

Report to the Police Fire and Crime Panel

17 November 2025

Medium Term Financial Strategy (MTFS)

Current MTFS Update (Fire)

Report of the Staffordshire Commissioner

Introduction

The purpose of this report is to update the Police, Fire and Crime Panel on the Current Medium Term Financial Strategy (MTFS). This supports delivery of one of the Commissioner's key responsibilities under the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Executive summary and background to Fair Funding Review
- Update on current year's reported position (Half Year)
- Update on future years' MTFS assumptions
- Sensitivity analysis around key financial items
- Update on Capital Programme and Reserves

Recommendations

The Police, Fire and Crime Panel is asked to note the information contained within this updated MTFS report

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Executive Summary

- 1.1 This report provides an update to the Police, Fire and Crime Panel on the current MTFS covering the years 2025/26 to 2029/30 including an update on the fiscal landscape facing the Fire and Rescue Service, current year financial performance and reviews the future assumptions for pay and inflation and also future funding following the consultation on the Fair Funding Review 2.0.
- 1.2 The MTFS for the five-year period 2025/26 to 2029/30 was approved by the Staffordshire Commissioner following presentation to the Police, Fire and Crime Panel on 10 February 2025. The budget included a £5 increase in Council Tax (5.76%) in line with the referendum limit.
- 1.3 The Comprehensive Spending Review (CSR) was announced in Spring 2025 which set out the revenue funding allocations for each Government department over the next three years (2026/27 to 2028/29).
- 1.4 The Fair Funding Review consultation published in June 2025 plans for multi-year settlements, grant simplification and proposes changes to Settlement Funding Assessment. Modelling suggests that the Government grant for standalone Fire and Rescue Authorities will reduce by more than 4% over the next three years. This equates to a loss of funding of £102m which is the equivalent of 1,500 full time firefighter roles in FRAs alone. The funding reduction for this Authority is modelled at £3.5m, equivalent to 50 full time firefighter roles or the wholetime crewing numbers for two fire stations.
- 1.5 The MTFS assumptions around pay and pensions remain under close scrutiny and are considered in more detail within this report. Future pay pressure will only increase as headline CPI and RPI indicators continue above expected levels.
- 1.6 A high-level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2026/27 budgeting process and updated MTFS.
- 1.7 The Staffordshire Commissioner is committed to ensuring that the Service continues to develop its transformation plan in order to meet the new financial and operational challenges. Further transformation workstreams will need to be developed into the medium term based upon a likely material reduction in funding for the next three-year period.
- 1.8 This update paper incorporates the latest funding scenario's as per the Fair Funding Review based upon the model received by the National Fire Chiefs Council and also considers a downside scenario. The Government's response to the consultation is yet to be published.
- 1.9 The Commissioner will incorporate a number of Council Tax scenarios into the budget consultation process for 2026/27 giving the residents of Staffordshire and Stoke on Trent the opportunity to have their say.
- 1.10 As part of the budget process for 2026/27 the MTFS will be updated as further information becomes available and assumptions become more certain, up until the confirmation of the budget proposal by the Commissioner (and endorsement of the precept for Fire by the Police, Fire and Crime Panel), on 9 February 2026.

- 1.11 The Fire and Rescue Service published an updated Community Risk Management Plan in December 2024 (CRMP) that sits alongside the Commissioner's updated Fire and Rescue Plan, which sets out the financial context and budget planning priorities.

