in the light of another year of experience.

2.11 The risk assessment which determines the minimum level of reserves is carried out using the professional judgement of the officers involved in the process. Several managers with particular areas of expertise have been consulted as part of the exercise to determine any new risks and to identify appropriate levels of risk value and risk frequency. This detailed review of risks inevitably results in fluctuations in the resulting minimum level.

2.12 The three highest value risks identified in the risk register are detailed below:

1) **Pay Awards**. Continuing inflationary pressures will have an impact on pay negotiations for both firefighter and support staff for 2025/26. Annual inflation using the CPI measure in September 2025 was 1.7%. The 2025/26 Medium Term Financial Strategy (MTFS) has budgeted for a 2%-3% pay award. A potential cost of £0.750m has been included in the General Fund Risk Analysis which would cover an increase of 2% above the amount included in the budget. A risk factor of 0.75 has been used to give a value of £563k to be included in the reserve.

2) **Pension Issues.** New legislation has now come into force regarding the remedy of both the McCloud and Matthews / O'Brien legal cases. Whilst this provides clarity around what action is required and costs going forward, there remains a risk that the Service will be required to fund some of the costs relating to pension remedy.

   A potential cost of £1m has been included in the General Fund Risk Analysis. The risk factor has been reduced from 0.4 to 0.2 to reflect the new legislation now in place. This leaves a value of £200k in the reserve (reduced from £400k in 2024/25).

3) **Risk of a significant overspend**. The 2025/26 budget has been set after giving consideration to the areas of underspend in 2024/25, reducing some service areas budgets to align with expected expenditure levels. In 2024/25 the underspends have been able to mitigate other costs pressures, it is anticipated there will be less flexibility to do this in 2025/26 budget. There also remains concern over inflation levels that are having a significant impact on contracts, maintenance and capital expenditure. This risk factor has increased from 0.4% to 0.5% to give a value of £500k in the General Fund reserve.

2.13 The ability to set a balanced budget was in the top three risks in the 2024/25 risk register, with a potential cost of £1m. This has been kept at £500k in the 2025/26.

2.14 There are a number of other risks where minor amendments have been made to reflect changes in either the risk value or in the expected likelihood or impact in the light of another year's experience.

2.15 The updated risk assessment shows that an appropriate level of general reserves should be increased from £4.1m to £4.3m.

2.16 Previous year's minimum levels of General Reserves have remained between £3.9m and £4.5m as detailed below:

Table 1 – Minimum General Fund Reserve Levels over last 5 years

Year	Minimum General Fund Reserve level £'m
2025/26	4.3
2024/25	4.1
2023/24	4.5
2021/22	4.5
2020/21	4.5
2019/20	3.9

2.17 The Finance and Resources Committee regularly receives risk management reports, which show that corporate risks are regularly reviewed by Officers and that controls are in place to manage those risks. The review of reserves reflects changes to the corporate risk register.

2.18 The projected level of general fund reserves at 31 March 2025 is of the order of £5.0m (section 2.5). The General Fund reserve exceeds the minimum level required by £0.8m. There will be an opportunity to review General Fund reserves at year end once more information is known about the funding settlement.

3 ANNUAL REVIEW OF EARMARKED RESERVES

3.1 At 1 April 2024, the Authority had £5.8m of earmarked reserves which have been established for specific purposes; where there have been timing differences at budget setting or year-end or to address emerging risks or cost pressures.

3.2 Any unspent government grant at the end of the financial year is transferred into earmarked reserves to enable it to be ringfenced for its original purpose. It is expected that £1.4m of earmarked reserves held at 31 March 25 will relate to unspent grant. A significant proportion of this (£0.9m) relates to the national Emergency Services Network (ESN) scheme that has now been put on hold by the Home Office.

