



Item 4 (i)

Report to the Police Fire and Crime Panel

14th February 2022

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 2022/23. It is the first budget report and Medium Term Financial Strategy (MTFS) for the new Staffordshire Commissioner. This report delivers one of the Commissioner's key responsibilities as laid out within section 5 of the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net revenue budget requirement for 2022/23
- Proposed precept for the fire element of the council tax 2022/23
- Proposed Medium Term Financial Strategy (MTFS)
- Outline Capital Budget for 2022/23 to 2024/25

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 2022/23 net revenue budget requirement of £42.472m, including
 - A council tax requirement for 2022/23 of £28.532m before collection fund surplus/deficits are taken into account **(see Appendix 6)**
- b) Note that the funding for 2022/23 is based upon the Provisional Local Government Finance Settlement, and includes the business rates information received from the nine billing authorities (as per NNDR1 returns).

- c) Support the Commissioner's proposal to increase the 2022/23 precept for the fire element of the council tax bill by 1.99% or £1.57 per annum which is equivalent to 3p per week, increasing the council tax to £80.35 for a Band D Property (**see Appendix 6**)
- d) To note that the Council Tax base has increased to at 355,100 properties (**see Appendix 5**) equivalent to a increase of 1.84%. The Council Tax collection fund has also been finalised delivering a surplus of £288k (**see Appendix 4**). Note this includes the option to spread the £102k per annum deficit attributable to COVID-19 over 3 years and this is the second year
- e) To note the MTFS summary financials (**Appendix 7**) and MTFS assumptions contained within the report
- f) To note the MTFS shows a balanced position. However, this includes a saving requirement of c.£2m during the MTFS period and a net use of reserves of £0.3m. This is driven by the assumptions around ongoing cost pressures which includes ongoing pay pressure and increased Firefighters Pension costs and increases in capital financing costs and utilities
- g) Support the proposed three year Capital Investment Programme (**see Appendix 8**). Note there is a capital Strategy to accompany the programme
- h) To note the reduction in business rates for 2022/23 following the receipt of the NNDR1 returns received from the nine local billing authorities which includes a collection deficit of £0.8m.
- i) Note the outcome of The Staffordshire Commissioner's budget consultation
- j) Support the delegation to the Director of Finance for the Staffordshire Commissioners Office 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 2022/23 (**see Appendix 10**)
- l) To note the Statement from the Director of Finance / S151 Officer on the robustness of the Budget and adequacy of the proposed financial reserves

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Commissioners Foreword



This is my first budget and council tax precept proposal for Staffordshire Fire and Rescue Authority as Police, Fire & Crime Commissioner. Since my election in May 2021, I have been hugely impressed by the professionalism and commitment of our Fire officers and staff. I would like to thank them for this and particularly for the extra effort they have made to keep us safe during the Covid19 pandemic.

Due to careful financial planning and central government support Staffordshire Fire has not seen an impact on its core funding due to Covid19, but the financial impact of the pandemic on public services, business and taxpayers, will be felt for years to come. This 2022/23 budget and Medium-Term Financial Strategy (MTFS) is set against this backdrop.

I have worked with Staffordshire Fire to address future years' budget gaps through a number of planning sessions, and I am pleased to present a five-year budget.

In December 2021 I published my local Fire and Rescue Plan which sets out priorities and service expectations on behalf of Staffordshire residents. These include a flexible and responsive Service, protecting people and places, helping people most at risk stay safe and ensuring that we have a Fire and Rescue Service fit for tomorrow.

The work that fire and rescue services do has changed significantly in recent decades. Staffordshire Fire & Rescue Service provide a broad range of services to keep people safe at home, at work and in public places. The number and types of incidents attended have also changed and whilst there had been a downward trend for many years, the service has seen an increase in blue-light response over the last three years. Some of that demand is more complex than before; climate change has led to more extreme weather events, leading to flooding and large-scale fires in open areas that have required protracted, resource-intensive responses.

The MTFS will ensure that the Chief Fire Officer has the resources needed to deliver on the local plan and national government priorities. With this, and inflation and wage pressures in mind, I have concluded that the 2022/23 Fire and Rescue council tax precept should increase by 1.99%, equivalent to £1.57 per year or 3p per week for a band D property.

The proposed increase in the Fire and Rescue council tax precept over the four year period of this MTFS is significantly lower than the forecast cumulative rate of inflation and wage growth. I will always aim to keep council tax as low as possible without compromising safety.

I am acutely aware that household budgets are tight, so I expect every pound of taxpayer's money invested in Fire and Rescue to be spent wisely and for Staffordshire Fire to continually seek efficiencies. To balance this MTFS, without using reserves, a further £2m of additional savings will be required by 2026. This will be challenging but given a good record of making savings, smarter use of technology, more efficient crewing models and to share more buildings and back-office costs with Staffordshire Police, I believe this is achievable.

Staffordshire Fire and Rescue continue to perform well and with your support and the continued investment set out in this MTFS it is my expectation that our new Chief Fire Officer, Rob Barber, will continue to keep us safe.

<https://staffordshire-pfcc.gov.uk/new-document/fire-and-rescue-plan-2021-24/>

Executive Summary

This report advises the Panel on the proposed revenue budget for 2022/23, 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 2026/27.