2.0 The Budget Process

- 2.1 The budget process for Staffordshire Fire and Rescue Service for the fiscal year 2026/27 has now commenced. As in previous years, the budget will be developed using a zero-base approach, with comprehensive consultations involving budget holders.
- 2.2 All budget holders are required to attend a budget challenge session to review proposals for 2026/27 and 2027/28 and identify efficiencies and mitigations for current year cost pressures. A Principal Officer, along with finance representatives, will attend all major budget challenge meetings to ensure consistent and appropriate scrutiny. This approach has been successful in previous years and continues to enhance the financial acumen of all budget holders.
- 2.3 The headline timetable for the 2026/27 budget process is shown below:

<u>Budget Timetable</u>	<u>Task</u>
16 October 2025	Budget Preparation commenced
16 October for 6 weeks	Budget holder consultation
18 November, 19 December	Capital Review Group Meetings
26 November 2025	Chancellor to deliver Autumn Budget
28 November – 5 December 2025	Draft pay and non-pay budget ready for review process
w/c 15 December 2025 (tbc)	Draft Local Government Finance Settlement (date tbc)
December 2025 – January 2026	Budget Consultation and budget presentations to the Strategic Governance Board (28/01/26) and Service Management Board (6/01/26)
9 February 2026	Police, Fire and Crime Panel- Precept setting and Budget 2026/27 / MTFS report / capital and treasury management strategy reports
13 February 2026	All precept notices issued following Commissioner approval

3.0 Background and updated Financial Position 2025/26

3.1 The total revenue budget was approved by the Staffordshire Commissioner for 2025/26 at **£51.996m**, following presentation to the Panel in February 2025.

3.2 Settlement Funding for the Authority comprises of three funding streams shown below. The Revenue Support Grant (RSG) and Business Rates top-up are shown below as per the Local Government Finance Settlement issued for 2025/26, with the 1% share of local business rates based upon the estimated position for the nine local billing authorities.

3.3 The Settlement Funding for 2025/26 was made up of three separate areas:

	2025/26 £m
1% share of Local Business Rates	3.980
Business Rates Top-up	6.568
RSG (Revenue Support Grant)	7.621
Total Settlement Funding	18.169

3.4 The Total Settlement Funding for 2025/26 included the £1.707m Firefighters' Pension Grant which was rolled into RSG from 2024/25. The Authority budgeted for a further grant in 2025/26 of £1.243m following the further increase in employer contribution rates, the grant received was £1.161m.

3.5 In addition to the above Council Tax is collected by the nine billing authorities in Staffordshire and Stoke on Trent. The current band D Council Tax is set at £91.77 (£1.76 per week) for the Staffordshire Commissioner Fire and Rescue Authority, resulting in collection of **£33.828m** for 2025/26 based upon a collection tax base of 369,558 properties and a collection fund deficit of **£0.086m**.

3.6 The total funding for the Staffordshire Commissioner for 2025/26 is shown below

	<u>2025/26</u>
Settlement Funding	£18,169m (35%)
Council Tax (Precept)	£33,828m (65%)
Total Funding	<u>£51,996m</u>

Financial Position – as at 30 September 2025 (See Appendix A)

3.7 The total revenue spend as at 30 September 2025 was £26.2m with the headline revenue position remaining on track for the year despite a forecast overspend on pay, which is estimated to close c.£0.4m (1.3%) above budget.



- 3.8 This pay overspend has been driven by the significant increase in operational demand experienced during the first six months of the year with the total number of operational incidents attended during this six-month period, up 22% on last year. Operational activity in September reduced back to more normal levels with secondary fires attended down to 133 from 414 incidents in the month as the weather conditions become increasingly more unsettled following the warm and dry summer. The year-end pay forecast has been updated and reflects this reducing trend continuing for the second half of 2025/26.
- 3.9 Total non-pay costs are slightly favourable to budget with no significant pressure on the annual budget forecast, but this will be monitored through the winter period.
- 4.0 Income is favourable with Interest Receivable achieving a better return than budget. Interest rates were reduced to 4% by the Bank of England in August and held at 4% in September with interest rates remaining at the lowest level for 2 years. One further rate cut in year is still expected which could see some of the benefit accrued year to date reducing.
- 4.1 Capital financing costs are £0.2m better than budget with a lower MRP charge forecast following the outturn capital position reported for 2024/25.
- 4.2 The first draft of the annual forecast has also been completed which includes any known material variances. The annual forecast before the use of reserves shows a small saving to budget of £0.1m. The annual forecast will be reviewed in detail and refined as part of the 2025/26 budget setting exercise which will include detailed consultation with all budget holders (see above).
- 4.3 The 2025/26 Revenue spend summary as at 30 September 2025 is shown in Appendix A.