3.3 Appendix B contains details of all Earmarked Reserves. A summary position is shown in Table 2 below.

Table 2 – Summary of Earmarked Reserves

Purpose	Balance 1 Apr 24 £'000	Expected Balance 31 March 25 £'000	Required 2025/26 to 2028/29 £'000	Estimated Unused 31 Mar 29 £'000
Prevention Protection and Partnership	357	437	437	0
Emergency Services Network	998	998	0	998
Other ICT	149	132	132	0
Operational	1,480	1,143	1,143	0
Pensions	311	391	391	0
Budget Pressure Support	1,126	1,126	1,126	0
Futures 25 Efficiency Strategy	576	476	476	0
Capital	303	303	128	175
Other	544	509	351	159
Total	**5,845**	**5,516**	**4,184**	**1,332**

3.4 The relevance of, and value in, each reserve is reviewed annually with a view to identifying any surplus reserves and realigning available funding to the service's priorities.

3.5 Given the potential deficit identified in the 2025/26 Medium Term Financial Strategy (MTFS), all existing earmarked reserves have been scrutinised with the purpose of identifying surplus resources that can be used to support know pressures for 2025/26 and beyond.

3.6 Appendix B contains details of all Earmarked Reserves along with proposed amounts for reallocation. Table 3 provides a summary of those reserves identified for reallocation.

Table 3 – Summary of Earmarked Reserves Identified for Re-allocation

Reserve	Balance 01-Apr-23 £'000	Required 2023/24 £'000	Required 2024/25 to 2026/27 £'000	To be Reallocated £'000
Fire Cover Review	53	0	0	53
On Call Pay and Contracts	38	0	-37	1
Crisis Team - ARA	10	0	0	10
External Evaluations	32	0	0	32
Occupational Therapist	104	0	0	104
Additional iTrent Support	33	-16	-15	2
Total	**271**	**-16**	**-52**	**202**

3.7 The review of Earmarked Reserves has identified £202k for reallocation. It is proposed that this be transferred to the following earmarked reserves:

Table 4 – Proposed re-allocation of Earmarked Reserves

4 SUMMARY

4.1 It is appropriate to advise Members that the level of reserves held by the Authority will be sufficient during 2025/26 to cover the risk-based liabilities which may arise, and the Treasurer will report on this as part of their duties under Section 25 of the Local Government Act 2003 when the 2025/26 budgets are set in February 2025.

4.2 There remains significant pressure on budgets going forward. It is anticipated that the service will need to identify savings to balance the budget in future years.

4.3 The total value of the Authority's reserves on 1 April 2025 is expected to be in the region of £10.6m.

4.4 The expected level of General Fund Reserves as at 1 April 2025 is expected to be in the region of £5.083m, which exceeds the £4.250m minimum level identified for 2025/26 by £0.8m.

4.5 Earmarked Reserves are expected to be in the region of £5.4m at 1 April 2025. These are expected to be fully spent by the end of 2028/29 with the exception of ESN project related reserves due to the national project being put on hold. It is likely that additional reserves will be created during this period due to ongoing receipts of grant.

4.6 £202k of earmarked reserves have been identified for reallocated to:

- Systel Extension/Disaggregation £172k;
- Domestic Homicide £20k
- Community Advisory Group £10k

2025/26 General Fund Risk Analysis

Appendix A

Risk No	Risk Description	Risk Effect	Control Measures	2025/26 Risk Value	2025/26 Risk Factor Reflecting Likelihood	2025/26 Reserve Required
1	**Pay awards** agreed at higher rate than budget	Additional costs. Risk value is 2% over rate included in budget.		750,000	0.75	562,500
2	**Pension issues** - McCloud / Matthews / cost cap judicial review / scheme valuation	Additional costs may fall to Fire Authority. Difficulty in recruiting sufficiently skilled resources.	Working closely with LGA / Pension Scheme Administrators and other Authorities to ensure consistent approach.	1,000,000	0.2	200,000
3	Risk of **significant overspend** against budgets due to price increases, undeliverable savings, supply chain issues, fixed price external contracts failing to deliver and potential requirement for market supplement to recruit staff.	Overspend against revenue budget in year which will have effect of reducing general reserves by the amount of the overspend	Regular budget monitoring which allows early identification of problems and corrective action to be undertaken.	1,000,000	0.5	500,000
4	**Legal challenges** and discretionary compensation awards or litigation	Reputational damage; Legal costs, employment tribunal costs unbudgeted	Professional HR advice, policies, procedures, management training, legal advice	1,200,000	0.3	360,000
5	Unanticipated **loss of income** e.g. from withdrawal of one off grants / impact of one year settlement	Timings of budget process may not allow sufficient time to plan for such changes	Network of Chief Financial Officers keep abreast of developments. Efficiency programme identifying a range of potential savings. Use national advisors to update on Funding position.	1,600,000	0.2	320,000
6	**Replacement Mobilising System** failure to deliver new system on time and on budget.	Could result in significant costs until replacement system successfully installed.	Project being carefully managed and monitored by strategic leadership team and Policy and Strategy Committee.	700,000	0.5	350,000
7	**Inability to set a balanced budget**	Budget set by Fire Authority is not in balance and reserves required to fund expenditure.	Improved funding position. Efficiency strategy. Earmarked Reserve provision. Adequate reserves held for short term funding if required.	500,000	0.5	250,000