On 27 October 2021, the government announced the outcome of Spending Review 2021. This Spending Review announced that local government are provided with a strong foundation for the next three years, with around £1.6 billion of additional grant in each year of the Spending Review period. To prioritise certainty for 2022/23, the Government delivering a one-year local government finance settlement, although the Spending Review has been issued for a three year period.

The proposals within the draft settlement relate to 2022/23 and are focused on stability. The government are also committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years. Over the coming months, Government will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector (including Fire) before consulting on any potential changes.

Following the receipt of the draft local government finance settlement which included the referendum limits for Council Tax increases, 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 and expected efficiency savings available to the Service as part of its ongoing transformation work.

Whilst the Covid-19 pandemic continues to have an impact upon the economy, the Fire and Rescue Sector have continued to support the priorities of Government e.g. helping with the vaccination and booster programmes. The financial impact has seen additional costs which have largely been supported by grant funding, and the council tax base and collection deficit estimates have bounced back quicker than anticipated.

The Commissioner has taken into account the adequacy and level of reserves and the impact of future financial challenges and opportunities in the MTFS. This paper is accompanied by a revised Reserves Strategy which is supported by the Commissioner.

The Settlement Funding for 2022/23 includes an inflationary increase in Revenue Support Grant (RSG) set at 3.1%, increasing by £146k. The business rates top-up has been held at the same level.

The Settlement Funding assumptions contained within this report are based upon the Provisional Local Government Finance Settlement received on the 16 December 2021.

The Commissioner is proposing a 1.99% increase in Council Tax equivalent to an additional £1.57 per annum (3 pence per week) in line with this referendum limit and will increase Band D Council Tax for the Staffordshire Commissioner FRA to £80.35.

For 2022/23 in support of this recommendation the online precept consultation with residents undertaken by the Commissioner shows that overall, around 70% of all respondents support a 1.99% increase in precept for the Fire and Rescue Service. The resident's survey has generated 940 responses and shows that 657 of individuals favoured the proposed increase.

The budget process for 2022/23 involved full consultation with all budget holders and calculated from a zero base. Where possible all recurring efficiencies and savings achieved to date have been incorporated into the base budget.

The impact of the Covid-19 pandemic was strongly evidenced in the 2021/22 budget via a reduction in the tax base (driven by an increase in the means tested benefit Local Council Tax Support schemes) and a deficit on the collection fund. We have seen a return to growth in the council tax base for 2022/23, however the degradation on the base seen due to the pandemic has not been fully recovered, reducing the ongoing base to what was forecast pre-pandemic.

Whilst the Council Tax position has bounced back well the reported position for business rates still indicates that the pandemic has had a longer-term impact upon the total level of business rates in addition to significant deficits reported by the local Billing Authorities. Whilst some of this deficit has been recovered through retail relief compensation there is still a significant net reduction in the reported share of local business rates received by the Authority.

The Commissioner has considered the adequacy and level of reserves and the impacting of future financial challenges and opportunities in the MTFS. The MTFS assumes a net drawn on reserves of £0.3m to support the MTFS revenue budget over the five year planning window. This paper is accompanied by a revised Reserves Strategy. There are significant risk and uncertainties beyond 2022/23 that are reflected and narrated within this paper which include the impact of national pay awards (pressure of above inflation awards), the implications of the Sargeant / McCloud High Court judgement on pension costs, and also the risks associated with the upcoming formula funding review and high levels of inflation now being experienced and forecast for the next few years.

In summary, when considering the Settlement Funding Position, additional grants offered by Government and the precept proposal from the Commissioner a balance budget position is presented for the budget year 2022/23, however the continuing uncertainty beyond next year makes planning challenging.

The MTFS includes a saving target of £2m and the Commissioner will continue to work with the Service in order to ensure that further efficiency is achieved to deliver this saving and deliver the requirements set out with the Commissioner's Fire Plan. This reported overall financial position is in line with that reported to the Panel last year:

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Gap/(surplus) reported	0.5	1.3	2.0	2.0
<i>Movement</i>	<i>(0.2)</i>			
Revised Savings Position	0.3	1.3	2.0	2.0

Background

1. The budget proposals contained within this report are based upon the provisional 2022/23 Local Government Finance Settlement received on 16 December 2021.
2. Settlement Funding comprises of three funding streams shown below. The RSG and Business Rates top-up are shown as extracted from the final settlement, with the 1% share of local business rates being based upon a current estimate of NNDR1 submissions.

	2021/22 £m	2022/23 £m	Movement £m
1% share of Local Business Rates	3.735	2.670	(1.065)
Business Rates Top-up	6.059	6.059	
Revenue Support Grant (RSG)	4.777	4.923	0.146
Total Settlement Funding	14.571	13.652	(0.919)

Business Rates / Business Rates Top-up

3. 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 actual 1% share of local business is extracted from the district, borough and city council's NNDR forms (Non-Domestic Rating Income Calculation and Estimate of Collection Fund Surpluses and Deficits).
4. The 1% share of business rates has resulted in an estimated year on year reduction of £1,065m, demonstrating overall reduction in the business rates collection estimates across the County and City due to the continued impact of the pandemic, with less business rates relief promised for 2022/23.
5. Whilst the overall NNDR 1% share of business rates has reduced by c.£0.26m, the reported deficit based upon lower collection levels is £0.8m for the year. This collection deficit position is forecast to recover into the medium term but not back to pre-covid levels. Further dialogue with the nine billing authorities will be undertaken during the year so that this position can be fully understood.
6. The above reduction has been partly mitigated by an increase in Retail Relief S31 grant of £0.4m.