MTFS Assumptions and Update

- 4.4 The Commissioner receives funding from a number of sources as outlined above with the majority of this being received through Settlement Funding and the Council Tax Precept. Funding and income assumptions are currently being reviewed as part of the MTFS process ahead of the Settlement Funding expected to be received week commencing 15 December 2025.
- 4.5 The Fair Funding Review 2.0 consultation document outlining the proposals for the next three-year settlement and was issued by The Local Government Finance Directorate within the Ministry of Housing, Communities and Local Government (MHCLG). The consultation ran for 8 weeks from 20 June 2025 to 15 August 2025.
- 4.6 The consultation outlined the government's proposed approach to local authority funding reform through the Local Government Finance Settlement from 2026/27. The objective was set out within the consultation to rebuild public services that the most vulnerable in our society rely on by directing money to where it needs to go, enabling more spending on prevention and less on crisis management.

- 4.7 The Fair Funding Review refreshes 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 to date data.
- 4.8 Based on exemplifications of the spending review and modelling of the impacts of the fair funding review prepared by the NFCC professional advisors, this identified that there are real and significant cuts in central government funding for the fire and rescue service. The financial modelling shows a potential cut of £102m in real terms for standalone fire and rescue services – equivalent to circa 1500 firefighter posts.
- 4.9 For the Staffordshire Commissioner Fire and Rescue Authority the reduction in funding over the next three years is estimated at £3.5m. This reduction in funding was also verified by further independent financial modelling undertaken by LG Futures. This reduction is equivalent to more than 50 wholetime firefighter posts.
- 4.10 The Government's proposals are underpinned by modelling that assumes a £5 precept flexibility will be granted for the multi-year settlement period, although this needs to be confirmed by Government, and that all fire authorities (FRAs) take this maximum increase. The Government continues to assume that the historic increases in council taxbase have been used as the basis for future growth as part of the calculation of Comprehensive Spending Power. Whilst the £5 council tax flexibility is welcomed it means that the burden of funding for essential emergency services will increasingly be borne by local council taxpayers and the responsibility sitting with the Staffordshire Commissioner.
- 4.11 The National Fire Chiefs Council and the Commissioner will continue to lobby at a local and national level for a sustainable financial settlement and not one that will compromise community safety and public resilience.
- 4.12 A consultation response was returned by the National Fire Chief's Council and by the Staffordshire Commissioner Fire and Rescue Authority.
- 4.13 The current MTFS Assumptions have been updated as follows, with the impact upon the current MTFS shown within paragraph 4.14:



Category	2025/26 Budget	2026/27 Plan	2027/28 Plan	2028/29 Plan	2029/30 Plan
<u>Pay Award</u>					
MTFS	3.0%	2.0%	2.0%	2.0%	2.0%
REVISED	3.0%	3.0%	2.0%	2.0%	2.0%
<u>General Inflation</u>					
MTFS	3.0%	2.0%	2.0%	2.0%	2.0%
REVISED	0.0%	3.0%	2.0%	2.0%	2.0%
<u>Council Tax</u>					
MTFS	5.8%	2.0%	2.0%	2.0%	2.0%
REVISED	5.8%	5.4%	5.2%	4.9%	2.0%
<u>Settlement Funding</u>					
MTFS	2.0%	2.0%	2.0%	2.0%	2.0%
REVISED	2.0%	(4.6%)	(4.2%)	(5.0%)	2.4%

- 4.14 The overall position into the medium term shows an increasing gap in revenue funding over the MTFS period of £0.54m by 2028/29. The table below shows the estimated impact of major assumptions based upon the current reporting position and the updated MTFS assumptions:

