

Report to the Police Fire and Crime Panel

9th February 2026

Fire Revenue Budget Report (incl. MTFS and Precept)

Report of the Staffordshire Commissioner

Introduction

The purpose of this report is to set out the proposed revenue budget and precept proposals for the Staffordshire Commissioner Fire and Rescue Authority for 2026/27.

This report delivers one of the Commissioner's key responsibilities as laid out within the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net revenue budget requirement for 2026/27
- Proposed precept for the fire element of the council tax 2026/27
- Updated Medium Term Financial Strategy (MTFS)
- Outline Capital Budget for 2026/27 to 2028/29

The report should be read in conjunction with the accompanying:

- Treasury Management Strategy
- Capital Strategy and Capital Programme Report
- Reserves Strategy Report

Recommendations

The Police, Fire and Crime Panel is asked to:

- a) Examine the information presented in this report, including:
 - The Total 2026/27 net revenue budget requirement of £57.348m, including
 - A council tax requirement for 2026/27 of £36.046m before collection fund surplus/deficits are taken into account (**see Appendix 6**)
- b) Note that the funding for 2026/27 is based upon the Provisional Local Government Finance Settlement (LGFS) , and includes the estimated business rates information for the nine billing authorities.
- c) Support the Commissioner's proposal to increase the 2026/27 precept for the fire element of the council tax bill by 5.45% or £5 per annum which is equivalent to 10p per week, increasing the council tax to £96.77 for a Band D Property (**see Appendix 6**).

- d) To note that the Council Tax base has increased to 372,491 properties **(see Appendix 5)** equivalent to an increase of 0.79%. The Council Tax collection fund has also been finalised delivering a surplus of £218k **(see Appendix 4)**.
- e) To note the MTFS summary financials **(Appendix 7)** and MTFS assumptions contained within the report (see page 15)
- f) To note the MTFS shows a savings requirement of £2.1m into the medium term and includes the use of reserves in 2026/27, £0.325m; 2027/28, £0.440m; and 2028/29 £0.172m (See Appendix 7).
- g) Support the proposed three-year Capital Investment Programme **(see Appendix 9)**. Note there is a Capital Strategy to accompany the programme.
- h) To note the business rates for 2026/27 is based upon the Provisional Local Government Finance Settlement. This will be adjusted within the Earmarked Business Rates adjustment reserve when compared to the actual Non-Domestic Rates Income Returns (NNDR returns) from the nine billing authorities.
- i) Note the outcome of The Staffordshire Commissioner's budget consultation.
- j) Support the delegation to the S151 Officer for the Staffordshire Commissioner Fire and Rescue Authority to make any necessary adjustments to the budget as a result of late changes to central government funding (including changes due to the final funding settlement being announced) via an appropriation to or from the general fund reserve.
- k) To note the proposed fees and charges for 2026/27 **(see Appendix 11)**.
- l) To note the Statement from the S151 Officer for the Staffordshire Commissioner Fire and Rescue Authority on the robustness of the Budget and adequacy of the proposed financial reserves.

Ben Adams
Staffordshire Commissioner

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Commissioner's Foreword



I am now in my fifth year as Staffordshire Commissioner and continue to be pleased with the progress Staffordshire Fire & Rescue Service is making. The last HMICFRS inspection confirmed marked improvement across almost all areas, reflecting the professionalism, dedication and leadership of our firefighters, staff and volunteers. I thank them for their outstanding work and am confident the Service will continue to build on this success ahead of the upcoming inspection in 2026, guided by my Fire & Rescue Plan.

This budget and Medium Term Financial Strategy is set against growing financial uncertainty following the Government's Fair Funding Review covering the next three years. Even with council tax increases at the maximum permitted level, reductions in central government funding are only partly offset, which is deeply disappointing. Government funding for Fire and Rescue Authorities is forecast to fall by around 7.4% in real terms over the next three years, with council tax rises expected to fill the gap. This shifts the burden of funding essential services onto local taxpayers and leaves authorities with little choice but to increase precepts simply to stand still. I am also concerned about future pay pressures. Fire and Rescue pay has historically lagged behind other emergency services, creating a real risk of above-inflation pay awards in the years ahead, further stretching already tight budgets.

Despite these challenges, the Service continues to deliver beyond its core remit. Its partnership work with the NHS and West Midlands Ambulance Service has helped hundreds of people avoid unnecessary hospital admissions, easing pressure on local health services. I am pleased these initiatives will continue into 2026 and beyond.

Over the past three years, my office and the Service have delivered more than £2.3m in recurring savings through a comprehensive transformation programme. Further work is underway to identify an additional £2.1m of efficiencies to improve productivity and protect frontline services.

To ensure the Chief Fire Officer has the resources needed to deliver the Community Risk Management Plan and meet national and local priorities, I propose a 5.45% increase in the Fire & Rescue council tax precept for 2026/27. This equates to £5 per year, or 10p per week, for a Band D property and is in line with the referendum limit set for the next three years.

I recognise the pressure on household budgets and will always seek to keep council tax as low as possible. However, this increase, alongside ongoing savings and transformation, is essential to avoid service reductions and maintain the safety of our firefighters and communities.

Staffordshire Fire & Rescue Service continues to perform strongly and, with sustained investment through this MTFS, I am confident it will continue to keep our communities safe.

Executive Summary

This report advises the Panel on the revenue budget for 2026/27, and the proposed level of council tax for the Staffordshire Commissioner Fire and Rescue Authority. It also presents an updated Medium Term Financial Strategy for the following four year period to 2030/31.

The Fair Funding Review 2.0 consultation document outlining the proposals for the next three-year settlement and was issued by the Ministry of Housing, Communities and Local Government (MHCLG), and ran from 20 June 2025 to 15 August 2025.

The Local Government Finance Settlement (LGFS) for 2026/27 was received on 17 December 2025 and incorporated the three year settlement for the first time in a decade. The Fair Funding Review 2.0 refreshed the methodology for distributing a fixed pot of funding between local authorities covered by the local government finance settlement using a Relative Needs Formula (RNF). Whilst many RNFs have been fully reviewed the data underpinning the Fire and Rescue RNF has simply been updated to reflect up latest information.

The Fair Funding review also incorporates and determines changes in the distribution of local authorities' business rate revenue. Some of this revenue is redistributed via the 'tariff' and 'top-up' system and constitutes a 'reset' of the Business Rates Retention Scheme (BRRS).

Staffordshire Commissioner Fire and Rescue Authority has been adversely affected by the impact of the LGFS and will see a reduction of £2.1m in core funding by 2028/29. In order to mitigate this shortfall the Government has assumed that the Council Tax will be increased by the full amount for the next three year period.

The Council Tax referendum limits included within the LGF Settlement has been confirmed at £5 for Council Tax increases for the next three years. The Commissioner has considered; current and future funding requirements, together with the factors included within his Fire and Rescue Plan, the results of the survey with local residents, as well as actual and expected cost pressures, including the loss of funding, and expected efficiency savings available to the Service as part of its updated transformation programme.

The Commissioner is proposing a 5.45% increase in Council Tax equivalent to an additional £5 per annum (10 pence per week) and will increase the Band D Council Tax for the Staffordshire Commissioner Fire and Rescue Authority to £96.77. A lower Council Tax assumption of 2.99% has been assumed for 2027/28 and 2028/29.

In summary, when considering the settlement funding position, the proposed increase in Council Tax of £5 and the updated transformation plan from the Commissioner a balance budget position is presented for the budget year 2026/27 and into the medium term, however this will require the support of the Authority's Reserves and a transformation savings programme of £2.1m by 2028/29, based upon the current council tax assumptions beyond 2026/27.

Background

1. The budget proposals contained within this report are based upon the provisional 2026/27 Local Government Finance Settlement received on 17 December 2025.
2. The Settlement Funding methodology for 2026/27 to 2028/29 has now been updated as part of the Fair Funding Review which has now been issued for the three year period.
3. The new Fair Funding settlement still comprises of three funding streams shown below but the methodology has been changed. The Revenue Support Grant (RSG), Business Rates top-up the 1% share of local business rates shown as extracted from the Provisional Local Government Finance Settlement. 2025/26 has been rebased to reflect the revised allocation methodology.

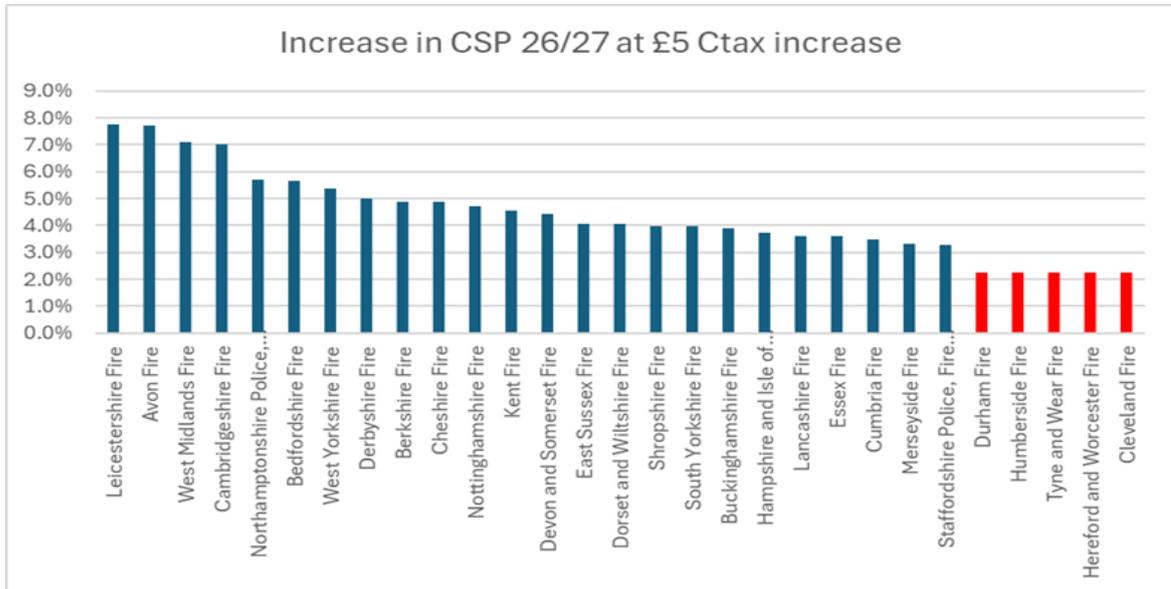
	2025/26 £m	2026/27 £m	Movement £m
1% share of Local Business Rates	3.980	5.418	1.438
Business Rates Top-up	6.568	3.426	(3.141)
Revenue Support Grant (RSG)	7.621	12.240	4.619
S31 Grants Funding - rebased (previously shown as income)	3.314		(3.314)
Total Fair Funding Assessment	21.482	21.084	(0.398) <i>(-1.8%)</i>

4. The Fair Funding Settlement allocations for 2026/27 is £0.4m lower than the rebased Settlement Funding. Fair Funding allocations across three year period are as follows and result in a net reduction of £2.134m.

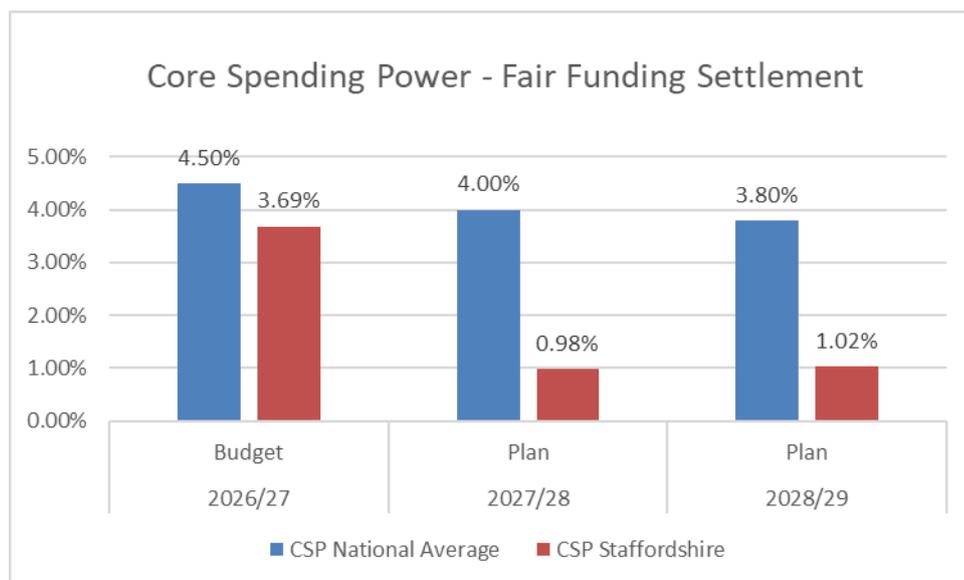
	2026/27 £m	2027/28 £m	2028/29 £m
Fair Funding Assessment	21.084	20.264	19.349
Variance to 2025/26	(0.398)	(1.218)	(2.134)

5. The Fire and Rescue sector will overall see a reported increase in core spending power (CSP) of 4.5% next year and then 4.0% and 3.8% in succeeding years. However, government funding is actually reducing by 1% in cash terms across the three years of the settlement and all of the increase in CSP as a result of the assumed £5 council tax increase in each year (along with taxbase increases).

6. There is significant variation across the Fire and Rescue Sector with 4 authorities above 6% increase and with 5 at the floor of 2.2% - four of which are in the NE (Cleveland/Tyne and Wear/Humberside/Durham and Darlington) and Hereford and Worcester as shown below:



7. The impact for this authority is shown above with Staffordshire at the lower end of the table next to Durham & Darlington and Humberside Fire and Rescue Authorities.
8. The impact on CSP over the three year period is shown below when compared to the three year settlement.



Note : the above assumes a 2.99% increase in Council Tax for 2027/28 and 2028/29, which is below the £5 assumed within the settlement.

Business Rates / Business Rates Top-up

9. The Staffordshire Commissioner Fire and Rescue Authority receives a 1% share of local business rates, in addition to a business rates top-up. The Panel should note that the 1% share of local business for 2026/27 has been estimated based upon the Provisional Local Government Finance Settlement.
10. The actual 1% share of the district/boroughs and city council's NNDR forms (Non-Domestic Rating Income Calculation and Estimate of Collection Fund Surpluses and Deficits), will be calculated with any surplus/deficit transferred to the business rates earmarked reserve.
11. As set out in local government finance policy statement 2026-27 to 2028-29, the reset of the Business Rates Retention System (BRRS) from 1 April 2026 is a core part of the government's Fair Funding Review (FFR) to ensure that the local government funding system is fit for the future.
12. The reset will allow government to redistribute retained rates income in line with relative need and resources. At the reset, all local authorities will be assigned new Business Rates Baselines (BRBs), Baseline Funding Levels (BFLs) and top-up or tariffs. New BFLs will be based on an updated assessment of need, developed as part of the review.
13. The reset is a redistributive exercise. All resources that local government currently have available which are associated with the BRRS will remain with local government post 1 April 2026. This includes the growth currently retained by authorities over current BFLs, and the grant compensation that has been awarded in respect of government relief schemes and for historic under-indexation of business rates multipliers (S31 Grants). However, as part of the reset, this funding will be distributed differently across the sector from 1 April 2026.
14. S31 grants for the Authority have therefore been redistributed but the methodology is not clear or transparent within the FFR. The exact amount of S31 Grant moved into RSG is not known.
15. The Authority will not have full clarity of the business rates position until the NNDR1 forms have been received from all nine billing authorities. The business rates reset has incorporated new complexity and it is expected that the submission of the NNDR1 forms will be later than 31 January deadline for many billing authorities.
16. In the event of any significant shortfall or excess in the 1% share of business rates without sufficient balance held within the Business Rates Earmarked Reserve a budget adjustment may be required as delegated to the S151 Officer.