There is therefore continued risk beyond 2022/23 should business rates continue to fall post pandemic.

Council Tax

7. 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. This process is laid out within Schedule 5 of the Police Reform and Social Responsibility Act 2011.
8. 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 from 2019/20.
9. The Band D Council Tax for the Authority was approved at £78.78 for 2021/22, this report includes the proposal by the Commissioner to increase Council Tax by 1.99% to £80.35 in 2022/23. The table below benchmarks the precept proposals in the 4-year MTFS against the forecasts from HM Treasury and the Office of Budgetary Responsibility:

	2022/23	2023/24	2024/25	2025/26	Cumulative
RPI Inflation	5.0%	3.4%	2.8%	2.8%	14.0%
Wage Growth	4.6%	3.7%	2.2%	3.0%	13.5%
Precept Estimates	1.99%	1.99%	1.99%	1.99%	7.96%

10. The referendum limit for 2022/23 has remained at 2% for this Authority. The Government has recognised the financial issues of a number of services by offering £5 flexibility on council tax precept for the lowest quartile services, which will benefit eight fire and rescue services for a one-year period.
11. A 1.99% increase in Council Tax is equivalent to an increase in Band D of £1.57 per annum (3 per week), and will increase Band D to £80.35.
12. The Council Tax base shown in **Appendix 5** has increased to 355,100 from 348,733 properties in 2021/22, which is equivalent to an increase of 1.84% and demonstrates a good recovery during the pandemic. The Council Tax collection fund is also in credit by £288k, shown in **Appendix 4**. Both the Council Tax base and the surplus on the collection fund have been finalised and agreed.
13. A 1% sensitivity in precept for the Staffordshire Commissioner is equivalent to £0.280m.
14. Based upon a 1.99% increase, the total budgeted precept (including collection fund deficit) has increased by £1.414m, as follows:

Council Tax Amount 2021/22	£27.406m
Increase in Council Tax Base by 1.84%	£0.501m
Movement from fund deficit to Surplus	£0.355m
Increase in Council Tax by 1.99%	£0.558m
Council Tax Amount 2022/23	£28.820m

15. The Staffordshire Commissioner issued a budget consultation document in December which concluded on 11 January 2022 which also included a survey regarding options for the local precept. The results of this consultation show that 70% of the 940 that responded supported the proposed increase of 1.99%.
16. The table below illustrates the financial impact of the precept changes on the Council Band D rate and increase in funding for Police and Crime in Staffordshire.

Council Tax (Fire Element)	2021/22	2022/23
Band D Council Tax Proposed	£78.78	£80.35
Increase on Prior Year	£1.54	£1.57
Percentage increase on Prior Year	1.99%	1.99%
Council Tax Increase*	£222,861	£1,059,123
Total Precept Levied	£27,473,179	£28,532,303
Weekly Increase	£0.03p	£0.03p

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

Revenue Budget 2022/23

17. The Revenue Budget sets out to support the Corporate Safety Plan and Fire and Rescue Plan issued by the Staffordshire Commissioner.
18. **Appendix 1** sets out the proposed revenue budget of £42.472m for 2022/23 based upon a Council Tax Increase of 1.99% and the provisional Local Government Finance Settlement and receipt of the local business rates estimates.
19. The key features of the budget, are as follows:

Pay costs Revenue budget

The overall pay costs budget for 2022/23 at £29.0m, shows an increase of £1.0m more than last year's budget.

The Chancellor announced during the Spending Review for last year that there would be a pay pause across a majority of the public sector. Whilst a pay pause was included within the budget a nationally agreed increase of 1.5% was agreed for all operational Grey Book staff. As part of the 2022/23 Settlement this pay pause has now been lifted and a pay award assumption for 2022/23 has been included at 3% for staff within the MTFS. A 1% pay award sensitivity is around £0.25m per annum. The Fire Brigades Union remain in discussion with fire service employers through the National Joint Council and will continue to push for higher than inflation pay awards. It should be noted that pay awards are not negotiated locally so this is outside of the control of the Commissioner.

There is therefore risks associated with the assumed level of pay award budgeted for 2022/23 and into the medium term particularly with inflation running at rates in excess of 5% (5.1% published CPI for November 2021).

The following bridge explains the net reduction in pay costs:

	<u>£m</u>
Pay Budget – 2021/22	28.0
Pay Award (at 3%)	1.0
National Insurance Increase 1.25%	0.2
New Posts (incl. temporary investment and re-grades)	0.4
Holiday Pay / Bank Holidays / CPD	0.1
End of secondments (non-recurring pay)	(0.4)
Restructure and efficiency	(0.2)
Pay Efficiency Requirement	(0.1)
Pay Budget – 2022/23	29.0

Non-pay costs

Non-pay costs are budgeted to reduce marginally year on year. Some of the main movements in non-pay costs are as follows:

- Funded non-pay costs have increased by £0.1m mitigated through additional income budgeted
- Premises costs have increased by £0.5m and includes an estimate of the anticipated increase in gas and electricity costs following the significant increase in wholesale prices.
- Business rates include a £0.1m per annum saving following the positive outcome of the appeals submitted to the Valuation Office Agency.
- Transport costs at £0.8m are broadly in line with previous year despite the increase in fuel prices
- A targeted non-pay efficiency saving has been included, £0.15m
- Non Pay includes a charge of £1.2m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control.