	2026/27 Plan	2027/28 Plan	2028/29 Plan
<u>Scenario - Assuming £5 Council Tax Increase for 3 years</u>	£m	£m	£m
Use of reserves / MTFS budget GAP - February 2025	(0.54)	(0.22)	0.25
Pay Pressure - increase 1% in 2026/27	(0.28)	(0.31)	(0.32)
Firefighters' Pension - lower grant awarded 2025/26	(0.08)	(0.08)	(0.08)
Oncall Firefighters Pay - allowance for additional activity	(0.30)	(0.30)	(0.30)
Removal of Business Rates Pool Income	(0.20)	(0.20)	(0.20)
Capital Financing Costs	0.33	0.33	0.33
Other movements	0.03	(0.04)	(0.03)
<u>Funding</u>			
Impact of Fair Funding review	(1.20)	(2.30)	(3.51)
Council Tax assumed increase £5	1.18	2.38	3.58
Use of reserves / MTFS budget GAP - November 2025	(1.06)	(0.75)	(0.30)
Movement	(0.52)	(0.53)	(0.54)

- 4.15 If Council Tax increases were restricted to 1.99% for the three-year period the resultant gap in funding of £3.88m would require further significant Service transformation, resulting in a degradation of Service levels provided to our communities.



Scenario - Assuming 1.99% Council Tax Increase for 3 years	2026/27 Plan	2027/28 Plan	2028/29 Plan
	£m	£m	£m
Use of reserves / MTFS budget GAP - February 2025	(0.54)	(0.22)	0.25
Pay Pressure - increase 1% in 2026/27	(0.28)	(0.31)	(0.32)
Firefighters' Pension - lower grant awarded 2025/26	(0.08)	(0.08)	(0.08)
Oncall Firefighters Pay - allowance for additional activity	(0.30)	(0.30)	(0.30)
Removal of Business Rates Pool Income	(0.20)	(0.20)	(0.20)
Capital Financing Costs	0.33	0.33	0.33
Other movements	0.03	(0.04)	(0.03)
Funding			
Impact of Fair Funding review	(1.20)	(2.30)	(3.51)
Council Tax assumed increase 1.99%	(0.00)	(0.00)	(0.00)
Use of reserves / MTFS budget GAP - November 2025	(2.25)	(3.13)	(3.88)
Movement	(1.71)	(2.91)	(4.13)

4.16 Pay Award and Pressures

The actual pay award for operational (Grey Book) staff was agreed at 3.2% for 2025/26, and recently the Local Government Pay Award was settled for Fire staff (Green Book) at 3.2% back dated to 1 April 2025. The revenue budget assumption for 2025/26 at 3% for all staff was therefore a reasonable estimate at the time when compared to CPI reported at 1.7% in September 2024.

The headline rates of inflation, however, has increased during 2025 and the average pay awards are currently well above the 2% estimated within the MTFS for 2026/27 and the estimate has now been increased to 3% but note this may not meet the pressure on pay levels demanded by the representative bodies.

CPI inflation increased to 3.5% in Q2 2025 and is expected to peak at 3.8% reported in September 2025. Projections forecast that CPI will fall to 2.7% in a year's time before reaching the Monetary Policy Committee's (MPC) 2% target by Q3 2027. The MPC voted to reduce the Bank of England base rate by 0.25% to 4% in August 2025. It is anticipated this will continue to fall and reach 3.5% by Q3 2026.

The panel should note that the pay negotiations for a majority of staff employed by the Staffordshire Commissioner Fire and Rescue Authority are carried out nationally, unless local agreements are in place.

4.17 Oncall Firefighters increased activity levels

The pay for Oncall firefighters consists of a number of elements which are linked to activity i.e. the number of turnouts and incidents attended. For 2025/26 the number of incidents attended has increased by 22% in the first six months and a detailed review of the required budget pay will be undertaken as part of the budget and MTFS update. For this update an additional £0.3m has been included which assumes that broadly 50% of the additional activity is also experienced in future years.