Council Tax

17. The setting of Council Tax is under the control of the Staffordshire Commissioner. The process for issuing the precept is aligned to the setting of the Staffordshire Police precept following the change in governance arrangements in 2018. This process is laid out within Schedule 5 of the Police Reform and Social Responsibility Act 2011.
18. From 1 August 2018, the Staffordshire Commissioner assumed the functions of the former Stoke-on-Trent and Staffordshire Fire and Rescue Authority, including the power to issue a fire precept.
19. The Band D Council Tax for the Authority was approved at £91.77 for 2025/26, this report includes the proposal by the Commissioner to increase Council Tax by 5.45% or £5 to £96.77 in 2026/27.
20. The relevant basic amount of council tax for a fire and rescue authority is excessive if the authority's relevant basic amount of council tax for 2026/27 is more than £5 greater than its relevant basic amount of council tax for 2025/26 and sets the referendum limit for the Authority. This referendum limit has been set for the three year period 2026/27 to 2028/29 and the MTFs assumes the maximum increase during 2026/27.
21. A lower Council Tax increase of 2.99% has been included for the following two years 2027/28 and 2028/29.
22. The Council Tax base shown in **Appendix 5** has increased to 372,491 from 369,558 properties in 2025/26, which is equivalent to an increase of 0.79%. The Council Tax collection fund shows a surplus of £218k, shown in **Appendix 4**. Both the Council Tax base and the surplus on the collection fund have been finalised and agreed with the nine local billing authorities.
23. A 1% sensitivity in precept for the Staffordshire Commissioner is equivalent to £0.36m.
24. Based upon a 5.45% increase, the total budgeted precept (including collection fund) has increased by £2.436m, as follows:

Council Tax Amount 2025/26	£33.828m
Increase in Council Tax Base by 0.79%	£0.269m
Movement in Council tax Surplus	£0.305m
Increase in Council Tax by £5	£1.862m
Council Tax Amount 2026/27	£36.264m

25. The total funding position for the Staffordshire Commissioner for 2026/27 is shown below:

	2025/26	2026/27	Change
Fair Funding Settlement (*)	£21.482m	£21,084m	(£0.398m)
Council Tax (Precept)	£33.828m	£36,264m	£2.436m
Total Funding	£55,310m	£57,348m	£2,038m

(*) The Settlement Funding for 2025/26 has been rebased above in line with the revised Fair Funding methodology in order to enable accurate comparison.

26. The table below illustrates the financial impact of the precept changes on the Council Band D rate and increase in funding for the Staffordshire Commissioner Fire and Rescue Authority:

Council Tax (Fire Element)	2025/26	2026/27
Band D Council Tax Proposed	£91.77	£96.77
Increase on Prior Year	£5	£5
Percentage increase on Prior Year	5.76%	5.45%
Council Tax Increase*	£2,167,952	£2,131,630
Total Precept Levied (Band D)	£33,914,330	£36,045,961
Council Tax surplus (Deficit)	(£86,616)	£218,025
Total Council Tax	£33,827,714	£36,263,986
Weekly Increase	£0.10p	£0.10p

*This includes changes in the tax base as well as precept rate changes

Revenue Budget 2026/27

27. The Revenue Budget sets out to support Community Risk Management Plan (CRMP) and Fire and Rescue Plan issued by the Staffordshire Commissioner.
28. **Appendix 1** sets out the proposed revenue budget of £57.348m for 2026/27 based upon a proposed Council Tax Increase of £5 and the provisional Local Government Finance Settlement and the estimated 1% share of local business rates from the nine billing authorities within Staffordshire and Stoke-on-Trent.

29. The key features of the budget, are as follows:

Pay costs

The overall pay costs budget for 2026/27 at £37.6m, shows an increase of £1.4m more than last year's budget.

The budget for 2026/27 assumes that the pay award for 2026/27 will be at 3%, despite overall levels of key inflation measures stabilising there remains significant pressure on public sector pay.

There is, therefore, some risk associated with the assumed level of pay award for 2026/27 and the assumptions included within the updated MTFS. The representative bodies supporting Fire Service employees are already demanding above inflation pay awards.

The following bridge explains the net increase in pay costs:

	<u>£m</u>
Pay Budget – 2025/26	36.2
Pay Award Provision (2026/27 at 3%)	1.3
Pension – Firefighters' Pension Grant shortfall	0.1
Other factors (Overtime, Acting-up etc)	0.2
Vacancy Provision Adjustment (on-call and support)	0.6
LGPS – reduction in headline contribution	(0.2)
Other Employee Costs	(0.1)
Restructure and efficiency savings	(0.4)
Non-recurring pay funded (e.g. Secondments, Falls Response, Home from Hospital)	(0.1)
Pay Budget – 2026/27	37.6

Non-pay costs

Non-pay costs are budgeted to reduce by over £0.6 million year on year. Some of the main movements in non-pay costs are as follows:

- Premises costs have reduced by £0.3m. This reflects the expected reduction following the business rates reset
- Firelink/Airwave costs (Emergency Services network), the credit of 52% for all airwave changes from Motorola is now being received, £0.4m
- A saving target of £0.1m has been introduced into the 2025/26 budget for non-pay which forms part of the transformation programme into the medium term
- Clothing and Uniform (PPE costs) and other equipment, £0.2m

Income

Income for 2026/27 is budgeted to reduce by £0.4m to £2.3m

- The returns received from cash invested by the Authority (see Treasury Management Strategy), are now headlining interest reduced following the Bank of England base rate reductions in 2025/26. This will result in a reduction of £0.2m
- Income from Non-recurring down by £0.1m
- The firelink grant was removed in 2025/26 – one year early - £47k

Capital Charges

Total capital charges are budgeted to reduce by £0.2m to £7.0m

- The £1.65m minimum revenue provision requirement for 2026/27 is in line with the MRP Policy. This is based upon the capital investment programme and strategy and has remained at the same budgeted level
- The budgeted level of interest on the existing long terms loans of £15.150m is 4.45% (Budget 2026/27, £0.674m). The £1m Lender Option Borrower Option Loan was repaid in 2025/26 this has reduced the interest payments by £40k per annum in 2026/27. This loan is forecast to be replaced in 2028/29
- The budget includes a proportion of direct funding for the replacement of operational vehicles (including appliances) cars and vans, down £0.1m
- The unitary charge for the PFI contracts increases by RPIx applied to the variable elements of both PFI contracts. The RPIx rate led to increases of 8.2% in 2022/23 and 12.9% for 2023/24, 3.5% for 2024/25 and 3% for 2025/26. Total impact of high inflation in the last five years is c.£1.3m by March 2027 (cumulative impact c.35% increase in variable costs). The increase in 2026/27 is c.£0.1m

Budget Monitoring 2026/27

30. A budget monitoring report will be considered by the Strategic Governance Board on a quarterly basis. A monthly Finance Report will be issued to members of the Service Delivery Board (SDB) and all budget holders. In addition, the Finance System (Integra) issues automated monthly reports to budget holders.
31. A copy of the monthly Finance Report will be made available to members of the Joint Audit and Risk Committee (JARC), and also to the external auditors, Azets, as requested.

Service Transformation Programme

32. Ongoing Service Transformation has been necessary to ensure that Staffordshire Fire and Rescue Service can continue to deliver ‘a modern, efficient, and sustainable level of service to the public’ that prioritises the safety of both our staff and our communities. The Deputy Chief Fire Officer oversees the Service’s Transformation Programme that will consider how transformation can best support our priorities of **our communities**, **our people** and **our environment**.
33. The Transformation Board was formed in Feb 2022, with representatives from various areas of the Service. Its purpose is to investigate ways to transform the Service and ensure its financial sustainability. The Board has met regularly to monitor and evaluate progress through an action plan, while also providing recommendations through the relevant governance channels.
34. A multi-phase transformation programme has been undertaken in order to meet financial sustainability targets as set out in the Medium-Term Financial Strategy (MTFS). Following the successful completion of Phase 1, which delivered substantial recurring savings, the focus has shifted to the implementation of Phase 2 initiatives. At the same time, attention has now been focussed upon the identification and delivery of additional financial savings required to secure the required savings from 2026 onwards as a result of the Fair Funding Formula review under the three-year comprehensive spending review.
35. The Phase 1 target of £1.3m has been fully delivered, meeting targets through a combination of the following workstreams:
 - Workforce efficiencies with savings made from reducing wholetime crewing figures and reviews of prevention and protection staff
 - Process improvements around operational crewing and training
 - Strategic project completions which have seen investments in the On-call service and procurement of new innovative appliances
36. The Phase 2 of £1m has also been identified and the full saving has been incorporated into the updated MTFS:
 - the removal of a Project Manager role,
 - the re-alignment of a fire engineer role,
 - the closure of the community Sprinkler project
 - MRP savings from the year end position and capital savings
 - Motorola – contingent Asset return
 - Administrative Review
 - Estates Sharing & Property Disposal
 - Workforce Efficiencies (reduced FTE)
37. The Transformation Board moved into the next phase during February 2026 in order to review and assess the requirements for savings as identified within the updated MTFS. This will include the results of a review by an external partner

which has now been completed utilising up to date and historic risk and demand data in order to objectively review existing station locations and current shift patterns.

38. In order to balance the updated MTFS the Commissioner has tasked the Service to deliver a further £2.1m of new recurring savings, which is a major challenge and will result in further significant transformational change being necessary.

Reserves and Balances

39. The Authority holds two reserves, a Specific/Earmarked Reserve which is built up through any surplus within the Income and Expenditure account. The utilisation of this fund has been established with the approved Reserves Strategy that was last updated in February 2024; and a General Reserve which is held to protect against any spate or emergency conditions that may arise, (**see Appendix 3**).
40. At 1 April 2025 the Authority held £1.9m in General Reserves and a risk assessment for this reserve was undertaken as part of the budget setting process for 2026/27 and the overall provision of £1.9m has remained unchanged for a number of years and represents less than 4% of the proposed revenue budget for the year.
41. At 1 April 2025 the Authority held £6.8m in Earmarked Reserves. **Appendix 2** demonstrates the impact on Earmarked Reserves for the Council Tax proposal included within this paper. The schedule also assumes utilisation of capital spend as incorporated within the Reserves Strategy. It does not assume use of reserves for other contingency areas that are incorporated within the Reserves Strategy.
42. The Earmarked Reserved is forecast to reduce to £3.7m by 2030/31 in line with the MTFS assumptions
43. The forecast balance on the Earmarked Reserves is detailed within the Reserves Strategy update paper and shown below (**see Appendix 2**).

Medium Term Financial Strategy

44. The MTFS has been updated to reflect the budget proposals for 2026/27 and incorporates the assumptions contained with the Provisional Local Government Settlement, which includes the assumed increase in Council Tax of £5. A summary of the financials covering the medium term period 2026/27 to 2030/31 are included within **Appendix 7**.
45. The budget for 2026/27, 2027/28 and 2028/29 includes the use of £1.0m of earmarked reserves.
46. Should the overall funding for the Authority not be in line with the assumptions incorporated within this report following the Final Settlement, saving targets and use of reserves will need to be re-visited.

47. There remains a significant level of financial uncertainty regarding the funding position for the Authority beyond and including 2026/27, this unfortunately results in a higher level of risk associated with the funding assumptions contained within the updated MTFS.
48. The MTFS includes additional savings of £2.1m by 2028/29, should the level of Council Tax be increased by £5 during 2027/28 and 2028/29 this reduces the savings target by £1.6m to £0.5m as shown within **Appendix 8**.
49. The main areas of uncertainty must be considered when reviewing this MTFS:
- The likely impact of pay awards for 2026/27 and beyond above the budgeted 3% and MTFS levels – see paragraph 50 below
 - The assumption contained with the three year Local Government Finance Settlement is for Council Tax to be increased by the maximum amount of £5 for 2026/27, 2027/28 and 2028/29
 - The Commissioner has decided that in keeping with previous years the forecast Council tax increases should be held at 2.99%, approximating inflation, for 2027/28 and 2028/29 until consultation with the communities of Staffordshire and Stoke on Trent has been undertaken in each year
 - The Impact of Inflation on all costs which could be impacted upon events outside of the control of the Authority
 - The impact on Firefighter pension costs after 2026/27 and future levels of employer contributions into the scheme, should funding not be included within the next Comprehensive Spending Review
 - The impact of economic and political uncertainty into the medium term and the future impact of local government devolution
 - Delivery of the £2.1m savings target as per the new transformation programme over the MTFS period
 - The full impact of the business rates reset, which are not certain at the time of setting the 2026/27 budget.
50. A 1% sensitivity across key budget areas is reflected below:

Cost / Income Area - 1% Sensitivity	Change	£m
Pay Costs	+/- 1%	0.37
Premises Costs (incl utilities)	+/- 1%	0.04
Vehicles	+/- 1%	0.01
Supplies and Services	+/- 1%	0.10
Employer Pension Contributions	+/- 1%	0.08
Fair Funding Settlement	+/- 1%	0.21
Precept	+/- 1%	0.36
Council Tax Base	+/- 1%	0.36

51. A summary of the main MTFS assumptions are shown below for consideration:

	2026/27	2027/28	2028/29	2029/30
	Budget	Plan	Plan	Plan
<u>PAY COSTS</u>				
Pay Award Operational Staff	3.0%	2.0%	2.0%	2.0%
Pay Award Non Operational Staff	3.0%	2.0%	2.0%	2.0%
Other Pay Costs	3.0%	2.0%	2.0%	2.0%
Pension Costs - Fire Fighters Pension Grant (Est)	(£1.16m)	(£1.16m)	(£1.16m)	(£1.16m)
<u>NON PAY COSTS</u>				
Utilities (Electricity, Gas and Water)	4.0%	2.0%	2.0%	2.0%
Business Rates	(15%)	6.3%	2.0%	2.0%
General Supplies and Services	3.0%	2.0%	2.0%	2.0%
<u>INTEREST RATES</u>				
Interest on Investments	3.0%	3.0%	3.0%	3.0%
Interest on Debt	4.4%	4.4%	4.4%	4.4%
<u>GENERAL FUNDING</u>				
Council Tax Increases	5.45%	2.99%	2.99%	1.99%
Council Tax Base Growth	0.79%	1.00%	1.00%	1.00%
Revenue Support Grant	60.6%	(8.4%)	(9.8%)	1.0%
Local Business Rates	36.1%	2.0%	2.0%	1.0%
Business rates Top-up grant	(47.8%)	2.8%	2.0%	1.0%

Capital Programme

52. The three year Capital Programme and Capital Strategy for 2026/27 to 2028/29 has been developed and is reviewed within the Capital Strategy.
53. The Capital Programme has been developed by the operational budget holders with all plans submitted to the Capital Review Group chaired by the Director of Finance.
54. The total programme of £5.3m for 2026/27 includes an element of carry-over from the current year. Whilst this delay has not impacted upon service delivery to date, it has culminated in a challenging but deliverable programme.
55. The revenue consequences of the proposed programme have been considered in the development of the revenue budget and the required prudential indicators are set out within the Treasury Management Strategy.
56. As part of the capital programme for 2026/27 the Commissioner has committed the use of £0.4m of reserves to support the station refurbishment work at Brewood which will complete the project in 2026/27.
57. The summary capital programme for the next three years is shown within **Appendix 9**.
58. The detailed programme for 2026/27 is shown within **Appendix 10**.

Statement from the Director of Finance / S151 Officer on the robustness of the Budget and adequacy of the proposed financial reserves

59. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2013, requires the Chief Financial Officer / Treasurer for the Staffordshire Commissioner Fire and Rescue Authority to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The Commissioner is required to have regard to the report of the Chief Financial Officer and the report must be given to the Police Fire and Crime Panel.

60. I can confirm that the budget for 2026/27 is balanced and has been produced on a robust basis. Whilst there remains some uncertainty with regard to future settlement funding, the level of Council Tax increases, increased pay awards and the costs of Firefighter's pensions, estimates have been included within the Medium Term Financial Strategy and appropriate provision made within Earmarked Reserves.