(ii) Income

Income for 2022/23 is budgeted to increase slightly to £3.3m

- The Authority received a Local Council Tax Support grant of £0.468m in 2021/22 which was a one-off receipt to compensate for the reduction in Council Tax Base and is therefore not included within 2022/23.
- A Service Grant of £0.66m has been included within the settlement, this is to cover the National Insurance Increase. Only £0.2m has been released in the budget year. The balance is held in grant reserves to cover of this increase for 2023/24 and 2024/25
- The S31 Grant for Business Rates has increased by £0.4m as additional business rates relief has been included with the NNDR1 returns that partly compensates for the business rates reduction reported for the budget year.

(iii) Capital Charges

Total capital charges at £5.2m remain broadly in line with the previous year:

- The £1.4m minimum revenue provision requirement for 2022/23 in line with the MRP Policy
- The budget assumes that the overall level of borrowing (loans) for the Authority will remain unchanged as no loans are due for repayment in year. The budgeted level of interest on the existing long terms loans of £17.050m is 4.25% (Budget 2022/23, £0.758m)
- The unitary charge will increase marginally due to the Retail Price Index (RPI) increase applied to the variable elements of both PFI contracts at £3m per annum

Budget Monitoring 2022/23

20. A budget monitoring report will be considered by the Fire Strategic Governance Board on a quarterly basis. A monthly Resource Control Report will be issued to members of the Service Delivery Board (SDB) and also published on the Intranet available for all staff.
21. A monthly Finance News Publication is also issued alongside the detailed Resource Control Report. In addition, the Finance Panel, which is a sub-group of the Ethics, Transparency and Audit Panel (ETAP) will continue to review the budget monitoring reports on a bi monthly basis with a report submitted to ETAP by the Finance Panel Chairman.

Service Transformation

22. The Service has already undertaken a number of scenario planning sessions and options have being discussed and developed with the Staffordshire Commissioner in order to provide a pathway for delivery of the expected financial challenges into the medium term and deliver a more efficiency Service that can deliver improved productivity.
23. As discussed within this paper the budget gap into the medium term is estimated to be around £2m over the life of the MTFS. This gap has reduced from the previously reported £3m due to more certainty being received regarding funding the Authority receives through Revenue Support Grant.
24. The requirement for Service Transformation is to ensure that Staffordshire Fire and Rescue Service “is able to provide a modern, efficient and sustainable level of service to the public which does not compromise the safety of our staff or our communities.”
25. There are a number of topics that are actively being worked upon which all connect under the banner of future transformation of the service. The work is aligned to the Safety Plan 2020-2024 (service reform) and the Commissioners Fire Plan 2021-2024 under the two priorities of having a Flexible and Responsive Service as well as a Fire Service for Tomorrow.

26. The work fits into four distinct categories:

a) Corporate Reform

The following areas will be reviewed as part of this workstream:

- **Senior leadership restructure** – In order to create a more efficient, flexible pathway of management and in order to attract the best future leaders into the service
- **Investing in our people** – This work is being completed through our review of the service's culture and creation of an insights team to improve equality, inclusivity and diversity
- **Improving the productivity of the Service** – Through a new station work routine to create capacity and performance clarity within the wholetime crews. This also includes investment and reform of all aspects of performance and assurance within the service
- **Review of Learning and Development** - This area of work includes a more effective restructure to build capacity for outreach training and assessments. More effective delivery of the national

b) Response and Crewing Reform

In order to ensure the most effective use of our resources the following are key areas of focus:

- **To introduce new appliances with enhanced rescue capabilities (ERPs)** – This will improve the services capabilities for heavy rescue incidents and allow a more efficient crewing model to be implemented. This is supported by the capital programme.
- **A revised operational response model** – In order to create a more effective and efficient use of available wholetime and on-call firefighters to improve fire cover and enhance the level of public safety
- **Reviewing the viability of station locations**
- **Reviewing of the crewing models in place across the Service** – To understand the potential of changing crewing models at wholetime stations
- **Review of Service standby policy** - To provide evidence to demonstrate whether our standby movements add value to our response to incidents

c) Prevention and Protection Reform

This reform is aimed at creating more responsive and efficient prevention teams and aiming to improve the level of collaborations on agenda such as health outcomes and community safety. In terms of protection, continued investment is being made in our dedicated teams and the upskilling of our operational staff will ensure a greater level of capacity is achieved in order to deliver more protection work within our communities.

d) Estates and Shared Services Reform

- **The transformation of fire estate** – This includes the redevelopment of Stafford and the continued progress of sharing estates with Staffordshire Police which improves collaboration and brings a more efficient model to Fire and Police as part of the Commissioner's Estate Strategy
- **Review of Shared Service performance** – this will explore the level of performance and assurance for both the Service and Staffs Police with a review of current governance and reporting arrangements

27. Savings options in excess of £2m have been presented to the Commissioner for consideration based upon the workstreams detailed above. Regular updates will be taken to the Strategic Governance board during the year.