8	**Redundancies** due to current and on-going financial constraints, if savings cannot be found from elsewhere	One-off cost of redundancy payment and potential pension strain is too high a cost to budget for within the revenue budget	Business case and payback period. Limited sum included in Earmarked Reserves for Efficiency Related programme but this may not be sufficient.	500,000	0.5	250,000
9		Loss of working capital or investment funds up to £4m (The maximum value to be placed with one counterparty).	Treasury management strategy, risk analysis of investment options and counterparties	4,000,000	0.1	400,000
10	**Availability of Resources** - loss of key resources - premises, equipment, ICT systems, communication channels due to cyber attack, availability of spare parts, mechanical failure etc	Loss of use; cost of rectifying defect if beyond warranty	BCM, Disaster management plan, Mutual assistance, robust and routine fleet inspections. Maintenance contract. Replacement vehicle programme.	500,000	0.4	200,000
11	**Property structural problem identified** that restricts / prevents use of all or part of building(s)	Loss of use; cost of repair; impairment to operational effectiveness	Continuity plans. Ongoing capital programme. Maintenance and repair programme included in revenue budgets.	900,000	0.2	180,000
12	**Local/national industrial dispute**	Potential loss of service; risk of non compliance with statutory duties and ensuing legal case / fines; selective industrial action may not result in sufficient underspend to cover additional costs. Potential ministerial intervention and ensuing reputational damage.	Resilience arrangements in place which has reduced the risk of needing additional cover. High inflation increases risk of pay dispute along with minimum service level legislation.	300,000	0.75	225,000
13	**Severe Weather related incidents**	Increased retained call-outs	Bellwin scheme.	300,000	0.4	120,000
14	**Collaboration** unforeseen costs	With several collaboration projects being undertaken there is a potential pressure to increase costs to reflect inflationary pressures / increased capital costs / change in needs	Effective planning and identification of costs at the outset of the project	400,000	0.2	80,000
15	**Unforeseen general change in legislation / Major Incident Reviews**	Increased costs of working due to doing more or doing things differently & costs of training	Awareness	300,000	0.2	60,000

16	**Major ongoing incident** such as pandemic which affects Business Continuity Management (BCM)	Ongoing significant additional costs to ensure critical capability maintained.	Robust BCM arrangements. Pandemic plan. Potential additional government grant. Reduced activity elsewhere across the service may result in savings which can be redirected.	500,000	0.1	50,000
17	**Insurance receipts may not cover replacement cost of assets**	Impact on budget if replacement cost of asset exceeds income from insurance claim. Cost of any interim arrangements	Revenue budget is included to cover insurance excess costs.	150,000	0.3	45,000
18	**Breach of data security**	Loss of confidential data; Information Commission fines	Security measures monitored and reviewed. Internal training programme.	150,000	0.25	37,500
19	**HSE Interventions**	Cost of remedial measures; cost of fine; fees for HSE intervention, indirect costs of covering internal resources used to investigate the issue etc.	Operating procedures; training; written safety policy; risk assessments	300,000	0.1	30,000
20	**Natural disasters/ multiple large incidents requiring Bellwin support**	Reduction in capability to respond	Multi-agency plans; New Dimensions equipment; BCM plans; Response degradation policy; Mutual Aid	100,000	0.3	30,000
	TOTALS					**4,250,000**