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Staffordshire Commissioner Fire and Rescue Authority

Appendix 1

Revenue Budget Summary 2026/27

	Budget 2025/26	Budget Proposal 2026/27	Year on Year Change
	£000s	£000s	£000s
Pay			
Pay Costs	33,820	35,137	1,317
Other Employee Costs	2,666	2,548	(118)
Pay Efficiency	(300)	(100)	200
Total Pay	36,185	37,585	1,400
Non Pay			
Premises Costs	4,687	4,347	(340)
Transport Costs	1,139	1,156	17
Supplies & Services Costs	9,965	9,792	(173)
CFS Costs and Initiatives	320	249	(71)
Non Pay Efficiency	(100)	(100)	
Total Non Pay	16,012	15,444	(567)
Income			
Income - General	(2,109)	(1,934)	175
Interest Receivable	(608)	(410)	199
Total Income	(2,717)	(2,344)	373
Capital charges	2,217	2,060	(157)
Interest Payable	723	674	(50)
PFI Unitary Charge	4,220	4,255	35
Total Capital Charges	7,160	6,988	(172)
Total Revenue before Reserves	56,640	57,673	1,033
Transfer to/(from) Reserves	(1,330)	(325)	1,005
Budget Gap in Year			
Total Revenue Budget	55,310	57,348	2,038
FINANCED BY:			
<u>Settlement Funding</u>			
Revenue Support Grant	7,621	12,240	4,619
Local Business Rates (1%)	3,980	5,418	1,438
Government Top-up (business rates)	6,568	3,426	(3,142)
Fair Funding Allocation	3,314		(3,314)
Total Settlement Funding	21,482	21,084	(398)
<u>Council Tax</u>	33,828	36,264	2,436
Total Financing	55,310	57,348	2,038

Staffordshire Commissioner Fire and Rescue Authority

Appendix 2

Earmarked and General Reserves Summary to 2030/31

RESERVES FORECAST	2024/25 Actual £m	2025/26 Est. £m	2026/27 Est. £m	2027/28 Est. £m	2028/29 Est. £m	2029/30 Est. £m	2030/31 Est. £m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<u>Earmarked Reserves</u>							
PFI Reserve (Project Reserve Deductions)	0.8	0.8	0.8	0.8	0.3	0.3	0.3
Reserve - Brewood Refurbishment	0.4	0.3					
Operational Budget Holder Reserves	0.8	0.7	0.7	0.6	0.4	0.4	0.4
Insurance Reserve	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Budget and MTFS Support Reserve							
Business Rates reserve	0.2	0.5	0.5	0.5	0.5	0.5	0.5
Capital Reserves	0.2	0.2	0.2	0.2			
Fire Control Project Reserve	0.3	0.1					
ESN Reserve		0.5	0.5	0.5	0.5		
Pension Reserve	1.5	1.2	1.2	1.2	1.2	1.2	1.2
Collaboration Reserve	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Future Funding reserve	1.9	1.3	1.0	0.5	0.3	0.2	0.6
Total Earmarked Reserve	6.8	6.4	5.6	5.1	4.0	3.4	3.7
Total Reserves Available (Useable)	8.7	8.3	7.5	7.0	5.9	5.3	5.6
Percentage of Revenue Budget							
General Reserve	3.8%	3.4%	3.3%	3.2%	3.2%	3.1%	3.0%
Earmarked Reserve	13.6%	11.5%	9.8%	8.7%	6.6%	5.5%	5.9%
Total	17.4%	14.9%	13.1%	11.9%	9.8%	8.6%	9.0%

Staffordshire Commissioner Fire & Rescue Authority Appendix 3

Risk Assessment of General Reserves for 2026/27

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment for general reserves was undertaken as part of the budget setting process for 2026/27 and the overall provision of £1.9m has remained unchanged for a number of years and represents 3.3% of the revenue budget set for the year.

Whilst not a complete list of all the financial risks, the assessment focused on those most likely (High and Medium risks) to have a significant impact on the budget year.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2026/27 Provision £000
Loss of Employees / additional pay costs	High	Spate conditions caused by for example; prolonged severe weather conditions (e.g. hot weather or flooding), unexpected loss of staff through COVID-19, Avian Flu / Ebola etc.	650
Insurance loss / impact of data breach	Medium	Risk of incurring uninsured losses Risk of breach due to inappropriate information sharing / failure to implement EU GDPR	550
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	300
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, waste fires / tipping	300
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	100
TOTAL			1,900

Staffordshire Commissioner Fire & Rescue Authority

Appendix 4

Council Tax Report 2026/27

Council Tax Surplus / (Deficit) by Authority

Surplus/ (Deficit)

	2025/26	2026/27	Variation
	£	£	£
Cannock Chase	(48,069)	27,217	75,286
East Staffordshire	31,444	(8,197)	(39,641)
Lichfield	470	41,000	40,530
Newcastle	150	(25,563)	(25,713)
South Staffordshire	45,166	24,237	(20,929)
Stafford	(43,813)	78,129	121,942
Staffordshire Moorlands	36,850	(9,540)	(46,390)
Stoke	(123,151)	62,387	185,538
Tamworth	14,187	28,355	14,168
Total (per budget paper)	(86,767)	218,025	304,792

Staffordshire Commissioner Fire and Rescue Authority

Appendix 5

Council Tax Report 2026/27

Taxbase by Billing Authority

Taxbase figures

	2025/26	2026/27	Var	YOY %
Cannock Chase	29,999	29,863	(136)	(.45%)
East Staffordshire	41,575	41,513	(62)	(.15%)
Lichfield	41,523	42,132	(610)	(1.47%)
Newcastle	39,807	40,258	(451)	(1.13%)
South Staffordshire	40,191	40,492	(301)	(.75%)
Stafford	49,634	50,296	(662)	(1.33%)
Staffordshire Moorlands	34,382	34,455	(73)	(.21%)
Stoke	68,851	69,408	(557)	(.81%)
Tamworth	23,596	24,073	(477)	(2.02%)
Total	369,558	372,491	(2,933)	(.79%)

Council Tax Report 2026/27

Council Bands for Each Band and District Precepts

Based upon a Band D Increase of £5

Council Tax Band Figures

	2025/26	2026/27	Increase	Per Week
Band	£	£	£	Pence
A	61.18	64.51	3.33	6.4
B	71.38	75.27	3.89	7.5
C	81.57	86.02	4.44	8.5
D	91.77	96.77	5.00	9.6
E	112.16	118.27	6.11	11.8
F	132.56	139.78	7.22	13.9
G	152.95	161.28	8.33	16.0
H	183.54	193.54	10.00	19.2

Precept Payable

	2025/26	2026/27	Variation	
	£	£	£	%
Cannock Chase	2,753,015	2,889,839	136,824	4.97%
East Staffordshire	3,815,356	4,017,232	201,876	5.29%
Lichfield	3,810,538	4,077,152	266,614	7.00%
Newcastle	3,653,088	3,895,767	242,678	6.64%
South Staffordshire	3,688,328	3,918,411	230,083	6.24%
Stafford	4,554,926	4,867,174	312,248	6.86%
Staffordshire Moorlands	3,155,236	3,334,210	178,974	5.67%
Stoke	6,318,438	6,716,632	398,194	6.30%
Tamworth	2,165,405	2,329,544	164,139	7.58%
Total	33,914,330	36,045,961	2,131,631	6.29%

Staffordshire Commissioner Fire and Rescue Authority
Appendix 7
MTFS Summary Financials to 2030/31

	2026/27 Budget £000s	2027/28 Plan £000s	2028/29 Plan £000s	2029/30 Plan £000s	2030/31 Plan £000s
Pay					
Pay Costs	35,137	35,711	36,264	36,826	37,396
Other Employee Costs	2,548	2,464	2,501	2,539	2,577
Pay Efficiency Plan Saving	(100)	(800)	(1,600)	(1,600)	(1,600)
Total Pay	37,585	37,376	37,166	37,765	38,372
Non Pay					
Premises Costs	4,347	4,580	4,671	4,765	4,860
Transport Costs	1,156	1,131	1,154	1,177	1,200
Supplies & Services Costs	9,792	10,052	10,253	10,458	10,667
CFS Costs and Initiatives	249	244	249	254	259
Non Pay Efficiency Plan Saving	(100)	(300)	(500)	(500)	(500)
Total Non Pay	15,444	15,707	15,827	16,153	16,486
Income					
Income - General	(1,934)	(2,083)	(2,123)	(2,165)	(2,207)
Interest Receivable	(410)	(230)	(150)	(107)	(107)
Total Income	(2,344)	(2,312)	(2,273)	(2,272)	(2,314)
Capital charges	2,060	2,512	2,794	3,133	3,122
Interest Payable	673	662	812	812	887
PFI Unitary Charge	4,255	4,405	4,348	4,392	4,435
Total Capital Charges	6,988	7,579	7,954	8,337	8,445
Total Revenue	57,673	58,349	58,673	59,983	60,989
Use of Reserves	(325)	(440)	(172)	(115)	284
Total Revenue	57,348	57,909	58,501	59,868	61,273
FINANCED BY:					
Settlement Funding					
Revenue Support Grant	12,240	11,218	10,120	10,221	10,323
Local Business Rates (1%)	5,418	5,526	5,637	5,693	5,750
Government Top-up (business rates)	3,426	3,521	3,593	3,629	3,665
Fair Funding Rebase Budget					
Total Settlement Funding	21,084	20,264	19,349	19,542	19,738
Council Tax	36,264	37,645	39,152	40,326	41,535
Total Financing	57,348	57,909	58,501	59,868	61,273

Staffordshire Commissioner Fire & Rescue Authority
Appendix 8
MTFS Summary Financials to 2030/31
(assumes £5 Council Tax increase in 2027/28 and 2028/29)

	2026/27 Budget £000s	2027/28 Plan £000s	2028/29 Plan £000s	2029/30 Plan £000s	2030/31 Plan £000s
Pay					
Pay Costs	35,137	35,711	36,264	36,826	37,396
Other Employee Costs	2,548	2,464	2,501	2,539	2,577
Pay Efficiency Plan Saving	(100)	(200)	(400)	(400)	(400)
Total Pay	37,585	37,976	38,366	38,965	39,572
Non Pay					
Premises Costs	4,347	4,580	4,671	4,765	4,860
Transport Costs	1,156	1,131	1,154	1,177	1,200
Supplies & Services Costs	9,792	10,052	10,253	10,458	10,667
CFS Costs and Initiatives	249	244	249	254	259
Non Pay Efficiency Plan Saving	(100)	(100)	(100)	(100)	(100)
Total Non Pay	15,444	15,907	16,227	16,553	16,886
Income					
Income - General	(1,934)	(2,083)	(2,123)	(2,165)	(2,207)
Interest Receivable	(410)	(230)	(150)	(107)	(107)
Total Income	(2,344)	(2,312)	(2,273)	(2,272)	(2,314)
Capital charges	2,060	2,512	2,794	3,133	3,122
Interest Payable	673	662	812	812	887
PFI Unitary Charge	4,255	4,405	4,348	4,392	4,435
Total Capital Charges	6,988	7,579	7,954	8,337	8,445
Total Revenue	57,673	59,149	60,273	61,583	62,589
Use of Reserves	(325)	(448)	(204)	(99)	348
Total Revenue	57,348	58,702	60,069	61,484	62,937
FINANCED BY:					
Settlement Funding					
Revenue Support Grant	12,240	11,218	10,120	10,221	10,323
Local Business Rates (1%)	5,418	5,526	5,637	5,693	5,750
Government Top-up (business rates)	3,426	3,521	3,593	3,629	3,665
Fair Funding Rebase Budget					
Total Settlement Funding	21,084	20,264	19,349	19,542	19,738
Council Tax	36,264	38,438	40,720	41,941	43,199
Total Financing	57,348	58,702	60,069	61,484	62,937

Staffordshire Commissioner Fire & Rescue Authority

Appendix 9

Capital Programme Summary 2026/27 to 2028/29

	2026/27 Budget	2027/28 Plan	2028/29 Plan
	£	£	£
Building & Infrastructure Works			
Station Refurbishment			
Improvement Works	1,083,612	1,470,000	1,530,000
Total	1,083,612	1,470,000	1,530,000
Operational Equipment	1,100,631	365,000	346,000
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,630,000	1,000,000	1,805,000
Vans & Cars	368,000	260,000	448,000
Total	1,998,000	1,260,000	2,253,000
Information Technology			
ICT Hardware, Software Systems & Installations	1,108,431	1,000,000	985,000
Total	1,108,431	1,000,000	985,000
Total Capital Programme	5,290,674	4,095,000	5,114,000
Funding			
Direct Revenue Funding	410,000	470,000	500,000
Unsupported Borrowing	4,457,497	3,625,000	4,114,000
Earmarked Reserves	393,177		500,000
Capital Receipts			
Total Funding	5,290,674	4,095,000	5,114,000

Capital Programme Detail - 2026/27

Scheme Description	Detail	Proposed Capital Programme £
Building Works - Improvements		
Pirehill - CCTV System replacement	Replace existing CCTV system	80,000
HQ - FBT clean concept	Undertake a design and feasibility of options around FBT Clean concept	50,000
Stafford Fire Station - minor refurbishment	undertake changes to the changing facilities	100,000
Stafford Fire Station External Lighting replacement	Replace existing and install new perimeter lighting - Require planning application	90,435
Stafford Fire Station Fire Alarm	Replace existing fire alarm system	80,000
Stafford Fire Station - Automated gate	Installation of automated vehicle gate and pedestrian gate, slight remodelling of access ways for pedestrians - Police to contribute 50% towards total cost	60,000
LED Lighting	Replace current lighting with LED lighting - Wombourne, Finance portakabin, Tutbury, Barton	80,000
Brewood Refurbishment	Undertake building refurbishment	393,177
Sustainability heating system replacement - Stations	Gnosall - Heating system replacement	150,000
		1,083,612
Operational Equipment		
Operational Equipment Pool		25,000
Cylinder Replacement	Phase 2	125,000
BA compressors x 2	Planned replacement of existing compressors	98,077
Air Bags	Due for replacement 26/27	25,000
Wildfire PPE	Replacement of existing Wildfire PPE to conform with new EN Standards	125,000
ALP Escape Sets	Colts & Micros	14,000
Gas Monitors	New unit procurement	65,000
Asset Tracking	Carry Forward from 25/26	80,000
BA Set Washing Machine	Carry Forward from 25/26 (awaiting FBT work to be completed)	33,554
Cobra System Equipment	Awaiting evidence and feedback from Lichfield.	65,000
Equipment For Marked 4x4 Response Vehicles	Pumps and equipment for 4x4 vehicles.	35,000
Equipment for PRL 6, 7, 8, 9	£60k per PRL	240,000
Equipment for water carrier		50,000
Radiation Equipment Replacement	Replace failed units	45,000
Appliance CCTV	Option A - per 24.11.25 Response Board Paper	75,000
		1,100,631
Appliances & Vehicles - Heavy		
PRLs	PRL 6 / PRL 7 / PRL 8 / PRL 9 - Body Build Payments - From new tender - £275k per vehicle	1,100,000
PRLs	PRL 10 / PRL 11 - Chassis Payments - From new tender - £150k per vehicle	300,000
1 x Water Carriers	£380k per vehicle. £150k for chassis. £230k for build. Vehicle #1 Build	230,000
Appliances & Vehicles - Light		
Marked Standard Response Cars x 7	Station Managers - £25k per vehicle (inc commissioning) - replaces all seven 69 plate Vauxhall Astra's at 8 years old	182,000
Marked 4x4 Response Vehicles x 1	£35k per vehicle (includes commissioning costs) - replaces last of the 63 plate Ford Rangers at 14 years old	36,000
Utility Van Small/Medium x4	£20k - Replace DX13 FBN, FBL, FBK and FBJ which will be 14 years old	80,000
Rope Rescue Vehicle	Decision to be made on whether to have combined RR and Confnd Space vehicle at Response Board 2025. If we need replacement will be circa £60k	70,000
		1,998,000
Information Technology		
Mobile Phone Replacement		35,000
ICT Rolling Programme - Desktop		150,000
ICT Rolling Programme - Infrastructure		150,000
MDT Replacement - Software	Rolled forwards from 25-26 - per 18.09.25 CRG	88,431
Station End	Rolled forwards from 25-26 - per 18.09.25 CRG	150,000
PSTN Network Refresh	Separated this from PSN due to time frames. Need another budget code.	50,000
PSN Migration	Migration extend for a further 12 months.	50,000
Wireless Access Points	Replacement of access points at stations. Need more in each station to improve connectivity. Project split over 2 years. .	35,000
Back up System	Hardware plus 3 year licences	400,000
		1,108,431
Overall Total		5,290,674

Staffordshire Commissioner Fire and Rescue Authority

Appendix 11

	Current (Net of VAT) £	Charges from 1st April 2026 (Net of VAT) £	VAT Status
(a) Special Service Charges			
Attendance per Appliance per hour* (Including crew) <i>*£414.40 for the first hour and £103.60 per ¼ hour thereafter. e.g. between 1-6 mins round down, or 7-15 mins round up to the nearest ¼ hour interval.</i>	400.00	414.40	Standard
Professional services per hour <i>e.g. Officer interviews, provision of advice</i>	105.00	108.78	Standard
Fire investigation Interviews scope <i>£138.82 per hour or part hour</i>	134.00	138.82	Out of
Fire Investigator detailed Fire report scope	470.00	486.92	Out of
(b) Other charges			
Extract of Fire reports scope	106.00	109.82	Out of
Some information retrieval may incur an additional administration charge of £51.80 ex VAT per search.			
Photographic/digital images	Price on Application	P.O.A	Standard

c) Conference Suite
Scale of Charges from 1st April 2026

	Current (Net of VAT) £	Charges from 1st April 2026 Room Hire Only Whole day Mon-Fri (Net of VAT) £
Conference Suite		
Room 1	322.88	334.50
Room 2	220.56	228.50
Room 3 - break out area	138.26	143.24
Room 4 (VDR)	220.56	228.50
Rooms 1 and 2	454.76	471.13
Rooms 1, 2 and 3	568.44	588.90

Catering Charges

Prices will be quoted to clients on request taking into account their requirements, location and current food costs.