Firefighters' Pension Schemes

28. Pensions Grant

Following the results of the 2016 Valuation of the Firefighter's Pension Schemes employer contribution rates were increased by an average of 12.6%, resulting in additional costs for Staffordshire of around £1.8m per year. A Pension Grant has been received for the last three years from the Home Office covering 90% of this increase and this grant has also been guaranteed for the budget year 2022/23. The Commissioner has been informed by the Home Office that it is looking to base line this grant into funding from 2023/24. This could result in future reductions to this grant if it is not specifically ring fenced for this purpose rather than being incorporated into the Revenue Support Grant.

In addition to the above the 2020 valuation of the Firefighters' Pension Scheme is now near completion with the results of this further valuation awaited. This is likely to increase pressure further on the required level of employer contributions.

29. Sargeant/McCloud Case Update

The Police Fire and Crime Panel will be aware that as a result of legal cases brought in respect of the Firefighters Pension Reforms, it has been found that the implementation of the Firefighters Pension Scheme 2015 was discriminatory as outlined in the McCloud/Sargeant judgement. The legislation to remedy this discrimination is expected to be enacted no later than October 2023.

Work has been on-going in endeavouring to provide remedy affected members ahead of the legislation under Section 61 of the Equality Act, with a process called Immediate Detriment. All cases processed in this way will be reviewed once the legislation is enacted to ensure that all benefits being paid accurately reflect the revised scheme rules. The Commissioner has agreed to continue to process cases under Immediate Detriment and is watching the national picture carefully.

30. Firefighters pension scheme costs therefore remain a significant risk over the medium term, in particular in light of the McCloud judgement discussed above. To offset this risk the Commissioner has already established a pensions reserve, and also made provision for additional employer pension contributions from 2024/25.

Reserves and Balances

31. 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 2021; and a General Reserve which is held to protect against any spate or emergency conditions that may arise, **(see Appendix 3)**.
32. At 1 April 2021 the Authority held £1.9m in General Reserves and a risk assessment for this reserves was undertaken as part of the budget setting process for 2022/23 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.5% of the proposed revenue budget for the year.
33. At 1 April 2021 the Authority held £7.5m in Earmarked Reserves. **Appendix 2** demonstrates the impact on Specific 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.
34. 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

35. The MTFS has been updated to reflect the budget proposals for 2022/23 and incorporates the assumptions contained with the Provisional Financial Settlement, which includes the assumed increase in Council Tax of 1.99%. A summary of the financials covering the medium term period 2022/23 to 2026/27 are included within Appendix 7.
36. Should the Staffordshire Commissioner elect not to increase Council Tax for 2022/23 and beyond in line with the assumptions incorporated within this report, saving targets and use of reserves will need to be re-visited.

37. The budget for 2022/23 shows a balanced position, however there is a significant saving requirement of £2.0m identified into the medium term as discussed within the Service Transformation Section above.
38. The MFTS now assumes that additional pension costs will be passed onto the Commissioner. This is both as a result of the Sargeant/McCloud Pension Remedy and also the anticipated impact of the 2020 Firefighters' Pension Scheme Valuation. As a result of this uncertainty a 5% Increase in employer contributions have been included within the MTFS from 2024/25 in addition the Commissioner has created a pension reserve.
39. Whilst the 2022/23 revenue budget recognises the savings that have been delivered to date due to the change in governance arrangements, delivery of Shared Services and Estates Rationalisation (Tamworth and Hanley), further savings have not been included with the MFTS at this point in time. Savings delivered through Shared Service arrangements were re-invested into three new fire safety audit roles within the Prevent Team during 2020/21.
40. There is therefore a significant level of financial uncertainty regarding the funding position for the Authority beyond 2022/23, this unfortunately results in a higher level of risk associated with the funding assumptions contained within the updated MTFS.
41. A summary of the main MTFS assumptions are shown below for consideration:

	2022/23 Plan	2023/24 Plan	2024/25 Plan	2025/26 Plan	2026/27 Plan
<u>PAY COSTS</u>					
Pay Award Operational Staff	3.0%	3.0%	3.0%	2.0%	2.0%
Pay Award Non Operational Staff	3.0%	3.0%	3.0%	2.0%	2.0%
Other Pay Costs	3.0%	3.0%	3.0%	3.0%	2.0%
Pension Costs - Fire Fighters Pension Schemes	+£1.8m	+£1.8m	+£1.8m	+£1.8m	+£1.8m
Pension Costs - Fire Fighters Pension Grant	(£1.7m)	(£1.7m)	(£1.7m)	(£1.7m)	(£1.7m)
<u>NON PAY COSTS</u>					
Electricity	30.0%	5.0%	5.0%	5.0%	5.0%
Gas	30.0%	5.0%	5.0%	5.0%	5.0%
Business Rates	2.0%	2.0%	2.0%	2.0%	2.0%
Water and Sewerage	2.0%	2.0%	2.0%	2.0%	2.0%
General Supplies and Services	2.0%	2.0%	2.0%	2.0%	2.0%
<u>INTEREST RATES</u>					
Interest on Investments	0.1%	0.3%	0.5%	0.5%	0.5%
Interest on Debt	4.4%	4.3%	4.2%	4.2%	4.2%
<u>GENERAL FUNDING</u>					
Council Tax Increases	1.99%	1.99%	1.99%	1.99%	1.99%
Council Tax Base Growth	1.83%	1.25%	1.50%	1.50%	1.50%
Revenue Support Grant	0.0%	2.0%	2.0%	2.0%	2.0%
Local Business Rates	(28.5%)	15.0%	5.0%	2.0%	2.0%
Business rates Top-up grant	0.0%	0.0%	0.0%	0.0%	0.0%