Earmarked Reserve Position 2024/25 to 2028/29 **Appendix B**

	Balance 01-Apr-24 £	Contribution to EMR 2024/25 £	Requirement 2024/25 £	Reallocated 2024/25 £	Estimated Balance 31-Mar-25 £	Required 2026 - 2029 £	Balance 31-Mar-29 £
Prevention Protection and Partnership							
Community Safety - Innovation Fund	62,174	0	(3,912)	0	**58,262**	58,262	0
Grenfell Infrastructure Fund	16,582	0	(1,000)	0	**15,582**	15,582	0
Fire Protection Funding / Uplift grant	206,914	128,000	(48,627)	0	**286,287**	286,287	0
Accreditation, Recognition & Prior Learning	15,525	0	(5,058)	0	**10,467**	10,467	0
BRS Training Funds	13,708	0	0	0	**13,708**	13,708	0
Community Advisory Group	0	0	0	10,000	**10,000**	10,000	0
Children's Home Safety Equipment Scheme	42,363	0	0	0	**42,363**	-42,363	0
Prevention Protection and Partnership subtotal	**357,266**	**128,000**	**(58,597)**	**10,000**	**436,669**	**436,669**	**0**
Resilience							
New Threats / MTFA	33,456	0	(4,824)	0	**28,632**	0	28,632
Resilience subtotal	**33,456**	**0**	**(4,824)**	**0**	**28,632**	**0**	**28,632**
ICT							
Systel Security PSN Work (NFRS)	266,370	0	0	0	**266,370**	0	266,370
ESN (Regional)	100,617	0	0	0	**100,617**	0	100,617
ESN RAP Work (NFRS)	348,817	0	0	0	**348,817**	0	348,817
ESN Control Room ICT	20,100	0	0	0	**20,100**	0	20,100
Systel Airwave ESN Transition (NFRS)	173,184	0	0	0	**173,184**	0	173,184
ESN - Notts Local Transition Fund (NFRS)	12,368	0	0	0	**12,368**	0	12,368
Delivery of ESN – Additional funding (NFRS)	77,000	0	0	0	**77,000**	0	77,000
ESN Sub Total	**998,455**	**0**	0	**0**	**998,455**	**0**	**998,455**
			0				
WIFI Enhancement - Local Resilience Forum	2,701	0	0	0	**2,701**	2,701	0
CFRMIS Project	55,395	0	0	0	**55,395**	55,395	0

	Balance 01-Apr-24 £	Contribution to EMR 2024/25 £	Requirement 2024/25 £	Reallocated 2024/25 £	Estimated Balance 31-Mar-25 £	Required 2026 - 2029 £	Balance 31-Mar-29 £
Additional iTrent Support	32,529	0	(15,529)	(1,782)	**15,218**	15,218	0
Business System Development	58,818	0	0	0	**58,818**	58,818	0
ICT Subtotal	**1,147,898**	**0**	**(15,529)**	**(1,782)**	**1,130,587**	**132,132**	**998,455**
Operational							
Operational Equipment	19,992	0	0	0	**19,992**	19,992	0
Tri Service Control - Mobile Data Terminals	100,000	0	(100,000)	0	**0**	0	0
Replacement Mobilising System	931305	0	(285,450)	0	**645,855**	645,855	0
Systel Extension/Disaggregation	300000	0	(78,937)	172,625	**393,688**	393,688	0
Fire Cover Review	53,100	0	0	(53,100)	**0**	0	0
On Call Pay and Contracts	38,320	0	0	(1,760)	**36,560**	36,560	0
Crisis Team - ARA	10,000	0	0	(10,000)	**0**	0	0
Domestic Homicide	0	0	0	20000	**20,000**	20,000	0
Rostering project	27,291	0	0	0	**27,291**	27,291	0
Operational subtotal	**1,480,008**	**0**	**(464,387)**	**127,765**	**1,143,386**	**1,143,386**	**0**
Estates							
Bestwood Lodge Security	62,000.00	0.00	0	0	**62,000**	62,000	0
Towers	129,890.00	0.00	0	0	**129,890**	0	129,890
Estates subtotal	**191,890**	**0**	**0**	**0**	**191,890**	**62,000**	**129,890**
Pensions							
Fire Pension Admin Grant	110,668	117,000	(36,556)	0	**191,111**	191,111	0
McCloud Pension Remedy	200,000	0	0	0	**200,000**	200,000	0
Pensions subtotal	**310,668**	**117,000**	**(36,556)**	**0**	**391,111**	**391,111**	**0**
Other							
External Audit Fees	143,777	0	0	0	**143,777**	143,777	0
Redmond Review Grant	39,141	64,149	0	0	**103,290**	103,290	0