Charges quoted are subject to VAT at prevailing rates

A 50% charge of the total cost of the Room Hire Booking will be made if a cancellation is not received within 10 working days of the date of the hire.

Half day rates will be charged on a 25% reduction on a whole day rate.

The full charge for catering will be made if a cancellation is not received within 48 hours of the date of the hire. A charge of 25% of the total food cost will be made if the cancellation falls in the period of 5 working days to 48 hours prior to the booking.

The full cost of any damage or breakages inclusive of any consequential financial losses which such damage may incur whilst repairs or replacement of equipment is arranged, will be charged to the hirer

Report to the Police Fire and Crime Panel

9 February 2026

Fire Capital Strategy and Capital Programme 2026/27 to 2028/29

(Incl. Minimum Revenue Provision Policy)

Report of the Staffordshire Commissioner

INTRODUCTION

As part of the overall financial strategy for the Staffordshire Commissioner Fire and Rescue Authority a three-year Capital Programme has been prepared. This report schedules the proposed investment programme for 2026/27 to 2028/29, and presents the indicators required within the current Prudential Code. This all-forms part of the Capital Strategy for the Staffordshire Commissioner Fire and Rescue Authority for the next three years.

The Prudential Code requires local authorities to determine that capital expenditure and investment decisions are affordable, prudent and sustainable, and to set limits on the amount they can afford to borrow in the context of wider capital planning. The Capital Strategy is part of the Authority's sound medium term financial planning process, ensuring there is a clear strategy supporting the next three years of capital investment.

The Capital Strategy sets out how the long-term context in which capital investment and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes in line with the newly published Corporate Risk Management Plan. It also demonstrates that the Authority takes capital and investment decisions in line with Service objectives and properly takes account of stewardship, value for money, prudence, sustainability and importantly affordability.

This report also reviews the approach that the Authority has taken during the last few years, successfully managing the capital programme, reducing future capital financing requirements, and through the repayment of long-term loans reducing interest payments. However, the capital financing requirement for the Authority is now forecast to increase into the medium term.

This report should also be considered alongside the Treasury Management Strategy, with both reports covering the reporting requirements of CIFPA's Prudential Code and Treasury Management in the Public Sector.

RECOMMENDATIONS

That the Police Fire and Crime Panel note:

- a) the three-year Capital Programme for 2026/27 to 2028/29 as set out in Appendix 1,
- b) the detailed capital programme for 2026/27 as set out within Appendix 2
- c) the Capital Strategy
- d) the Prudential Indicators that are set out within Appendix 3 including the Capital Financing Requirement for the three-year period
- e) that the funding of capital expenditure from Reserves for the period 2026/27, 2027/28 and 2028/29 is in line with the Reserves Strategy
- f) the Minimum Revenue Provision (MRP) policy statement incorporated within this report
- g) the capital programme and capital strategy supports the main Budget and MTFS paper

Ben Adams

Staffordshire Commissioner

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1. Background

- 1.1 The Capital Strategy forms a key part of the Staffordshire Commissioner Fire and Rescue Authority's overall Corporate Planning Framework. It provides a mechanism by which the Commissioner's capital investment and financing decisions can be aligned over the medium-term planning horizon.
- 1.2 The Strategy sets the framework for all aspects of the Commissioner's Fire and Rescue capital and investment expenditure; including planning, outcomes, prioritisation, management, funding and repayment.
- 1.3 There are four main areas of spend which feature within the Capital Programme;
 - Estates and Building Works
 - Operational Equipment
 - Appliances and Vehicles
 - Information Technology

2. Objectives

- 2.1 The key aims of the Capital Strategy are to:
 - provide a clear set of objectives and a framework within statutory legislation that proposes new capital expenditure to be evaluated to ensure that all new capital investment is targeted at meeting the vision, aims and priorities of the Authority
 - set out how the Authority identifies, programmes and prioritises capital requirements and proposals
 - consider options available for funding capital expenditure and how resources may be maximised to generate investment in the area and to determine an affordable and sustainable funding policy framework, whilst minimising the ongoing revenue implications of any such investment
 - identify the resources available for capital investment over the MTFS planning period;
 - ensure the strategy has an overall balance of risk on a range of investments over timespan, type of investment and rate of return
 - establish effective arrangements for the management of capital expenditure including the assessment of project outcomes, budget profiling, deliverability, value for money and security of investment are all in line with the established Capital Framework
 - deliver projects that focus on delivering the long term benefits to the Authority and the communities served within Staffordshire and Stoke on Trent.
 - Consider how projects are aligned to and support the environmental and sustainability strategy

3. Governance of the Capital Programme

3.1 A governance process is clearly established within the Service and Authority and will continue to be adhered to, will follow standing orders and financial regulations to ensure that available resources are allocated optimally and deliver value for money, and that capital programme planning is determined in parallel with the Service and revenue budget planning process within the framework of the MTFS. These include:

- The Strategic Governance Board (SGB) which is ultimately responsible for approving the Capital Strategy for investment and the Capital Programme for approving changes to the programme within financial regulations and for the approval of business case submissions.
- The Joint Audit and Risk Committee (JARC) which is responsible for scrutiny of the MTFS documents and the capital budget monitoring reports and can make recommendations to the Strategic Governance Board (SGB).
- The Capital Review Group has been established for several years and provides detailed scrutiny for all capital spend proposals and monitors delivery of the current year's programme and develops a rolling three year programme. The group consists of key stakeholders from within the Service and holds responsibility for the delivery of the Service's capital programme and has clear Terms of Reference in place. Actions from this group are reviewed by the Service Delivery Board.
- A new capital framework was introduced by the Authority on 1 October 2023, supported by the Commissioner and Chief Fire Officer. The framework complements the Corporate Governance Framework and gives an overview of the capital authorisation process.

3.2 For new major projects and programmes an outline business case will be submitted through the governance arrangements that needs to include the capital investment requirements, repayment mechanisms, revenue impacts of capital spend and also lifetime costing if applicable in line with the requirements of the updated capital framework.

3.3 For smaller areas of capital spend (based upon a rolling programme of requirements) the proposals may be submitted though the Capital Review Group and approved by the Staffordshire Commissioner Fire and Rescue Authority through the Strategic Governance Board. This is recognising that the programme consists of smaller spend areas that do not require the production of a full outline business case.

3.4 The monthly Finance Report is produced and available to all staff within the Authority, in addition quarterly financial progress and monitoring reports are submitted to the Strategic Governance Board.

4. Capital Priorities

4.1 The capital strategy must recognise that the financial resources available to meet the requirements of the new Community Risk Management Plan which includes three key priority areas:

- Our People
- Our Communities
- Our Environment

The Community Risk Management Plan (CRMP) is a four-year plan that sets out priorities and approach to ensuring local communities are protected. It outlines the key challenges and risks facing communities and includes strategies to address and reduce these risks over the coming years. The Service will use available resources in prevention, protection, and emergency response to target the most vulnerable and keep Staffordshire's communities safe.

4.2 The bringing together of blue light services under a single governance route to the Staffordshire Commissioner provides opportunities to co-locate and share assets to the good of the community, delivering efficiencies and savings.

4.3 Staffordshire Fire and Rescue and Staffordshire Police will continue to build upon the collaboration that has resulted in joint response bases in Tamworth Belgrave, Hanley, Chase Terrace, Penkridge, Stone, Uttoxeter, Barton, Abbots Bromley and Kinver.

4.4 The Staffordshire Commissioner Fire and Rescue Authority will seek to prioritise investment in order to deliver economy and efficiency within the Service. This prioritisation will be achieved through the robust governance arrangements discussed above.

4.5 To ensure that the Service is focussing on capital priorities beyond the medium term the Staffordshire Commissioner has request the development of a 10 year capital programme.

5. Funding Approach

5.1 The Staffordshire Commissioner Fire and Rescue Authority's capital investment falls within, and needs to comply with, the "Prudential Code for Capital Finance in Local Authorities" (The Code). Under The Code local authorities have greater discretion over the funding of capital expenditure especially with the freedom to determine, within the regulatory framework of The Code, the level of borrowing they wish to undertake to deliver their capital plans and programmes.

5.2 The main sources of capital funding are summarised below:

- **The use of internal cash balances**
Interest rates on cash balances have historically remained low which has resulted in this being a more efficient use of cash to invest in the capital programme rather than taking additional external debt. Whilst the interest rate environment has changed significantly during the last 2 years the cost of external borrowing has also increased which continues to support the use of internal cash. The use of internal cash is an approach that has been undertaken successfully during the last few financial years.
- **The use of earmarked reserves**
The Staffordshire Commissioner has a Reserves Strategy which includes the Earmarking of Reserves to support the capital programme. Some funding into the medium term has been identified through this approach and remains a key funding strategy.
- **The use of capital receipts**
Disposing of surplus assets is a good way to reinvest in the capital programme. Receipts will be targeted at the shortest life assets and then their use considered widely within any flexibility allowed by the appropriate government authority. In accordance with statutory instruments capital receipts may also be used for the repayment of debt.
- **Direct revenue funding**
Capital expenditure may be funded directly from revenue (CERA – capital expenditure charged to revenue account). In addition to specific revenue funds previously set aside, such as repairs and renewal funds, capital expenditure may be funded by specific revenue budget provision.
- **Borrowing and leasing**
Under the Prudential Code, the Staffordshire Commissioner has discretion to undertake borrowing to fund capital projects with the full cost of that borrowing being funded from the project returns or upon agreement to include within the MTFS estimates.

This discretion is subject to complying with the Code's regulatory framework which essentially requires any such borrowing to be prudent, affordable and sustainable (Local Government Act 2003). Prudential borrowing does provide an option for funding additional capital development but one which must be funded each year from within the revenue budget or from generating additional ongoing longer term income streams.

The Staffordshire Commissioner will test the prudence of the borrowing predictions against the prudential indicators set under the Code every year as part of the MTFS process and report on progress against those indicators half yearly (see Appendix 3), in line with the Treasury Management Strategy.

This prudent approach to borrowing will continue into the medium term. However, should borrowing be required the Commissioner will continue to consider on a cautious and prudent basis as informed by a specialist team contracted from Staffordshire County Council in relation to Treasury Management who work closely with the finance team.

6. Risk Management

- 6.1 Risk is the threat that an event or action will adversely affect the ability to achieve a desired outcome or execute strategies successfully.
- 6.2 To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.
- 6.3 The Director of Finance will report on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.
- 6.4 There are many categories of risk to be mindful of; these are detailed in **Appendix 4**:
- Credit Risk
 - Liquidity Risk
 - Interest Rate Risk
 - Exchange Rate Risk
 - Inflation Risk
 - Legal and Regulatory Risk
 - Fraud, Error and Corruption

7. Capital Programme 2026/27 to 2028/29

- 7.1 The summary Capital Programme for 2026/27 to 2028/29 is contained within **Appendix 1** of this report. The total proposed Capital Programme for 2026/27 is £5.3m, for 2027/28 £4.1m and for 2028/29 £5.1m.
- 7.2 The detailed scheme analysis supporting the programme for 2026/27 is shown within **Appendix 2**.
- 7.3 The Staffordshire Commissioner Fire and Rescue Authority is required to set estimates, impose limits and to report and publish actuals in line with The Prudential Code. The indicators for adoption by the Authority for 2026/27, 2027/28 and 2028/29 are set out in **Appendix 3**.
- 7.4 There are four main areas of spend which feature within the capital programme; Estates and Facilities which includes building and infrastructure work, Operational Equipment, Transport (appliances and vehicles) and finally Information Systems and Technology.

The four areas are discussed in more detail below:

- **Building and Infrastructure Work**

The budget proposal for 2026/27 includes a total capital requirement of £1.1m, which consists of the following main building and infrastructure projects plus some minor works:

- Brewood - The refurbishment of the station is now anticipated to be complete in 2026/27. This project is funded by the Authority's earmarked reserves, £0.4m. This project was originally included within the 2023/24 capital programme and the design and feasibility work has been completed however it has stalled due to significant cost escalation
- Stafford – minor refurbishment, lighting and fire alarm replacement, improvements to welfare facilities
- Residual Fire Station works, including heating and lighting replacement and fire alarms replacements

- **Operational Equipment**

Total investment of £1.1m has been identified and included within the programme for 2026/27, which includes:

- Rollout of CCTV on appliances
- Equipment kit-out of four PRLs, one water carrier and one 4x4 response vehicle
- Wildlife PPE to confirm with new EN standards
- Phase 2 of the BA cylinder replacement
- Other purchases including air bags, BA compressors, gas monitors

- **Appliances and Vehicles**

A vehicle replacement programme of £2.0m has been included within the proposed budget for 2026/27:

In summary the vehicle replacement programme includes the following:

- The body build payments payments for the next four Pump Rescue Ladders (PRL's), £1.1m (note these 5 vehicles identified above are all part an approved tender and decision note issued by the Commissioner)
- The purchase of a further two Pump Rescue Ladders (PRL's) £0.3m (chassis payments)
- The Purchase of one water carrier (final stage payment) £0.3m
- Light Vehicles, £0.4m, the programme includes the replacement of light vehicles as part of the rolling vehicle replacement programme.

- **Information Technology**

The ICT programme for 2026/27 of £1.1m includes the following:

- Ongoing ICT rolling replacement programme for desktop and infrastructure and device replacement strategy, £0.33m

- Station end replacement, £0.15m
- Back up system replacement and network refresh, £0.5m

8. Funding the Programme

8.1 **Appendix 1** also details the proposed funding strategy for the 2026/27 programme together with indications for the funding of the next two years. For 2026/27, the programme will be funded by a combination of grant funding, earmarked reserves, direct revenue funding and the use of internal cash. This is also reviewed within the Treasury Management Strategy Report.

8.2 The Authority will also seek to fund as much of the programme as possible through direct revenue contribution should additional savings be available in year.

9. Minimum Revenue Provision (MRP) Policy Statement

9.1 The Staffordshire Commissioner Fire and Rescue Authority is required each year to set aside some of its revenues as provision for debt repayment. This MRP provision essentially allows the Authority to “pay off” an element of the Capital Financing Requirement annually through a revenue charge known as the Minimum Revenue Provision (MRP).

9.2 The MRP was previously defined by statute with regulations providing for MRP as a 4% charge in respect of the amount of the Capital Financing Requirement (CFR). Under current regulations, the rules have been replaced with a general duty for a local authority to make an MRP charge to revenue which it considers prudent. The new regulation does not itself define “prudent provision”. However, guidance has been issued specifying methods for MRP calculation, which the Secretary of State considers prudent thereby effectively determining prudent provision.

9.3 Regulations require the Authority to approve an MRP Statement in advance of each year. It is recommended that the Authority continue to apply a MRP to capital expenditure funded by borrowing under the ‘Asset Life Method’: which calculates the MRP charge based on the estimated life of the asset for which the borrowing is undertaken.

9.4 The total level of debt for this Authority as of 31 March 2025 was £20.9m, and is forecast to increase to £29.1m by March 2029 based upon the capital investment requirements outlined within this paper.