Capital Programme

- 42. The three year Capital Programme and Capital Strategy for 2022/23 to 2024/25 has been developed and is reviewed within the Capital Strategy.
- 43. 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.
- 44. The total programme of £8.0m for 2022/23 includes £4.4m of carry-over from the current year. Whilst this delay has not impacted upon service delivery to date, it has culminated in a very challenging programme for 2022/23 and again this comes with a degree of risk of further delays and slippage.
- 45. 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.
- 46. As part of the capital programme for 2022/23 and 2023/24 the Commissioner has committed the use of £1.2m of reserves to support the vehicle replacement programme , and £0.9m to support the station refurbishment work at Abbots Bromley and Brewood.
- 47. The summary capital programme is shown within **Appendix 8**.
- 48. The detailed programme for 2022/23 is shown within **Appendix 9**.

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

- 49. The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2013, requires the Commissioner's CFO 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.
- 50. I can confirm that the budget for 2022/23 is balanced and has been produced on a robust basis. Whilst there remains some uncertainty with regard to future settlement funding, 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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Recurring Revenue Budget Proposal 2022/23
Council Tax Increase by 1.99%

	Budget 2021/22	Budget Proposal 2022/23	Year on Year Change
	£000s	£000s	£000s
Pay			
Pay Costs	25,779	26,875	1,096
Other Employee Costs	2,178	2,254	76
Pay Efficiency		(156)	(156)
Total Pay	27,957	28,973	1,016
Non Pay			
Premises Costs	3,418	3,897	479
Transport Costs	818	772	(46)
Supplies & Services Costs	7,524	7,231	(293)
CFS Costs and Initiatives	354	309	(45)
Non Pay Efficiency		(156)	(156)
Total Non Pay	12,114	12,053	(61)
Income			
Income - General	(3,266)	(3,326)	(60)
Interest Receivable	(25)	(10)	15
Total Income	(3,291)	(3,336)	(45)
Capital charges	1,497	1,425	(72)
Interest Payable	774	758	(16)
PFI Unitary Charge	2,993	3,003	10
Total Capital Charges	5,264	5,185	(79)
Total Revenue before Reserves	42,044	42,875	831
Transfer to/(from) Reserves	(67)	(403)	(336)
Budget Gap in Year			
Total Revenue Budget	41,977	42,472	495
FINANCED BY:			
<u>Settlement Funding</u>			
Revenue Support Grant	4,777	4,923	146
Local Business Rates (1%)	3,735	2,670	(1,065)
Government Top-up (business rates)	6,059	6,059	
Total Settlement Funding	14,571	13,652	(919)
<u>Council Tax</u>	27,406	28,820	1,414
Total Financing	41,977	42,472	495

Earmarked and General Reserves for 2022/23 to 2026/27

	Mar-21 Final £m	2021/22 Fcast £m	2022/23 Est. £m	2023/24 Est. £m	2024/25 Est. £m	2025/26 Est. £m	2026/27 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	0.7	0.3	0.3	0.3	0.1
Operational Budget Holder Reserves	0.5	0.3	0.3	0.3	0.3	0.3	0.2
Budget and MTFS Support Reserve	0.5	0.7	0.6	0.3	0.2	0.2	0.2
Refurbishment Reserve Abbots Bromley	0.5	0.5					
Capital Reserves	1.2	1.2	0.3				
Pension Reserve	1.8	1.8	1.8	1.8	1.1	1.1	1.1
Collaboration Reserve	0.5	0.5	0.3	0.3	0.3	0.3	0.3
Future Funding Reserve	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Total Earmarked Reserve	7.5	7.5	5.7	4.7	3.9	3.9	3.6
Total Reserves Available	9.4	9.4	7.6	6.6	5.8	5.8	5.5

Risk Assessment of General Reserves for 2022/23

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 2022/23 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.5% 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	2022/23 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.	500
Failure to achieve efficiency savings	Medium	Risk of not achieving future savings requirements	500
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	500
Ill health retirement costs	Medium	Risk of the number of ill health retirements being greater than anticipated due to ageing workforce	150
Other unforeseen costs	Medium	Risk of unforeseen event: emergency incident, waste fires / tipping	150
Other costs	Medium	Risk of failure of strategic partnership / collaboration initiatives	100
TOTAL			1,900

Council Tax Report 2022/23**Council Tax Surplus / (Deficit) by Authority****Surplus/ (Deficit)**

	2021/22	2022/23	Variation
	£	£	£
Cannock Chase	(11,536)	112,486	124,022
East Staffordshire	12,454	48,291	35,837
Lichfield	(12,686)	(14,191)	(1,505)
Newcastle	(18,480)	11,107	29,587
South Staffordshire	(13,600)	53,244	66,844
Stafford	(18,160)	21,882	40,042
Staffordshire Moorlands	(27,024)	22,740	49,764
Tamworth	25,639	31,345	5,706
Stoke	(3,685)	1,000	4,685
Budget Adjustment			
Total (per budget paper)	(67,078)	287,904	354,982