	Balance 01-Apr-24 £	Contribution to EMR 2024/25 £	Requirement 2024/25 £	Reallocated 2024/25 £	Estimated Balance 31-Mar-25 £	Required 2026 - 2029 £	Balance 31-Mar-29 £
External Evaluations	32,075	0	0	(32,075)	**0**	0	0
Occupational Therapist	103,908	0	0	(103,908)	**0**	0	0
Disclosure Checks	0	41,500	0	0	**41,500**	41,500	0
Budget Pressure Support	1,126,076	0	0	0	**1,126,076**	1,126,076	0
Efficiency Programme	576,229	0	(100,000)	0	**476,229**	476,229	0
Other Subtotal	**2,021,206**	**105,649**	**(100,000)**	**(135,983)**	**1,890,872**	**1,890,872**	**0**
Capital							
Capital Reserve	128,000	0	0	0	**128,000**	128,000	0
Capital Funding Equalisation	175,000	0	0	0	**175,000**	0	175,000
Capital Subtotal	**303,000**	**0**	**0**	**0**	**303,000**	**128,000**	**175,000**
TOTAL	**5,845,392**	**350,649**	**(679,893)**	**0**	**5,516,148**	**4,184,170**	**1,331,978**

APPENDIX C

DETAILS ON INDIVIDUAL RESERVES

Details on the individual reserves in Appendix B can be found below.

Community Safety Innovation Fund
This grant enables the Authority to work very closely with partner agencies to identify and address risk with the aim of reducing fires in vulnerable groups. An example of this work is where an Environmental Health officer has been seconded to the Authority to work alongside our Fire Prevention Officers to ensure that the assistance provided is the most effective available.

Fire Protection Funding / Grenfell Infrastructure Fund / Accreditation, Recognition and Prior Learning
These grants have been provided to help the service address the recommendations coming out of the Grenfell Tower Inquiry and subsequent Hackitt review.

Children's Home Safety Equipment Scheme
When undertaking safe and well visits, staff frequently replace equipment that represents a fire hazard within the home. This grant helps cover costs that cannot be met from within current budgets.

Emergency Services Network (ESN) Reserves These reserves relate to ESN grant that has been awarded but not spent due to the delays in the national project. There are also some smaller reserves created to fund expenditure funded directly by the Authority. The ESN project has now been put on hold by the government and further spending is not expected until the project recommences.

Business Systems Development
This reserve has been set aside for iTrent and Agresso software development. This will be needed to update both systems to improve electronic workflows, thus reducing on the manual input required.

Tri Service Control / Regional Mobilising System
This is funding that was set aside to make continuing improvements to the control software installed as part of a joint project with Derbyshire and Leicestershire Fire Authorities. With the contract now coming up for renewal, and Leicestershire Fire Authority's withdrawal from the project, the improvements to the original system will not take place and the funding will be used towards the implementation costs of a new system.

Fire Cover Review
This reserve has been set aside to cover costs related to delivering the Fire Cover Review to inform the development of the CRMP.

Redmond Review Grant
This was new burdens grant received to help mitigate the increasing costs of external audit which is on-going.

Budget Pressure Support

This reserve was created to protect the service from significant budget deficits from 2024/25 onwards, due to funding not being expected to match pay and inflation increases in costs.

Efficiency Programme
This reserve has been created to fund work required to deliver the Efficiency programme.

Capital Reserves
This reserve was established to manage risks within the capital programme including the risk of interest rate fluctuations.

Pension Reserves
This reserve was established to mitigate any cost that may have to be met internally following the McCloud judgement.

Replacement Mobilising System
This reserve is to support the replacement of the current mobilisation system.

Systel Extension / Disaggregation
This reserve was established to manage risks with the current mobilisation system due to risks with the current provider.