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Appendix 1

Staffordshire Commissioner Fire and Rescue Authority Summary Proposed Capital Programme 2026/27 to 2028/29

	2026/27 Budget	2027/28 Plan	2028/29 Plan
	£	£	£
Building & Infrastructure Works			
Station Refurbishment			
Improvement Works	1,083,612	1,470,000	1,530,000
Total	1,083,612	1,470,000	1,530,000
Operational Equipment	1,100,631	365,000	346,000
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,630,000	1,000,000	1,805,000
Vans & Cars	368,000	260,000	448,000
Total	1,998,000	1,260,000	2,253,000
Information Technology			
ICT Hardware, Software Systems & Installations	1,108,431	1,000,000	985,000
Total	1,108,431	1,000,000	985,000
Total Capital Programme	5,290,674	4,095,000	5,114,000
Funding			
Direct Revenue Funding	410,000	470,000	500,000
Unsupported Borrowing	4,457,497	3,625,000	4,114,000
Earmarked Reserves	393,177		500,000
Capital Receipts			
Total Funding	5,290,674	4,095,000	5,114,000

Appendix 2

Staffordshire Commissioner Fire and Rescue Authority

Detailed Capital Programme 2026/27

Scheme Description	Detail	Proposed Capital Programme £
Building Works - Improvements		
Pirehill - CCTV System replacement	Replace existing CCTV system	80,000
HQ - FBT clean concept	Undertake a design and feasibility of options around FBT Clean concept	50,000
Stafford Fire Station - minor refurbishment	undertake changes to the changing facilities	100,000
Stafford Fire Station External Lighting replacement	Replace existing and install new perimeter lighting - Require planning application	90,435
Stafford Fire Station Fire Alarm	Replace existing fire alarm system	80,000
Stafford Fire Station - Automated gate	Installation of automated vehicle gate and pedestrian gate, slight remodelling of access ways for pedestrians - Police to contribute 50% towards total cost	60,000
LED Lighting	Replace current lighting with LED lighting - Wombourne, Finance portakabin, Tutbury, Barton	80,000
Brewwood Refurbishment	Undertake building refurbishment	393,177
Sustainability heating system replacement - Stations	Gnosall - Heating system replacement	150,000
		1,083,612
Operational Equipment		
Operational Equipment Pool		25,000
Cylinder Replacement	Phase 2	125,000
BA compressors x 2	Planned replacement of existing compressors	98,077
Air Bags	Due for replacement 26/27	25,000
Wildfire PPE	Replacement of existing Wildfire PPE to conform with new EN Standards	125,000
ALP Escape Sets	Colls & Micros	14,000
Gas Monitors	New unit procurement	65,000
Asset Tracking	Carry Forward from 25/26	80,000
BA Set Washing Machine	Carry Forward from 25/26 (awaiting FBT work to be completed)	33,554
Cobra System Equipment	Awaiting evidence and feedback from Lichfield.	65,000
Equipment For Marked 4x4 Response Vehicles	Pumps and equipment for 4x4 vehicles.	35,000
Equipment for PRL 6, 7, 8, 9	£60k per PRL	240,000
Equipment for water carrier		50,000
Radiation Equipment Replacement	Replace failed units	45,000
Appliance CCTV	Option A - per 24.11.25 Response Board Paper	75,000
		1,100,631
Appliances & Vehicles - Heavy		
PRLs	PRL 6 / PRL 7 / PRL 8 / PRL 9 - Body Build Payments - From new tender - £275k per vehicle	1,100,000
PRLs	PRL 10 / PRL 11 - Chassis Payments - From new tender - £150k per vehicle	300,000
1 x Water Carriers	£380k per vehicle. £150k for chassis. £230k for build. Vehicle #1 Build	230,000
Appliances & Vehicles - Light		
Marked Standard Response Cars x 7	Station Managers - £25k per vehicle (inc commissioning) - replaces all seven 69 plate Vauxhall Astra's at 8 years old	182,000
Marked 4x4 Response Vehicles x 1	£35k per vehicle (includes commissioning costs) - replaces last of the 63 plate Ford Rangers at 14 years old	36,000
Utility Van Small/Medium x4	£20k - Replace DX13 FBN, FBL, FBK and FBJ which will be 14 years old	80,000
Rope Rescue Vehicle	Decision to be made on whether to have combined RR and Confined Space vehicle at Response Board 2025. If we need replacement will be circa £60k	70,000
		1,998,000
Information Technology		
Mobile Phone Replacement		35,000
ICT Rolling Programme - Desktop		150,000
ICT Rolling Programme - Infrastructure		150,000
MDT Replacement - Software	Rolled forwards from 25-26 - per 18.09.25 CRG	88,431
Station End	Rolled forwards from 25-26 - per 18.09.25 CRG	150,000
PSTN Network Refresh	Separated this from PSN due to time frames. Need another budget code.	50,000
PSN Migration	Migration extend for a further 12 months.	50,000
Wireless Access Points	Replacement of access points at stations. Need more in each station to improve connectivity. Project split over 2 years.	35,000
Back up System	Hardware plus 3 year licences	400,000
		1,108,431
Overall Total		5,290,674

Staffordshire Commissioner Fire and Rescue Authority

Prudential Indicators

A. Indicators for Affordability, Prudence and Capital Expenditure

1. Ratio of Financing Costs to Net Revenue Stream

Estimate	Estimate	Estimate
2026/27	2027/28	2028/29
%	%	%
4.8	5.5	6.2

This shows the capital financing costs (interest charges/receipts and repayment of loans) as a proportion of government grant (revenue) and Council Tax. This allows the Authority to track how much of its annual income is needed to pay for its capital investment plans proportionate to its day to day running costs.

2. Estimates of Capital Expenditure

Estimate	Estimate	Estimate
2026/27	2027/28	2028/29
£m	£m	£m
5.3	4.1	5.1

Expressed in absolute terms rather than as a ratio, this shows the overall level of capital investment irrespective of how it is being funded.

3. Capital Financing Requirement/Gross Debt

Estimate	Estimate	Estimate
2026/7	2027/28	2028/29
£m	£m	£m
25.7	27.3	29.1

This indicator effectively shows the level of the Authority's underlying need to borrow for capital purposes. Net borrowing is not expected to exceed the total of the capital financing requirement (except in the short term). It is a key indicator of prudence that, over the medium term, net borrowing is only for capital purposes.

B. Indicators for Treasury Management

1. Treasury Management Code of Practice

The Authority has adopted the CIPFA Code of Practice on Treasury Management

2. External Debt

	Estimate	Estimate	Estimate
	2026/27	2027/28	2028/29
	£m	£m	£m
Authorised Limit	40.7	42.2	44.6
Operational Boundary	33.9	34.9	36.4

This indicator identifies two limits in relation to external debt and excludes PFI.

The Authorised Limit is the maximum level of external borrowing which should not be exceeded. The limit is linked to the estimated level of borrowing assumed in the Capital Programme.

In addition, an Operational Boundary is required which represents the Treasurer's estimate of the day-to-day limit for the Treasury Management activity based on the most likely i.e. prudent but not worst-case scenario.

The above excludes the PFI Balance Sheet debt position.

Glossary of Risk Management Categories

Credit Risk is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, we will ensure that robust due diligence procedures covers all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

Liquidity Risk is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. The exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Appropriate interventions will occur as early as possible.

Interest Rate Risk is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary, contract re-negotiations.

Exchange Rate Risk is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary, contract re-negotiations.

Inflation Risk is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible any exposure to this risk will be mitigated via robust contract terms and when necessary, contract re-negotiations.

Legal and Regulatory Risk is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, we will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

Fraud, Error and Corruption is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. This is supported by the national Code of Ethics and detailed policies such as Counter-Fraud and Corruption and Declaration of Interests.

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.

Report to the Police, Fire and Crime Panel – 9 February 2026

TREASURY MANAGEMENT STRATEGY 2026/2027

Report of the Staffordshire Commissioner

1. Background

- 1.1 In addition to the existing role overseeing Staffordshire Police, the Staffordshire Commissioner became responsible for the governance of the Staffordshire Fire and Rescue Service from August 2018. However, both remain separate organisations, with separate budgets and governance processes.
- 1.2 This report will detail the Treasury Management Strategy for the Staffordshire Commissioner Fire and Rescue Authority only; a separate report has been completed and supported by the Board for the Staffordshire Police and Crime Commissioner. Therefore, reference is made only to **Staffordshire Commissioner Fire and Rescue Authority ('the Authority')** as part of this report.

2. Introduction

- 2.1 This report outlines the Authority's Treasury Management Strategy for the 2026/27 financial year.
- 2.2 Treasury management comprises the management of the Authority's cash flows, borrowings and investments, and their associated risks. The Authority is exposed to financial risks, including the effects on revenue from changing interest rates on borrowings and investments, and the risks of a potential loss of invested funds. Therefore, it is essential that the Authority successfully identifies, monitors, and controls financial risk as part of prudent financial management.
- 2.3 The Authority conducts its treasury risk management within the framework of the Chartered Institute of Public Finance and Accountancy's (CIPFA) *Treasury Management in the Public Services Code of Practice 2021 Edition* (the CIPFA Code). The CIPFA Code requires that the Authority approves a treasury management strategy before the start of each financial year. In addition, this report fulfils the legal obligation to have regard to the CIPFA Code under the Local Government Act 2003.
- 2.4 The Annual Investment Strategy (AIS) for 2026/27 meets the requirements of the statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) in its *Guidance on Local Government Investments 2018 Edition*.
- 2.5 This strategy has been prepared in conjunction with the Treasury team at Staffordshire County Council (SCC), and after consultation with the Director of Finance.

3. Recommendations

- 3.1 That the Police, Fire and Crime Panel note the proposed borrowing strategy for the 2026/27 financial year. The main features are:
- a borrowing strategy to operate within the prudential limits set out in **Appendix 2**;
 - a borrowing strategy to use cash as far as is practical, with the option to borrow up to £3 million long-term where the Director of Finance considers this appropriate in 2026/27; and
 - a loan restructuring strategy that is potentially unlimited where this rebalances risk.
- 3.2 The Police, Fire and Crime Panel to note in accordance with the MHCLG's Guidance on Local Authority Investments, the adoption of the Annual Investment Strategy (AIS) 2026/27 as detailed in **Section 7** of this report and summarised in **Appendix 5**. Also, to note the policies on:
- reviewing the Treasury Management Strategy;
 - use of external advisers; and
 - investment management training.

4. External Context

Economic background

- 4.1 The economic back drop to this report for the first part of 2025/26 saw:
- The Bank of England (BoE) reducing interest rates by 0.75%, from 4.50% to 3.75% as detailed in **paragraph 4.2**;
 - Short, medium and long-dated gilt yields remaining elevated;
 - Fluctuating UK Consumer Price Index (CPI) finishing November 2025 at 3.20%;
 - The 10-year gilt yield fluctuating between 4.40% and 4.80%, ending the half year at 4.70%, before falling back to 4.51% in early November 2025 and falling further to 4.44% by mid-January 2026; and
 - UK GDP fell in Quarter 1 by 0.30% but rebounded by 0.30% during Quarter 2, before flatlining for a period, then grew by 0.10% in the three months ending November 2025.
- 4.2 The BoE continued its loosening cycle in May 2025 with a 0.25% base rate cut to 4.25%, and sustained this approach at its August 2025 meeting, lowering rates a further 0.25% to 4.00%. The base rate was cut by a further 0.25% in December 2025 to 3.75%. Rates are subsequently predicted to fall to 3.50% in June 2026 and to 3.25% in December 2026, where they are forecast to remain. The ultra-low-interest rate environment of the recent past is not expected to return in the coming years.
- 4.3 CPI inflation settled at 3.20% in November 2025, the lowest level in five months, down from 3.60% recorded in October 2025. The figure fell below expectations from both the BoE and market analysts to the lowest level in eight months. The fall has been driven mainly by falls in food and drink, clothing, household goods and hospitality prices. Monetary policy is acting to ensure that longer-term CPI expectations are in line with the 2.00% target.
- 4.4 The yield on the 10-year gilt rose from 4.46% to 4.60% in early July 2025 as reduced spending cuts and uncertainty over Chancellor Reeves' future raised fiscal concerns. Although the spike proved short lived, it highlighted the UK's fragile fiscal position. In

an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August 2025, long-dated gilts underwent a particularly pronounced sell-off, climbing 0.22% and reaching a 27-year high of 5.60% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing gilt supply-demand imbalances, stemming from unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers, like pension funds. For 10-year gilts, by late September 2025, stubborn inflation, resilient activity data, and a hawkish BoE kept yields elevated over 4.70% although by mid-December 2025 yields had fallen back again to a little over 4.50%, and have continued to fall to mid-January 2026. The County Council anticipates that the overall longer-run trend is for gilt yields and Public Works Loan Board (PWLB) rates to fall back over time, up to March 2028, as inflation reduces.

- 4.5 From a GDP perspective, the financial year got off to a bumpy start with the 0.30% month on month fall in real GDP in April 2025, in anticipation of US tariffs in Quarter 1 weighing on activity. Despite the underlying reasons for the drop, it was still the first fall since October 2024 and the largest fall since October 2023. However, the economy returned to growth in May and June 2025 with quarterly growth ending up 0.30% quarter on quarter. A 0.00% month on month change in real GDP in July 2025, followed by a 0.10% month on month increase in August 2025 and a decrease to 0.10% in September 2025 indicated a general flatlining in growth. November 2025 figures, however, showed the economy growing by 0.10% across the previous three months. GDP growth for both 2025 and 2026 is currently forecast by the BoE to be in the region of 1.40% before picking up in 2027.
- 4.6 Due to the ongoing risks in the economy, the treasury strategy retains the low-risk approach adopted in recent years, based on prioritising security, liquidity and then yield.

Credit outlook

- 4.7 Credit Default Swaps (CDS) are an additional indicator of risk that is used to assess the financial strength of an institution, rather than just relying on credit ratings. CDS stability is always a concern, as market fluctuations and economic uncertainty can significantly impact the pricing and reliability of these financial instruments. However, CDS prices are constantly monitored by the Authority in conjunction with the Treasury team at SCC in respect of this.
- 4.8 Geopolitical and environmental factors can impact on sovereign and bank credit ratings. During the past year several countries and banking institutions credit ratings have changed, some up and some down, reflecting current volatility. Nonetheless, when setting minimum sovereign debt ratings, the Authority will not set a minimum rating for the UK.
- 4.9 The potential for bank losses remains a risk and a cautious approach to bank deposits in 2026/27 is still advisable. The Authority is exposed to bail-in risk, as the Government will no longer support banks if they fail but rather it will be the investors who primarily bear the financial burden of rescuing the bank.

5. Local Context

- 5.1 On 31 December 2025, the Authority held £15.150 million of external borrowing and had £21.025 million temporarily invested. The Authority's future requirements for borrowing and investments can be considered by reviewing its balance sheet forecasts described in the following paragraphs.