Council Tax Report 2022/23**Taxbase by Authority**

	2021/22	2022/23	Variation	%
Cannock Chase	29,137	29,458	321	1.1%
East Staffordshire	37,875	39,059	1,184	3.2%
Lichfield	38,891	39,695	804	2.1%
Newcastle	37,087	37,668	581	1.6%
South Staffordshire	38,664	39,066	402	1.1%
Stafford	47,994	48,490	496	1.0%
Staffordshire Moorlands	33,260	33,510	250	0.8%
Stoke	63,459	65,185	1,727	2.7%
Tamworth	22,366	22,968	602	2.8%
Total	348,733	355,100	6,367	1.84%

Council Tax Report 2022/23**Council Bands for Each Band and District Precepts****Based upon a Band D Increase of 1.99%****Council Tax Band Figures**

	2021/22	2022/23	Increase	Per Week
Band	£	£	£	Pence
A	52.52	53.57	1.05	2.0
B	61.27	62.49	1.22	2.3
C	70.03	71.42	1.40	2.7
D	78.78	80.35	1.57	3.0
E	96.29	98.21	1.92	3.7
F	113.79	116.06	2.27	4.4
G	131.30	133.92	2.62	5.0
H	157.56	160.70	3.14	6.0

Precept Payable

	2021/22	2022/23	Variation	
	£	£	£	%
Cannock Chase	2,295,399	2,366,962	71,564	3.12%
East Staffordshire	2,983,793	3,138,407	154,614	5.18%
Lichfield	3,063,833	3,189,501	125,668	4.10%
Newcastle	2,921,714	3,026,624	104,910	3.59%
South Staffordshire	3,045,974	3,138,968	92,994	3.05%
Stafford	3,780,975	3,896,203	115,228	3.05%
Staffordshire Moorlands	2,620,223	2,692,529	72,306	2.76%
Stoke	4,999,276	5,237,631	238,354	4.77%
Tamworth	1,761,993	1,845,479	83,485	4.74%
Total	27,473,179	28,532,303	1,059,123	3.86%

MTFS Summary Financials to 2026/27

	2022/23 Budget £000s	2023/24 Plan £000s	2024/25 Plan £000s	2025/26 Plan £000s	2026/27 Plan £000s
Pay					
Pay Costs	26,875	27,513	28,855	29,310	29,772
Other Employee Costs	2,254	2,305	2,356	2,409	2,446
Pay Efficiency Plan Saving	(156)	(750)	(1,250)	(1,250)	(1,250)
Total Pay	28,973	29,068	29,962	30,470	30,968
Non Pay					
Premises Costs	3,897	4,010	4,127	4,248	4,374
Transport Costs	772	781	791	801	811
Supplies & Services Costs	7,231	7,355	7,481	7,610	7,741
CFS Costs and Initiatives	309	309	309	309	309
Non Pay Efficiency Plan Saving	(156)	(500)	(750)	(750)	(750)
Total Non Pay	12,053	11,955	11,958	12,218	12,485
Income					
Income - General	(3,326)	(3,035)	(3,061)	(2,894)	(2,823)
Interest Receivable	(10)	(25)	(40)	(30)	(25)
Total Income	(3,336)	(3,060)	(3,101)	(2,924)	(2,848)
Capital charges	1,425	2,062	2,345	2,415	2,488
Interest Payable	758	818	878	938	998
PFI Unitary Charge	3,003	3,063	3,124	3,186	3,250
Total Capital Charges	5,185	5,942	6,346	6,539	6,735
Total Revenue	42,875	43,905	45,166	46,303	47,340
Net use of Reserves	(403)	(180)	(47)	55	301
Total Revenue	42,472	43,725	45,118	46,357	47,640
FINANCED BY:					
Settlement Funding					
Revenue Support Grant	4,923	5,021	5,122	5,224	5,329
Local Business Rates (1%)	2,670	3,070	3,224	3,288	3,354
Government Top-up (business rates)	6,059	6,059	6,059	6,059	6,059
Total Settlement Funding	13,652	14,151	14,405	14,571	14,742
Council Tax	28,820	29,575	30,714	31,786	32,899
Total Financing	42,472	43,725	45,118	46,357	47,640

Capital Programme Summary 2022/23 to 2024/25

	2022/23 Budget	2023/24 Plan	2024/25 Plan
	£	£	£
Building & Infrastructure Works			
Refurbishment Programme	2,648,816	450,000	450,000
Improvement Works	460,000	540,000	550,000
Total	3,108,816	990,000	1,000,000
Operational Equipment	1,184,500	1,410,000	125,000
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,880,000	1,560,000	900,000
Vans & Cars	315,000	200,000	200,000
Total	2,195,000	1,760,000	1,100,000
Information Technology			
ICT Hardware, Software Systems & Installations	1,515,000	870,000	430,000
Total	1,515,000	870,000	430,000
Total Capital Programme	8,003,316	5,030,000	2,655,000
Funding			
Direct Funding From Revenue			
Unsupported Borrowing	5,728,316	4,253,000	2,655,000
Capital Grant - Transformation Funding	950,000		
Use of Specific Reserves	1,325,000	777,000	350,000
Total Funding	8,003,316	5,030,000	2,655,000