- 4.18 This is also impacted by the successful recruitment of new Oncall Firefighters which is up 17.9 FTE on last year, and also the impact and benefits of riding with three riders to some incident types.

4.19 Business Rates Pool Income

The Staffordshire Commissioner Fire and Rescue Authority is a constituent member of the Staffordshire and Stoke on Trent Business Rates Pool. A payment £0.2m is made to the Authority as part of the terms and conditions of membership.

Based upon the Business Rates reset it is unlikely that a Business Rates Pool will exist for 2026/27.

4.20 Changes to Capital Financing

The improvements to capital financing costs have arisen following a reduced Minimum Revenue Provision (MPR) liability resulting from the actual year end position and additional revenue financing of capital expenditure.

4.21 Airwave / Motorola Charges

The forecast assumes that the service credit from Motorola is transferred into a new Emergency Services Network (ESN) Reserve. A credit of 51.34% is expected but as not yet been received by the Service.

This new Reserve will be held in order to support the costs of migration to the replacement ESN.

5.0 Sensitivity Analysis

- 5.1 The MTFS refresh is being undertaken in a continuing uncertain environment and this should be noted by the Panel. It has been announced as part of the Fair Funding Review that the next settlement will cover a three year period.

- 5.2 Funding assumptions both in relation to local and national funding are likely to cause material changes late on in the planning process, something that cannot be avoided but needs to be recognised. It is unknown if there will be any changes made following the Fair Funding consultation for the Fire and Rescue Sector until the draft local government finance settlement is received in December.
- 5.3 The following sensitivity analysis is based upon the approved MTFS paper from February 2025:

Cost / Income Area	Change	£000s
Pay Costs	+/- 1%	317
Premises Costs (incl utilities)	+/- 1%	24
Vehicles	+/- 1%	10
Supplies and Services	+/- 1%	94
Employer Pension Contributions	+/- 1%	233
Business Rates	+/- 1%	22
Revenue Support Grant	+/- 1%	58
Precept	+/- 1%	321
Council Tax Base	+/- 1%	317

6.0 Service Transformation

- 6.1 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”
- 6.2 As a result, the Service has been undergoing a multi-phase transformation to meet financial sustainability targets 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.
- 6.3 The phase 1 transformation workstreams (2022–2025) delivered £1.3m of recurring savings, with a further phase 2 target of £1m set by the Commissioner to be delivered by 2029
- 6.4 The Service is well on the way to deliver the additional £1m, with declared savings of £0.5m reported by the Transformation Board.
- 6.5 The Transformation Board is chaired and led by the Deputy Chief Fire Officer, Glynn Luznyj.
- 6.6 The attention and focus of the Transformation Board is moving towards the identification and delivery of additional financial savings as a direct result of the £3.5m of funding reduction identified within this report.

7.0 Capital (See Appendix B)

- 7.1 As part of the current MTFS refresh and budget build for 2026/27 capital plans across Staffordshire Fire are being refreshed. This work is undertaken through the Capital Review Group that is chaired by the Director of Finance.
- 7.2 The capital programme forecast for 2025/26 at £6.0m reflects the latest position for a number of projects and is showing a £0.9m reduction from the approved budget of £6.9m. The capital programme for Estates now reflects the latest programme with some projects moving into 2026/27 due to availability of resources. The capital programme spend commitment as at 30 September 2025 was £2.9m, 48% of forecast.
- 7.4 The building enhancement programme this year included two large refurbishment projects, at Brewood Fire Station and at the Joint Engineering and Transport Site (part funded by Police).
- 7.5 A full capital programme update and Capital Strategy will be presented to the Panel in February 2026 as part of the budget and MTFS papers.
- 7.6 The Capital Programme as at 30 September 2025 is shown in Appendix B.