Balance sheet

- 5.2 In terms of borrowing, the Authority discloses its Capital Financing Requirement (CFR) as part of its Statement of Accounts. This represents the underlying need to borrow for capital purposes i.e. the amounts that have been financed through external and internal borrowing rather than being permanently financed. As the CFR also includes capital expenditure that has been funded through Private finance Initiatives (PFI), these PFI liabilities are removed to calculate the Authority's Loans CFR.
- 5.3 If the Authority increases debt to fund additional capital expenditure, this will increase its Loans CFR; conversely repaying debt through the Minimum Revenue Provision (MRP) will reduce its Loans CFR. The table below shows forecasts for the Authority's Loans CFR and how this will be financed through external and internal borrowing:

	31.03.25	31.03.26	31.03.27	31.03.28	31.03.29
	Actual	Estimate	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m
Loans CFR	23.9	24.6	26.5	27.7	30.1
Less external borrowing	(16.1)	(15.1)	(14.9)	(14.5)	(14.5)
Less: Capital financing from revenue/ grants/ receipts	(3.0)	(1.8)	(0.8)	(0.4)	(0.5)
Internal / (over borrowing)	4.8	7.7	10.8	12.8	15.1

- 5.4 The table above shows that the Authority's Loans CFR is forecast to increase gradually over the years, due to the capital programme being higher than MRP in those years. The Authority's internal borrowing requirements increase in line with the Loans CFR projections and with the repayments of external borrowing as it matures.
- 5.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Authority's total external borrowing should be lower than its highest forecast CFR over the next three years; the information in the previous table shows the Authority will comply with this recommendation.
- 5.6 For investments, the Authority's total resources available are measured by its usable reserves and working capital less any amounts that have been internally borrowed. This is shown in the following table:

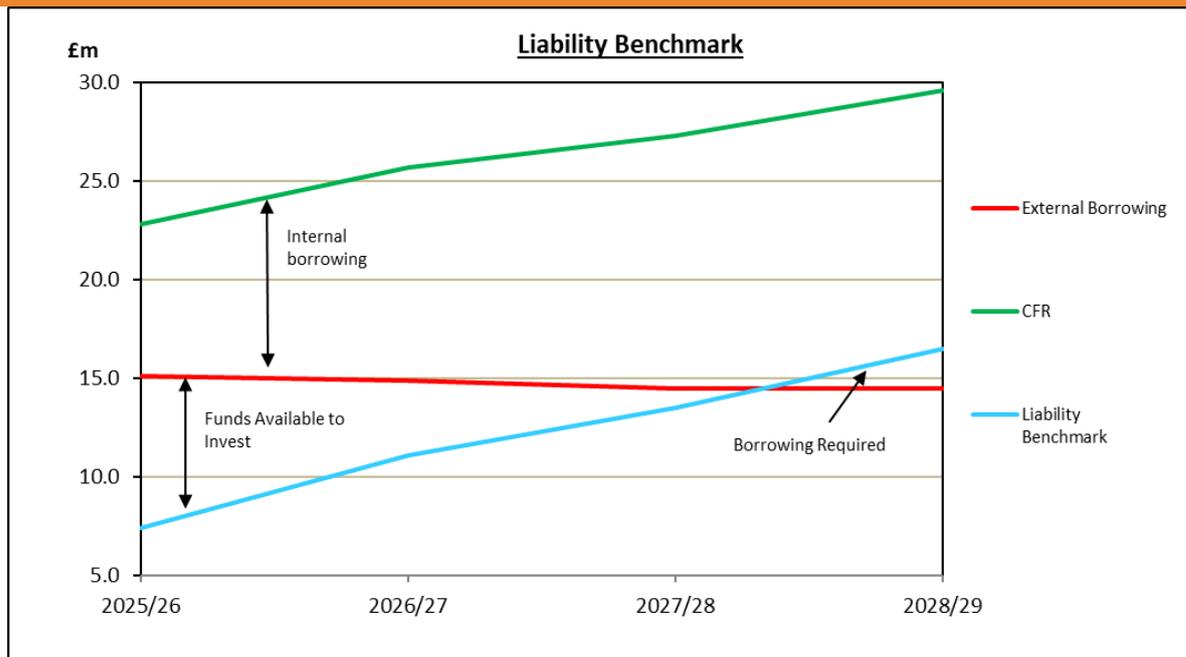
	31.03.25 Actual £m	31.03.26 Estimate £m	31.03.27 Forecast £m	31.03.28 Forecast £m	31.03.29 Forecast £m
Usable reserves	15.8	15.4	14.6	13.8	13.1
Working capital surplus	0.0	0.0	0.0	0.0	0.0
Less internal borrowing	(4.8)	(7.7)	(10.8)	(12.8)	(15.1)
Investment / (New borrowing)	11.0	7.7	3.8	1.0	(2.0)

- 5.7 The table above shows a continuation of the Authority's recent strategy in using internal borrowing to reduce the need for external borrowing and as a result, reduce temporary investment levels. However, this strategy will not be sustainable longer term, as the table indicates that the Authority will not have sufficient internal resources to cover the internal borrowing requirement and potentially will need to borrow from external sources. Depending on the actual reserve levels, capital programme expenditure and cashflow, the Authority may need to borrow from external sources towards the middle of 2028/29.

Liability benchmark

- 5.8 The CIPFA Prudential Code requires local authorities to develop their own liability benchmark to manage treasury management risk. The liability benchmark represents the minimum amount of loans required to maintain cash balances at nil i.e. when all usable reserves and working capital surpluses are used to offset the amount of loans borrowed.

	31.03.25 Actual £m	31.03.26 Estimate £m	31.03.27 Forecast £m	31.03.28 Forecast £m	31.03.29 Forecast £m
External Loans	16.1	15.1	14.9	14.5	14.5
(Less investments) / add new borrowing	(11.0)	(7.7)	(3.8)	(1.0)	2.0
Liability benchmark	5.1	7.4	11.1	13.5	16.5



5.9 The chart above shows that the Authority’s Loans CFR (green line) has been financed through a combination of external borrowing (red line) and internal borrowing (the difference between the red line and the green line). The data points on the chart represent the end of the financial year.

5.10 The chart indicates that the Authority will have reducing funds available to invest towards the middle of 2028/29 and hence may need to take out further external loans to fund the capital programme. This is due to the Authority’s Loans CFR, and hence its liability benchmark, steadily increasing whilst its level of external loans has been steadily decreasing, with loans being repaid upon maturity.

6. Borrowing Strategy 2026/27

6.1 In 2026/27, the Authority will hold £15.1 million in external loans as part of its strategy for funding previous years capital programmes. The Authority will need to ensure total amounts borrowed do not exceed the authorised limit of £40.7 million (when excluding other liabilities such as PFI), as disclosed in **Appendix 2**.

Objectives

6.2 The primary objective for the Authority when considering borrowing money is to strike an appropriate balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The risks associated with the Borrowing Strategy are detailed in **Appendix 3**.

Strategy

6.3 Given the ongoing financial pressures on public services and local government funding, the Authority continues to address the key issue of affordability without compromising the

long-term stability of its debt portfolio. As short-term interest rates have been lower than long term interest rates for a long period of time, it has been more cost effective for the Authority to use its internal cash resources in lieu of borrowing in the short term.

- 6.4 The liability benchmark analysis at **paragraph 5.8** indicates that the Authority may need to consider external borrowing towards mid-year of 2028/29. In addition, the borrowing strategy also needs to mitigate against changing circumstances, or when external borrowing to replace internal debt becomes more cost effective.
- 6.5 It is important to understand that not all of the borrowing requirement needs to be closed with loans; an important aspect of using some cash in the current financial climate is its risk reduction effects:
- a. Using cash reduces security risk as investment balances are lower. Regulations emphasise the importance of minimising this risk and is discussed later in this report. This action minimises bail-in risk, where certain investors, such as the Authority (as it is classed as a local authority under legislation) will suffer the financial burden of a failing bank rather than the Government, should there be issues in the future;
 - b. There is less exposure to variable interest rate changes; this exposure arises when a fixed term loan is taken out with corresponding variable rate investments. This is avoided when cash is used; and
 - c. Short, medium and long-dated gilts remain elevated and the margin the PWLB add on to onward lend to local authorities means it is cheaper to use cash than to borrow.
- 6.6 The Authority will monitor the benefits of internal borrowing on a regular basis as this strategy must be balanced against the possibility that long-term loan costs may increase in future years, leading to additional costs as a result of deferring external borrowing. The Authority will need to determine whether and when, it borrows additional sums at long term fixed rates in 2026/27, or continues to use internal borrowing, as this is more financially beneficial, with a view to only borrow for longer periods when cash balances are nearly exhausted. To this end, the Authority will consult with the Treasury team at SCC.
- 6.7 The proposed borrowing strategy is one that aims to balance the liquidity needs of day-to-day cash management with the low-risk approach that is offered by using cash in lieu of borrowing.

Sources of borrowing

- 6.8 The approved sources of long term and short-term borrowing are:
- a. the Public Works Loans Board (PWLB);
 - b. the UK Municipal Bonds Agency Plc and any other special purpose companies created to enable local authority bond issues;
 - c. Other UK public sector bodies;
 - d. UK public pension funds;
 - e. Approved banks or building societies authorised to operate in the UK; and
 - f. Any institutions approved for investments.

Short-term loans

- 6.9 Short-term loans raised from money markets are typically under 12 months duration. These are low cost, and the Authority can respond flexibly to liquidity pressures by raising

these when needed. The disadvantage of short-term loans is one of availability and it can be difficult to raise them quickly from banks and building societies.

- 6.10 The local authority lending market has progressed considerably in recent years and loans are generally available in the short to medium term. However, future availability cannot be predicted as loans raised depend upon other local authorities having available cash balances and being prepared to lend them to the Authority.

Long-term loans

- 6.11 Long-term loans are those for a duration of more than 12 months. The Authority has previously raised most of its long-term borrowing from the PWLB, a statutory body that issues loans to local authorities. Government consent is not required hence the PWLB continues to be the 'lender of first resort' because of the flexibility and ease of access. However, local authorities are required by law to have regard to the Prudential Code and only borrow within relevant legislation and their borrowing powers.
- 6.12 HM Treasury have also put measures in place to prevent public bodies using PWLB funding to finance any commercial investments and there are mechanisms in place to recall such funding if this is found to be the case. In addition, the latest Prudential Code explicitly prevents Local Authorities borrowing to fund commercial ventures.
- 6.13 Where the Authority has a long-term borrowing need, it can consider the alternative sources of borrowing other than the PWLB highlighted in **paragraph 6.8**. Seeking lower interest costs may introduce greater administrative and resource costs as well as increased risk, and this would need to be balanced against the ease of access to loans from the PWLB.
- 6.14 The exact type of loan to be raised by the Authority and its duration would have to be considered at the time; but with current interest rates and the maturity profile of the existing loan portfolio, as detailed in **Appendix 4**, loans towards the shorter end of the yield curve offer better value for money.
- 6.15 The optimum timing for borrowing cannot be foreseen, and decisions often need to be taken at short notice. In view of this, it is proposed to delegate the decision to borrow up to £3 million in long-term loans, to the Director of Finance at the Authority and report retrospectively to the Police, Fire and Crime Panel. In addition, the treasury management outturn and half-year reports will update the position later in the year.
- 6.16 The overall strategy of maximising the use of cash in lieu of borrowing is still considered a relatively low risk strategy, although it is impossible to eliminate all treasury risk. The consequences of using cash are the possibility of increased costs in the future if interest rates rise further; this must be balanced with the extra cost now if loans are raised (the cost of carry).

Loan restructuring

- 6.17 Movements in interest rates over time may provide opportunities to restructure the loan portfolio in one of two ways:

- a. Replace existing loans with new loans at a lower rate (known as loan rescheduling); and
 - b. Repay loans early without replacing the loans. However, this would increase the use of cash which may not be possible if reserve levels are not adequate.
- 6.18 Market conditions have changed in the last 3 years, and gilt yields have risen from the historic lows. This sustained rise in gilt yields means that there is a possibility that PWLB premiums may be low and could be offset by interest savings on extinguished loans, in addition discounts may be offered on some loans. The Director of Finance, in conjunction with the Treasury team at SCC, will continue to monitor the market and identify possible savings arising during 2026/27.
- 6.19 The Authority's ability to adjust its loan portfolio through restructuring is only possible if:
- a. the Government allow it; PWLB rules have been changed in the past with no notice; or
 - b. market conditions allow economically beneficial repayment.
- 6.20 Market conditions and regulations are not constant and do change and loan restructuring should only be carried out when conditions are favourable. The decision as to when to undertake loan restructuring will be delegated to the Director of Finance at the Authority and reported retrospectively to the Police, Fire and Crime Panel.

Policy on Borrowing in Advance of Need

- 6.21 As the borrowing strategy proposed for 2026/27 involves maximising the use of cash until borrowing is required, the policy is not to borrow in advance this year. This will be revisited annually as part of the overall borrowing strategy.

7. Annual Investment Strategy (AIS) 2026/27

- 7.1 It is the Authority's Borrowing Strategy that determines its Investment Strategy. In the current economic environment, where short term investment rates are lower than loan rates, this still favours the use of internal cash instead of external borrowing, hence balances available for temporary investments are likely to be less.
- 7.2 The Authority may have significant level of funds to invest at different points of the year; this usually represents income received in advance of expenditure plus balances and reserves held. In the previous year, the Authority's investment balance ranged between £17.775 million and £28.413 million.

MiFID II

- 7.3 Following the introduction of the second Markets in Financial Instruments Directive (MiFID II) regulations from January 2018, local authorities will automatically be treated as retail clients by financial services firms, unless they meet the criteria and 'opt up' to be professional clients. As a retail client, the Authority would receive enhanced protections, but this would also mean it may face increased costs and restricted access to certain products including money market funds, pooled funds, treasury bills and treasury advice.
- 7.4 The Authority meets the criteria set out under MiFID II and having chosen to 'opt-up', will continue to be treated as a professional client by regulated financial services firms in 2026/27.

Objectives

- 7.5 The CIPFA Code requires the local authorities to invest their funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return or yield.
- 7.6 The Authority's objective when investing its cash is to strike an appropriate balance between risk and return, thereby minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Strategy

- 7.7 The main characteristics which should determine an investment strategy are:
- a. the credit risk of the counterparties invested with;
 - b. the length of the investment; and
 - c. the type of financial instrument that is used.
- 7.8 The Authority has taken a low-risk approach to investment and the AIS for 2026/27 will continue to do so. Short term unsecured bank investments have generally provided very low returns with additional risk from bail-in regulations. The Authority will continue to concentrate its short-term investments in more secure money market funds (MMFs) and government investments.
- 7.9 MHCLG Guidance on Local Government Investments specifies the types of financial instruments that local authorities can invest with, and the Authority has divided its approved treasury investments into Standard Investments and Non-Standard Investments.

Standard investments

- 7.10 The Authority considers Standard Investments to be those made with approved counterparties that do not require further approval from the Director of Finance at the Authority. These investments tend to be for a period of less than a year and are those most frequently used by the Authority. Standard Investments can be invested with:
- a. UK Government – central government or local authority, parish council or community council;
 - b. short term MMFs; and
 - c. bank and building society investments.

UK Government

- 7.11 The Authority invests with central government by using its Debt Management Account Deposit Facility (DMADF) account. Funds held in the DMADF account are backed by the UK Government, so they are very secure; however, returns tend to be lower than those received elsewhere.
- 7.12 The Authority can invest in term deposits with local authorities which can provide a higher return depending on the availability of, or the need for cash in the local authority lending market. Like central government investments, local government investments are not subject to bail in risk.
- 7.13 Although investments in the local authority lending market have a low risk of insolvency, they are not completely without risk. The financial risks of a few local authorities have been documented in the press; the Authority will continue to monitor such developments and seek information from the Treasury team at SCC where necessary.

Money Market Funds (MMFs)

- 7.14 MMFs have high credit quality and are pooled investment vehicles consisting of money market deposits and similar instruments. Short-term MMFs that offer same day liquidity can be used as an alternative to instant access bank accounts. The Authority has used same day notice MMFs for some time as they have tended to provide greater security and a higher yield than bank accounts.
- 7.15 EU regulation introduced in January 2019, meant most same day notice MMFs have converted from a Constant Net Asset Value (CNAV) to a Low Volatility Net Asset Value (LVNAV) structure. The assets of LVNAV MMFs are marked to market, meaning the dealing NAV (unit price) may fluctuate in extreme circumstances. However, LVNAV MMFs are allowed to maintain a constant dealing NAV provided they meet strict criteria and minimum liquidity requirements. Public debt CNAV MMFs are still available where 99.5% of assets are invested in government debt instruments.
- 7.16 MMFs are a key tool to manage credit and liquidity risk, and the Authority will continue to use same day notice MMFs that meet the criteria listed below. These are considered to have sufficient high credit quality to be included on the Authority's Approved Lending List:
- Diversified – MMFs invest across many different investments meaning they achieve more diversification than the Authority could achieve on its own account;
 - Short liquidity – cash can be accessed daily;
 - Ring-fenced assets – the investments are owned by investors and not the fund management company; and
 - Custodian – the investments are managed by an independent bank known as a custodian, who operates at arms-length from the fund management company.
- 7.17 Like all treasury instruments, MMFs do carry an element of risk. The failure of one or more of an MMF's investments could lead to a run on MMFs, especially during a financial crisis, although MMF regulations do limit this risk to some extent.

Bank and building society accounts

- 7.18 The Authority can make investments with banks and building societies that meet the minimum threshold set out in **paragraph 7.32** by using call accounts or term deposits, but these investments will run the risk of credit loss via a bail in, if the regulator determines that the bank is failing or likely to fail. Due to this issue and a general cautious approach to bank and building society investments, currently the only bank or building society in use by the Authority is its banking provider, Lloyds Bank (see section below). Use of any further banks or building societies is delegated to the Director of Finance with the outcome reported in the regular treasury management reports to the Police, Fire and Crime Panel.