Capital Programme Detail - 2022/23

Scheme Description	Detail	2022/23 Budget Submission £
<u>IADS</u>		
Brewwood Refurbishment	Refurbishment split over 2 years. Due to start in 2022/23	150,000
Abbots Bromley Refurbishment	Refurbishment split due to start in Q1 of 2022/23	363,816
Abbots Bromley Tower	Refurbishment split due to start in Q1 of 2022/24	70,000
Stafford Refurbishment	Carry over from 2021/22. Work ongoing	1,900,000
Stafford - Safe & Sound Project	Allocation of requirements for the year (grant funded)	15,000
Stafford - Training Tower	New training tower at Stafford	150,000
		2,648,816
<u>Building Works - Improvements</u>		
HQ BA Room refurbishment	Carry out refurbishment to BA Training room at HQ	30,000
FBT Improvement works	Forming of walkways, Canopy to Barn, BA Cleaning area, External briefing area	40,000
HQ - Resurfacing Works Phase 1	Rear Of Amenities and BA Maintenance	100,000
Eccleshall - First Floor Refurbishment	Fully refurbish first floor	50,000
HQ - Lighting replacement programme Phase 2	Replace lighting with Energy Efficient LED to old house - 1st Floor	35,000
Stations - Lighting replacement programme Phase 2	Replace lighting with Energy Efficient LED at Barton, JETS (Offices only)	45,000
Sustainability heating system replacement - Stations	Ipstones - Phase out gas heating for sustainable solution	50,000
HQ - Old House FD Replacement Phase 2	Replace all Fire Doors throughout corridors/stairwells - 1st Floor	40,000
Replace Amenities lift HQ	Renew lift cart	70,000
		460,000
<u>Operational Equipment</u>		
Operational Equipment Pool		25,000
Life Jackets	100 x Life jackets (Due to age)	11,000
Water Rescue Equipment	Rescue Sled x1 / Air Tracks x 2	11,000
Appliance Equipment - Refurbished PRLs	Kit for 2 x Scania PRLs	44,000
Thermal Image Cameras	Replacement due to age and performance	150,000
Entry Control Board Batteries	Full replacement	15,000
Boats	2 replacement boats due to age	18,000
Operational PPE	Business case has been approved	450,000
Hydraulic Cutting Equipment	Continued investment in front line appliance equipment	192,000
Appliance Equipment - Refurbished PRL	fully kit reserve (50% carry forward from 21/22)	32,500
FF Decontamination Equipment		30,000
Fireground UHF Radios		40,000
ERP equipment x 2 @ £75k	To include standard equipment and heavy rescue equipment	150,000
ALP equipment x 2 @ £8k	operational equipment for both ALP's	16,000
		1,184,500
<u>Appliances & Vehicles</u>		
Light Fleet	Mix of Cars & Vans	315,000
Pumping Appliance	Refurbishment / fleet transformation to meet demand	250,000
Appliance Pool	2 ERP's	750,000
ALP 1	Full & final payment	580,000
ALP 2	Chassis & Platform	300,000
		2,195,000
<u>Information Technology</u>		
ICT Rolling Programme - Desktop	Rolling program for officers and admin laptop replacement plus desktop solutions such as igels.	150,000
ICT Rolling Programme - Infrastructure	SDWAN (PSN replacement) and Wireless Access Points replacement 5 year investment	250,000
UPS Replacement	DR	30,000
Device Strategy		150,000
Teams Rooms Enablement	Fitting all estate with a Teams capable room Inc L&D	250,000
Alerter Replacement	Alerter Software and hardware Replacement 10 year investment	100,000
ESN Enablement	ESN Project	150,000
Finance System Software Upgrade	Integra Centros	34,000
Telephony Hardware Replacement	Carry-over from 2021/22	150,000
Main Telephony (Software)	Carry-over from 2021/23	150,000
Infographics Integration Project		50,000
Office 365 Upgrade		21,000
Appliance Fixed Phones		30,000
		1,515,000
Overall Total		8,003,316

Fees and Charges for April 2022 to March 2023

	Current (Net of VAT) £	Charges from 1st April 2022 (Net of VAT) £	VAT Status
(a) Special Service Charges			
Attendance per Appliance per hour* (Including crew) <i>*£336.64 for the first hour and £84.20 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>	320.30	336.64	Standard
Professional services per hour <i>Eg Officer interviews, provision of advice</i>	84.20	88.49	Standard
Fire investigation Interviews <i>£100.10 per hour or part hour</i>	107.75	113.25	Standard
Fire Investigator detailed Fire report	377.15	396.38	Standard
(b) Other charges			
Extract of Fire reports	89.15	93.70	Exempt

Some information retrieval may incur an additional administration charge of £41.93 ex VAT per search.

Photographic/digital images Standard	Price on Application	P.O.A
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c) Conference Suite
Scale of Charges from 1st April 2022

Room Hire Only
Monday – Friday

Whole-day
£

Conference Suite

Room 1	291.67
Room 2	199.24
Room 3 - break out area	152.00
Room 4 (VDR)	199.24
Rooms 1 and 2	410.80
Rooms 1, 2 and 3	513.50

Catering Charges

Catering provide a range of buffets starting from £5.75 per person, including beverages. 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.