8.0 Reserves and Balances

- 8.1 The Authority holds two reserves, an 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; and a General Reserve which is held to protect against any emergency conditions that may arise.
- 8.2 The Commissioner currently holds £1.9m in General Reserves and a risk assessment for this reserve was undertaken as part of the budget setting process for 2025/26 and the overall provision of £1.9m has remained unchanged for a number of years and represents 3.6% of the revenue budget for the year.
- 8.3 At 1 April 2025 the Authority held £6.8m in Specific/Earmarked Reserves. This reserve is supported by the approved Reserves Strategy which will be updated for the new budget year. This reserve has continued to reduce following earmarked contribution to capital spend, reducing long term debt, in line with the approved strategy.
- 8.4 The amount of earmarked reserves required to support the budget setting process for 2025/26 and the consideration for future transformation requirements will be reviewed as part of the updated reserves strategy report and MTFS update. The utilisation of additional levels of earmarked reserves will be required to support the budget for 2026/27 based upon the upward pressures identified within this report.
- 8.5 Reserves, whilst set aside for a particular purpose, currently are utilised in cash terms to support capital spend in lieu of taking additional external borrowing at this time.

Staffordshire Commissioner Fire and Rescue Authority

Appendix A

Financial Position as at 30th September 2025

FINANCE REPORT SUMMARY									
TOTAL REVENUE									
Period 6 - 30th September 2025									
	Current Month			Year to Date			Full Year 2025/26		
	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Pay	2,938	3,039	(101)	17,629	17,980	(351)	35,229	35,678	(449)
Non Pay									
Premises Costs	180	137	42	3,403	3,292	110	4,687	4,637	50
Transport Costs	79	81	(3)	602	571	31	1,139	1,139	0
Supplies & Services Costs	479	456	23	3,679	3,561	117	6,561	6,611	(50)
CFS Initiatives	27	32	(5)	160	132	28	320	260	60
Other Support Services	624	629	(5)	3,737	3,774	(37)	7,524	7,501	23
	1,388	1,335	53	11,580	11,331	249	20,232	20,149	83
Income, Grants & Interest Rec'd	(611)	(655)	44	(2,558)	(2,804)	247	(5,133)	(5,383)	250
Financing Costs	20	20	(0)	359	357	2	2,940	2,704	236
Total before use of reserves	3,735	3,740	(4)	27,010	26,863	147	53,268	53,148	120
Use of Reserves	(106)	(111)	5	(636)	(668)	32	(1,272)	(1,152)	(120)
Total after Use of Reserves	3,629	3,628	1	26,374	26,195	179	51,996	51,996	0
Non-Recurring	0	10	(10)	0	27	(27)	0	0	0
Total Revenue Costs	3,629	3,639	(9)	26,374	26,222	153	51,996	51,996	0

Staffordshire Commissioner Fire and Rescue Authority

Appendix B

Capital Programme Position as at 30th September 2025

Financial Position - 1st April 2025 to 30th September 2025

	Capital Programme Budget 2025/26			Capital Programme Forecast 2025/26			Actual to Date 2025/26	Capital Programme Remaining
	Approved Budget 2025/26 £	Reprofiling of Budget from 2024/25 £	Restated Capital Programme £	Savings Identified £	Projects rolled forward and other £	Latest Forecast Programme £	Total £	
Building Enhancements	1,356,677	780,000	2,136,677	(180,000)	(321,000)	1,635,677	727,698	907,979
Operational Equipment	879,000	147,554	1,026,554	0	(43,479)	983,075	275,608	707,467
Vehicles								
Heavy Fleet	1,590,000	20,000	1,610,000	0	0	1,610,000	815,612	794,388
Light Fleet	715,000	109,500	824,500	0	0	824,500	604,553	219,947
	2,305,000	129,500	2,434,500	0	0	2,434,500	1,420,165	1,014,335
Information Technology	1,260,000	25,000	1,285,000	0	(338,431)	946,569	394,921	551,649
Total Capital Programme	5,800,677	1,082,054	6,882,731	(180,000)	(702,910)	5,999,821	2,818,392	3,181,430