Operational bank account

- 7.19 The Authority's banking provider is Lloyds Bank. Cash is retained with Lloyds Bank each night earning interest at below market rate; the amount retained will be set in line with the diversification policy set out at **paragraph 7.23**.
- 7.20 In respect of the Bank ring-fencing legislation Lloyds Bank has a relatively small investment banking operation meaning that 97% of the bank's assets remain within the 'retail bank' ring-fence. The Authority's business with Lloyds Bank will take place within the 'retail bank' ring-fence (Lloyds Bank Plc) and not form part of their investment banking operations (Lloyds Bank Corporate Markets).

- 7.21 Should the Lloyds credit rating fall below the Authority's minimum threshold, then minimum balances will be retained with the bank for operational efficiency. The Authority will continue to seek support from the Treasury team at SCC on bank credit risk and any changes will be determined by the Director of Finance at the Authority.

Standard Investment diversification

- 7.22 Risks to investments, such as those discussed for MMFs in **paragraph 7.17**, point towards the fundamental need for diversification across counterparties and investment categories, where possible. Diversification can help to protect the security of investments by limiting the Authority's loss in the event of a counterparty default. Diversification will not protect the Authority from a systemic failure of the banking sector even if the risk of this has diminished following the bail-in banking regulations.
- 7.23 Diversification can be achieved by setting a maximum amount to be invested with each counterparty, to limit risk and to ensure a spread of investments:
- a. No limits are proposed for government investments as these may be utilised for all the Authority's investments in certain circumstances;
 - b. For MMF's a standard limit of £2.5 million per MMF is in place to meet liquidity requirements; and
 - c. For Lloyds Bank a limit is set of the lower of 10% of total balances or £1.0 million (subject to a minimum upper level of £500,000); this amount will minimise processing costs and provide additional liquidity for the Authority. The Treasury team at SCC will review and reset this limit once a month.
- 7.24 In the last few financial years, the Authority has held additional balances throughout the year leading to higher cash balances. To allow flexibility for investments, the Director of Finance for the Authority agreed to increase the standard limits to temporary limits of £7.5 million for MMFs. The Authority will continue to use the higher temporary limits in 2026/27 until the level of cash balances fall sufficiently to allow reverting to using the standard limits.
- 7.25 Where cash balances are low then this may mean that all investments are placed with the MMFs and Lloyds Bank. However, balances will be within the limits stated above.
- 7.26 The application and amendment of this policy are delegated to the Director of Finance at the Authority with the outcome reported in the regular treasury management reports to the Police, Fire and Crime Panel.

Non-Standard Investments

- 7.27 The Authority considers Non-Standard Investments to be all other types of approved investment counterparties that are not included as part of Standard Investments i.e. those investments that are used less frequently and may require further approval from the Director of Finance at the Authority.
- 7.28 Collective Investment Schemes are Non-Standard Investments that range from enhanced MMF's to property and equity funds. These all have varying risk and return profiles. The Authority approved a decision to use this category of investment in 2016/17 and invested £2.5 million into the Royal London Cash Plus Fund, a AAA rated enhanced Cash Plus MMF with a 3-day liquidity notice period.

- 7.29 The Royal London Cash Plus Fund maintains security as it invests in highly sought after covered (secured) bonds, which are exempt from bail-in. These enhanced duration MMF's have the same characteristics as same day liquidity MMF's but typically have a 3–5-day notice period. They also have a recommended investment duration of at least 6 months, due to their longer investment horizon.
- 7.30 The financial limit for the Royal London Cash Plus MMF is £2.5 million, in line with the standard limit for the same day liquidity MMF's. This fund also allows for additional flexibility at times when there are surplus funds available to invest.

Credit Management Strategy for 2026/27

- 7.31 Investments made by the Authority should be of 'high credit quality'. Although this can be difficult to define, credit ratings can be used as published by external credit rating agencies (the three main agencies are Moody's, Standard and Poor and Fitch). Credit ratings can be obtained from the Treasury team at SCC, where available.
- 7.32 For 2026/27, the minimum credit-rating thresholds are set at a long-term rating of A- or A3 (A- Fitch/Standard and Poor, A3 Moody's) where applicable. Counterparties that are rated below this level are excluded. However, credit ratings are not the only aspect of how creditworthiness is assessed.
- 7.33 The following elements are also factored in when evaluating creditworthiness:
- a. 'Watches' and 'outlooks' from credit rating agencies
 - b. Potential government support;
 - c. CDS prices (i.e. the cost of insuring against counterparty default);
 - d. Share prices and bond yields;
 - e. Balance sheet structure;
 - f. Macro-economic factors; and
 - g. A subjective overlay, i.e. a judgement being made about whether the counterparty should be recommended or not.
- 7.34 The Authority remains responsible for all its investment decisions. The Treasury team at SCC will continue to have treasury management meetings with the Authority on a quarterly basis where a review of the Lending List will take place.
- 7.35 Under stressed market conditions, additional meetings with the Treasury team at SCC may take place at very short notice. A decision may be made to adjust the Authority's investment risk profile; the end result may involve moving investments to lower risk counterparties or instruments.

Non-treasury investments

- 7.36 Under the CIPFA Codes and MHCLG Guidance, local authorities may invest in other financial assets and property for financial return and also make loans and investments for service purposes.
- 7.37 Such non-treasury investments should be assessed as part of a separate investment strategy. They should set out the specific policies and arrangements for non-treasury investments and ensure the same robust procedures for the consideration of risk and return are applied to these, as for treasury investments.

7.38 In the absence of any legal powers to do so the Authority does not currently hold any non-treasury investments and, therefore, no additional commercial strategy is required.

Risk

7.39 Although guidance sets out security and liquidity as being the main treasury risks, they are not the only investment risks faced by the Authority. **Appendix 6** sets out a high-level risk assessment for six of the key risks which are summarised in the following table:

Risk	Assessment
Security	Low
Liquidity	Low to Medium
Interest rate	Low to Medium
Market	Low
Refinancing	Low to Medium
Regulatory and legal	Low

7.40 Within the Authority's AIS there is a balance to be made between the security of investments and liquidity; the safest investments are not necessarily the most liquid and so a pragmatic approach must be taken.

7.41 The proposed AIS has been evaluated against these risks, and the judgement is that the most significant risks have been reduced as far as possible. This is not to say that all risk has been eliminated as this is not possible in treasury terms.

8. Review of strategy

8.1 The Authority will prepare a revised strategy when there are significant changes to the following factors:

- a. the economic environment;
- b. the financial risk environment;
- c. the budgetary position; or
- d. the regulatory environment.

8.2 The responsibility for assessing these circumstances and proposing changes to the strategy is allocated to the Director of Finance at the Authority.

9. Policy on the use of external service providers

9.1 Currently the Authority has no contracted external treasury adviser, and this is considered appropriate with the simple arrangements set out.

10. Investment management training

- 10.1 Treasury management is a specialised area requiring high quality and well-trained staff with an up-to-date knowledge of current issues, legislation and treasury risk management techniques.
- 10.2 The Treasury team at SCC who provide the treasury service, are experienced and attend regular CIPFA and treasury consultant training seminars throughout the year as well as speaking to brokers and fund managers to further understand the market.
- 10.3 Training needs for the Authority's staff, who attend quarterly meetings with the Treasury team at SCC, are assessed on an ongoing basis by local managers.

11. **Service Level Agreement**

- 11.1 SCC provides treasury management and banking services as part of a Service Level Agreement (SLA) with the Authority. The SLA does not constitute a contract but is a document of good practice; it outlines the range of services offered by the Treasury team at SCC and the degree of co-operation required from the Authority in order for SCC to fulfil its role.

David Greensmith
Director of Finance

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Background Documents:

1. Treasury Management in the Public Services: Code of Practice (CIPFA) (2021)
2. The Prudential Code for Capital Finance in Local Authorities (CIPFA) (2021)
3. The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
4. Statutory Guidance on Local Government Investments – Issued under Section 15(1) (a) of the Local Government Act 2003 (2018)
5. Statutory Guidance on Minimum Revenue Provision – Issued under section 21 (1A) of the Local Government Act 2003 (2018)
6. Localism Act 2011 – Guidance on the General Power of Competence in sections 1 to 6.

Financial Implications

All financial implications are covered in the body of this report.

Legal Implications

Approval of Prudential Indicators and an Annual Investment Strategy are necessary to meet the requirements of the Local Government Act 2003.

Equality & Diversity Implications

There are no equality and diversity implications.

Risk Implications

Risk is inherent in treasury management operations and is dealt with throughout this report. **Appendices 3 and 6** show a risk assessment for borrowing and investment activities.

Consultation and Engagement Undertaken

Staffordshire County Council's Treasury and Pension Fund Team have provided the economic background and forecasts for this report.

Procurement and Social Value Implications

The daily treasury management function is carried out on behalf of the Authority by Staffordshire County Council, under a Service Level Agreement (SLA).

Protective Security Considerations

Data protection and protective security policies are implemented within Staffordshire County Council and all departments within the County Council. Treasury management activities are undertaken in line with these policies and the agreed SLA.

Appendix 2

Police Fire and Crime Panel Treasury Management Indicators

Indicator	Estimate 2026/27	Estimate 2027/28	Estimate 2028/29
1. External Debt	£m	£m	£m
Authorised Limit	40.7	42.2	44.6
Authorised Limit for other liabilities	52.7	49.7	46.6
TOTAL	93.4	91.9	91.2
Operational Boundary	33.9	34.9	36.4
Operational Boundary for other liabilities	52.7	49.7	46.6
TOTAL	86.6	84.6	83.0
External Loans	21.6	24.0	26.6
Long term liabilities	52.7	49.7	46.6
TOTAL	74.3	73.7	73.2
<p><i>The Authorised Limit is the maximum level of external borrowing which should not be exceeded. It is linked to the estimated level of borrowing assumed in the Capital Programme.</i></p> <p><i>The Operational Boundary represents the Director's estimate of the day-to-day limit for Treasury Management activity based on the most likely i.e. prudent but not worst-case scenario</i></p> <p><i>Other liabilities relate to PFI schemes and other long-term liabilities on the balance sheet.</i></p>			
2. Interest Rate Exposures	£m	£m	£m
a. Upper Limit (Fixed)	26	27	30
b. Upper Limit (Variable)	(30)	(30)	(30)
<p><i>Upper limits of fixed and variable borrowing and investments are required to be set. This limits the Authority's exposure to both fixed and variable interest rate movements as part of the overall risk management strategy for treasury management activities. Negative figures are shown in brackets; these relate to investments at a variable rate which are not offset by variable borrowings.</i></p>			
3. Maturity Structure of Borrowing	Upper Limit	Lower Limit	
Under 12 months	10%	0%	1.65%
12 months and within 24 months	10%	0%	2.64%
24 months and within 5 years	30%	0%	0.00%
5 years and within 10 years	50%	0%	20.13%
10 years and above	100%	25%	75.58%
<p><i>This indicator identifies the amount of loans maturing in specified periods. The overarching principle is that steps should be taken from a risk management point of view to limit exposure to significant refinancing risk in any short period of time.</i></p>			

The Authority currently applies the prudent practice of ensuring that no more than 12% of its total gross fixed rate loans mature in any one financial year.

4. Total principal sums invested for periods longer than a year

Any investments made for longer than a year will be in accordance with the limits on non-specified investments.

£

£

£

nil

nil

nil

Appendix 3

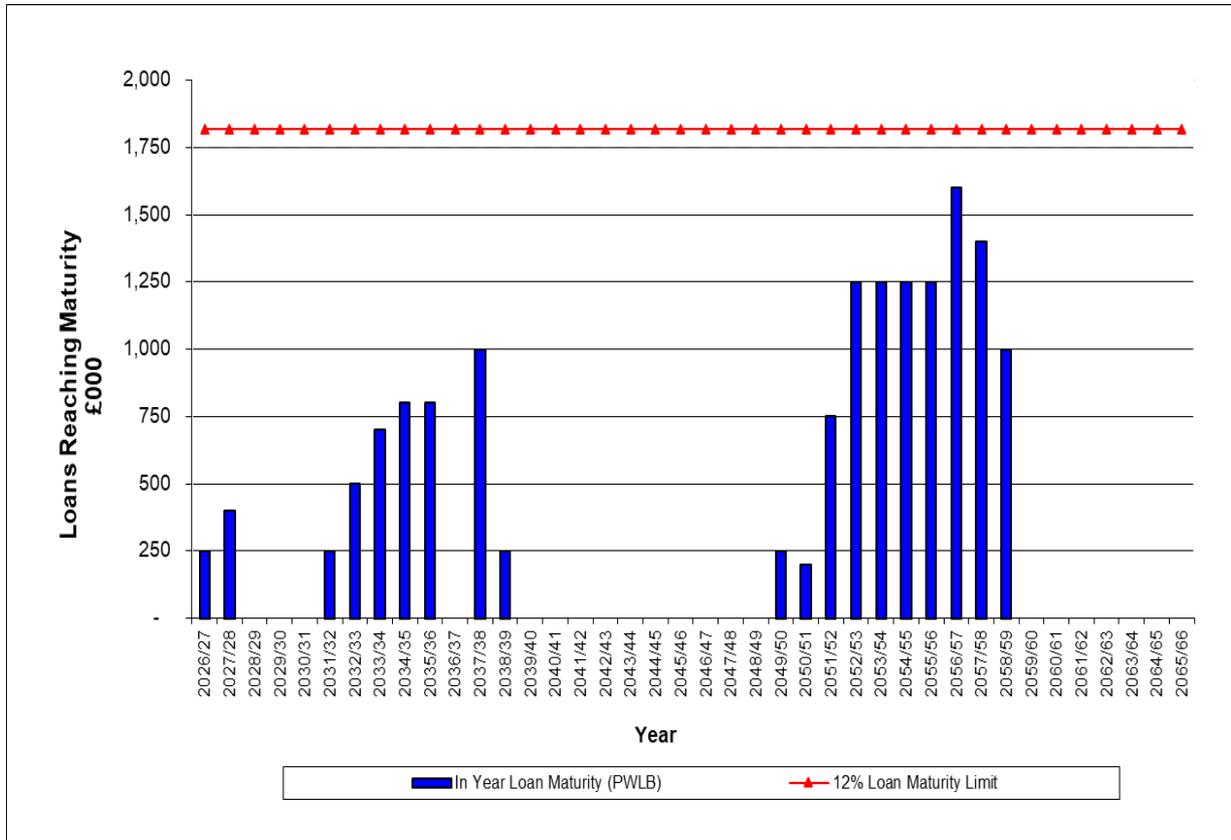
**Police Fire and Crime Panel
Risk assessment – Borrowing Strategy**

Risk heading	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Security	A third party fails to meet its contractual obligations (i.e. counterparty risk).	Unlikely that there is a failure between the agreement to borrow and sums being received a few days later. However, if we borrow in advance we must invest until this is needed, and this increases exposure to investment risk.	Usually borrow from the Government (PWLB or its successor body) with funds received within 3 working days from the date of agreement to borrow.	LOW	Use of cash to fund borrowing reduces this risk further i.e. less money is held with banks and third parties as a result.
Liquidity	Cash is not readily available when it is needed.	Only borrow for capital – usually borrow from Government (PWLB or its successor body) with a maximum limit of £3m for long-term borrowing set in 2025/26.	Prudential rules on borrowing and consideration of whether Government is secure.	LOW	Use of cash to fund borrowing increases this risk as liquidity is reduced when borrowing is avoided. However, the Authority can borrow money temporarily using the money markets should it need to, so the overall risk remains low.
Interest rate	Unexpected <u>reduction</u> in short term interest rates.	Depends on the mix between fixed rate borrowing and variable rate borrowing. Higher exposure to variable rate borrowing helps the budget.	The control is set out below.	LOW to MEDIUM	Pursuing a strategy of using cash reduces the overall net exposure to sudden interest rate falls.
Interest rate	Unexpected <u>increase</u> in short term interest rates.	Mix of variable and fixed rates – Lower exposure to variable rate borrowing helps the budget.	Limit variable rate borrowing to a relatively small proportion (e.g., 20%).	LOW to MEDIUM	20% limit provides a suitable risk control.

Appendix 3 (continued)

Risk heading	Risk description	Relevance to borrowing	Key control	Assessment	Borrowing strategy
Market	The market value of loans changes substantially (i.e. how much is the borrowing strategy exposed to long term interest rate change).	How much risk is built into the maturity profile of the loans structure.	This is inversely linked to refinancing risk below.	MEDIUM	Use of cash will shorten the duration of the loan portfolio and reduces this risk. Without the use of cash this risk assessment would probably be high.
Refinancing risk	Maturing transactions cannot be renewed on similar terms.	Need to avoid a high level of borrowing over a short period where you are exposed to high interest rates.	The Authority has a policy of limiting maturing loans to 12% of the loans portfolio.	MEDIUM	Using cash to fund borrowing potentially increases the refinancing risk. Without the use of cash this risk assessment would probably be low.
Regulatory and legal risk	Rules governing local government borrowing are changed or amended without notice, which has happened in the recent past.	Local government is heavily reliant upon PWLB (or its successor body); cost and ability to reschedule / manage loans are determined by the Government The Government could close the PWLB (or its successor body) and force local authorities to use market loans for all new borrowing.	Market loans will be evaluated and taken if these are good overall value and dilute reliance on the PWLB (or its successor body). The UK Municipal Bonds Agency may provide an alternative in the future. .	MEDIUM	Use of cash means that PWLB (or its successor body) loans are not being taken. If the PWLB (or its successor body) was closed to new business, then market loans would be the only option.

Police Fire and Crime Panel
Loan Maturity Profile 2026/27



Police Fire and Crime Panel

Lending List – January 2026	
	Time Limit
Regulation Investments	
UK Government DMADF account	6 months
UK Local Authority	12 months
Banks	
Lloyds Group (£1.0 million max)	overnight
MMF (temporary increased limits)	
Federated (£7.5 million max)	call only
Morgan Stanley (£7.5 million max)	call only
Aberdeen Standard (£7.5 million max)	call only
Enhanced MMF	
Royal London Cash Plus (£2.5 million max)	3-day notice

**Report to the Police Fire and Crime Panel
9th February 2026
Reserve Strategy Update
Report of the Staffordshire Commissioner**

Introduction

Statutory provision is made within the Local Government Finance Act 1992 that requires precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure. The S151 Officer and Treasurer for the Staffordshire Commissioner Fire and Rescue Authority has a duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its annual budget requirement.

This paper gives due consideration to the overall level of reserves held by the Authority as at 31 March 2025, and the Police Fire and Panel are asked to comment and review the overall position as scheduled within **Appendix 1** and **2** and the overall impact on Reserves as incorporated within the approved Medium Term Financial Strategy (MFTS).

The Reserves Strategy was last approved in February 2025 by the Commissioner, following presentation to the Police Fire and Crime Panel, has now been updated to incorporate and reflect:

- The revised MFTS for 2026/27 to 2030/31
- The actual Reserves position as per the Statement of Accounts for 2024/25
- The forecast revenue and capital spend position for 2025/26
- The impact of approved reserve utilisation and the updated MFTS position

A number of different reserves are held by the Staffordshire Commissioner Fire and Rescue Authority (both usable and unusable) in line with the CIPFA guidance, however this paper focuses on the two key areas of reserves that impact on the future financial strategy.

- A **General Reserve**, to allow for unexpected / emergency events – balance as at 31 March 2025, £1.9m (see **Appendix 1**), this position is retained and no changes are proposed.
- A **Earmarked (Specific) Reserve** – to meet future known or predicted requirements – balance as at 31 March 2025, £6.8m (see **Appendix 2**), forecast 31 March 2026, £6.4m

RECOMMENDATIONS

The Police, Fire and Crime Panel is asked to:

- m) Note the overall reserves position for both General and Earmarked Reserves as contained within this report,
- n) consider the adequacy and categorisation of the Earmarked Reserve that will be incorporated into the Revenue Budget and MTFS for 2026/27, and utilisation of reserves as incorporated within the approved MTFS
- o) Note the updated Reserves Strategy

Ben Adams
Staffordshire Commissioner

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BACKGROUND AND ADDITIONAL INFORMATION

Prudential Code and Capital Spend

1. CIPFA's (The Chartered Institute of Public Finance and Accountancy) Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long-term revenue commitments. Indeed, in considering the affordability of its capital plans, the Staffordshire Commissioner is required to consider all of the resources available, together with the totality of its capital plans and revenue forecasts for the forthcoming year and into the medium term.
2. The statutory reporting regime discussed within this paper and effective financial management underpin the need for clear, transparent reporting arrangements for reserves and CIPFA recommend that there should be clear protocol setting out the following:
 - the reason for / purpose of the reserve;
 - how and when the reserve can be used;
 - procedures for the reserve's management and control; and
 - a process and timescale for review of the reserve to ensure continuing relevance and adequacy.
3. Whilst it is primarily the responsibility of the Staffordshire Commissioner and its S151 Officer and Treasurer to maintain a sound financial position, our external auditor Azets will annually review for any material uncertainties and test to ensure that the Authority remains a going concern as part of the Value for Money judgement. Even where as part of their wider role Azets will report on the Authority's financial position, it is not however, their responsibility to prescribe the optimum or minimum level of reserves for authorities in general.

Types of Reserve

4. When considering the Medium Term Financial Strategy and preparing annual budgets the Staffordshire Commissioner should consider the establishment and maintenance of reserves. Reserves can be held for three main purposes:
 - a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
 - a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves (see **Appendix 1**);
 - a means of building up funds, often referred to as earmarked reserves, to meet known or predicted requirements. This is also referred to as the Specific Reserves/Earmarked Reserves (See **Appendix 2**)

Reporting of Reserves

5. The IFRS-based Code of Practice on Local Authority Accounting in the United Kingdom (the Code) introduced the Movement in Reserves Statement to local authority financial statements in the 2010/11 financial year. This Statement presents the movement in the year of the reserves of the Authority analysed into **usable** reserves, (e.g. General and earmarked reserves) and unusable reserves. The Movement in Usable Reserves Statement can be found within the Statutory Accounts for 2024/25, and is shown below:

31-Mar-24		31-Mar-25
£,000		£,000
1,906	General Fund (1)	1,906
1	Capital grants unapplied	0
1,661	Earmarked reserves - grants	1,035
6,330	Earmarked reserves - PFI grant	6,796
594	CCU Reserve	752
7,057	Other Reserves (2)	6,773
15,642	Earmarked Reserves	15,356
17,549	Total Usable Reserves	17,262

6. The total Usable Reserves as per the statement of accounts is £17.3 million, however only the General Fund £1.906m and Other Reserves £6.773m are considered within this report. The other grant areas are not for general use as they have already been identified for a particular use or business area. For example, the £6.796m Earmarked PFI Grant will unwind at the end of the two PFI concessionary periods, however the cash can be used to avoid borrowing during this time. Additional Borrowing will therefore be required in 2034/35.
7. Unusable reserves arise out of the interaction of legislation and proper accounting practice either to store revaluation gains or as adjustment accounts to reconcile accounting requirements (i.e. reconciliation of reporting standards to statutory requirements).
8. Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the Government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty.
9. Whilst it remains the responsibility of the Director of Finance/S151 Officer for the Staffordshire Commissioner Fire and Rescue Authority to advise on the overall level of reserves that are held; the Staffordshire Commissioner should assist by providing clear protocols for the establishment and use of reserves, as reserves should not be held without a clear purpose.

Reserves Strategy and Future Outlook

10. This paper gives due consideration to the overall level of reserves held as at 31 March 2025, and the Panel are asked to comment and review the overall position as scheduled within **Appendices 1 and 2**.

- The Financial Strategy when considering the overall level of reserves held, should importantly take into account:
 - That there are no future capital grants proposed by the Government, which means that all capital spend will increase debt and borrowing unless internally funded by either ongoing savings or the use of reserves
 - The future investment required to fund further changes to the Service currently being considered as part of the current Service Transformation work
 - The use of Reserves to support Revenue and Capital spend into the medium term, and whilst reserves can be effectively utilised in the short term to secure a balanced financial position this must be temporary whilst savings and transformation plan are being developed into the medium term

General Reserve

11. The General Reserve scheduled within **Appendix 1** has remained unchanged for a number of years and at £1.9m represents around 3.3% of the 2026/27 annual revenue budget. It is recommended by the Home Office that General Reserves held by Fire Authorities do not exceed 5% of overall funding level. The National Framework Document requests that the Reserves Strategy should clearly justify the reasons for holding a general reserve above five percent.

Earmarked / Specific Reserve

12. The forecast balance on this reserve as at 31 March 2025 was £6.5m, as scheduled below and based upon the categorisation approved by the Staffordshire Commissioner in **February 2025**:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Actual	Est.	Est.	Est.	Est.	Est.	Est.
	£m	£m	£m	£m	£m	£m	£m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Earmarked Reserves							
PFI Reserve (Project Reserve Deductions)	0.7	0.8	0.8	0.8	0.8	0.3	0.3
Reserve - Brewood Refurbishment	0.5	0.5					
Operational Budget Holder Reserves	0.7	0.8	0.9	0.6	0.5	0.4	0.4
Insurance Reserve	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Budget and MTFS Support Reserve	0.8						
Business Rates reserve	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Capital Reserves	0.3						
Pension Reserve	1.5	1.5	1.2	1.2	1.2	1.2	1.2
Collaboration Reserve	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Future Funding reserve	1.7	2.0	0.9	0.4	0.2	0.4	0.8
Total Earmarked Reserve	7.1	6.5	4.7	3.9	3.6	3.2	3.6
Total Reserves Available (Useable)	9.0	8.4	6.6	5.8	5.5	5.1	5.5
Percentage of Revenue Budget							
General Reserve	4.0%	3.8%	3.7%	3.5%	3.5%	3.4%	3.3%
Earmarked Reserve	14.7%	13.0%	9.0%	7.3%	6.5%	5.7%	6.2%
Total	18.7%	16.8%	12.7%	10.8%	10.0%	9.0%	9.5%

13. The Earmarked Reserve provision is required not only to fund future projects and investments but also to provide funding, as follows:

- to support the recurring revenue budget up to 2029 as incorporated within the medium term financial strategy,
- to provide a provision for future capital investment to avoid additional long term borrowing need,
- to provide for costs that may be required to support future change and business transformation
- to provide for any funding uncertainty as discussed within this paper (e.g. pay awards and Pensions)
- to provide for future contingent liabilities that have been identified within the statutory accounts

14. **Appendix 2** incorporates and update of the assumptions for each of the above reserve provisions for discussion by the Panel; including:

- a. The approved revenue budget set for 2026/27
- b. The revised use of reserves incorporated with the approved MTFS
- c. Planning for future transformation workstreams
- d. Any contingent liabilities that needs to be provided for as incorporated within the Statutory Accounts
- e. Any amounts where budget holders have been authorised to earmark a specific expenditure item
- f. Any upward pressures that are anticipated to be placed upon budgets e.g. higher than expected pay awards or pension costs

15. In the instance where a particular reserve needs to be accessed that has not be previously formally approved, approval from The Staffordshire Commissioner would be sought in advance to ensure that plans can be adequately challenged and full transparency exists within the Authority.

16. Whilst it remains the responsibility of the S151 Officer and Treasurer for the Staffordshire Commissioner to advise the Authority about the overall level of reserves that is held; the Service and Staffordshire Commissioner assist this process by providing clear protocols for the establishment and use of reserves, as reserves should not be held without a clear purpose.

Appendix 1

General Reserves Balance for 2026/27

Risk Assessment of General Reserves for 2026/27

CIPFA guidance indicates that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that chief financial officers should take account of the strategic, operational and financial risks facing the authority.

A risk assessment for general reserves was undertaken as part of the budget setting process for 2026/27 and the overall provision of £1.9m has remained unchanged for a number of years and represents 3.3% of the revenue budget set for the year.

Whilst not a complete list of all the financial risks, the assessment focused on those most likely (High and Medium risks) to have a significant impact on the budget year.

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2026/27 Provision £000
Loss of Employees / additional pay costs	High	Spate conditions caused by for example; prolonged severe weather conditions (e.g. hot weather or flooding), unexpected loss of staff through COVID-19, Avian Flu / Ebola etc.	650

Insurance loss / impact of data breach	Medium	Risk of incurring uninsured losses Risk of breach due to inappropriate information sharing / failure to implement EU GDPR	550
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	300
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, waste fires / tipping	300
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	100

Area of Expenditure	Level of Risk *	Explanation of risk/justification of reserves	2026/27 Provision £000
TOTAL			1,900

Appendix 2

Total Reserves including Earmarked Reserves Balance for 2026/27

In addition to general reserve balances, usable earmarked reserves that are created for specific purposes. Usable earmarked reserves should be held to meet future liabilities and the following table incorporates an updated categorisation of the balance held for this reserve to be considered by the Staffordshire Commissioner.

Below is a suggested categorisation only based upon the forecast reserves position, but importantly this must remain flexible based upon future funding settlements, delivery of agreed savings and certainty around MFTS assumptions.

RESERVES FORECAST	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	Actual £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m	Est. £m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<u>Earmarked Reserves</u>							
PFI Reserve (Project Reserve Deductions)	0.8	0.8	0.8	0.8	0.3	0.3	0.3
Reserve - Brewood Refurbishment	0.4	0.3					
Operational Budget Holder Reserves	0.8	0.7	0.7	0.6	0.4	0.4	0.4
Insurance Reserve	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Budget and MTFS Support Reserve							
Business Rates reserve	0.2	0.5	0.5	0.5	0.5	0.5	0.5
Capital Reserves	0.2	0.2	0.2	0.2			
Fire Control Project Reserve	0.3	0.1					
ESN Reserve		0.5	0.5	0.5	0.5		
Pension Reserve	1.5	1.2	1.2	1.2	1.2	1.2	1.2
Collaboration Reserve	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Future Funding reserve	1.9	1.3	1.0	0.5	0.3	0.2	0.6
Total Earmarked Reserve	6.8	6.4	5.6	5.1	4.0	3.4	3.7
Total Reserves Available (Useable)	8.7	8.3	7.5	7.0	5.9	5.3	5.6
Percentage of Revenue Budget							
General Reserve	3.8%	3.4%	3.3%	3.2%	3.2%	3.1%	3.0%
Earmarked Reserve	13.6%	11.5%	9.8%	8.7%	6.6%	5.5%	5.9%
Total	17.4%	14.9%	13.1%	11.9%	9.8%	8.6%	9.0%

The following earmarked reserves have been established (or aggregated as shown above) for the following purposes:

PFI Reserve – This reserve has been established over a number of years and arises from any performance or availability contract deductions from the two PFI contracts. It is intended that this reserve is utilised and invested back into the fire estate. £0.5m has been allocated to support the future refurbishment of Tutbury Fire station.

Refurbishment Reserve Brewood – The refurbishment work Brewood commenced in 2025 and is due for completion during 2026/27. The original feasibility and scope for this project resulted in significant cost escalation. The project will now be completed in separate stages.

Insurance Reserve – This reserve has been established to cover any one off or additional unforeseen insurance costs.

Operational Budget Holder Reserves – this includes a number of specific earmarked reserves identified by budget holders for specific reasons.

Budget and MTFS Reserve – this reserve was included within the previous MTFS and has now been moved into the future funding reserve.

Business Rates Reserve – This reserve is intended to smooth out movement in the actual 1% share of local business rates and S31 grant taken from the NNDR1 forms, as submitted by the nine billing authorities, compared to the budget which is based upon the Provisional Local Government Finance Settlement.

Capital Reserve – to fund future capital projects on identified assets. This reserve has generally been used to support the vehicle replacement reserve with included part funding for the two Aerial Ladder Platforms. This reserve has now been fully utilised.

Pension Reserve – provides provision around the additional employer pension contribution required into the Firefighters’ Pension Scheme. A government grant was received in 2025/26 to cover the additional employer contributions into the Firefighters’ Pension Scheme. This reserve provides funding for an additional year should this be required. The actual grant in receipt is £1.16m and is reflected in the reduction above.

Collaboration Reserve – to support the one-off costs associated with local public sector collaboration. This reserve is used to either support projects aimed at generating a financial return on the one-off investment or improving partnership working and outcomes. This Reserve may be required to support future public sector devolution.

Future Funding and Investment Reserve – held to support the Authority should settlement funding see unexpected reductions in future years. This reserve is being utilised in 2026/27, 2027/28 and 2028/29 based upon the reduction in grant funding included within the 2026/27 settlement. This reserve will also support any key investment areas approved by the Commissioner outside of the approved MTFS.