Staffordshire Commissioner Fire and Rescue Authority
Going Concern Assessment 2024/25

Introduction

The Code of Practice on Local Authority Accounting in the UK issued by CIPFA stipulates that the financial statements are prepared on a going concern basis. They are therefore drawn up under the Code to assume that a local authority's services will continue to operate for the foreseeable future.

This paper reviews the guidance on going concern provided by CIPFA and makes an assessment of the going concern for the Staffordshire Commissioner Fire and Rescue Authority.

Guidance

The Code of Practice on Local Authority Accounting in the UK issued by CIPFA stipulates that the financial statements are prepared on a going concern basis. They are therefore drawn up under the Code to assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

A25 of the code states that the concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. Paragraph 3.4.2.23 of the Code confirms that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

The substantial resource issues that some authorities may be experiencing do not negate the presumption of going concern, even though there might be a tension between the going concern assumption and those resource issues. Authorities should ensure that, where required, appropriate reference to financial resilience and sustainability is included in the relevant reports. The authority's relevant officers (e.g. the responsible finance officer and monitoring officer) must also ensure that they comply with their statutory and professional duties in respect of reporting such resourcing issues.

CIPFA states that Local authorities that can only be discontinued under statutory prescription and shall prepare their financial statements on a going concern basis of accounting; that is, the financial statements shall be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

Going Concern Assessment

1. Finance Report

The Authority produces and circulates a full pack of financial information (Finance Report) to the Principal Management Team on a monthly basis (periods 2-12). The report is also circulated to all budget holders across the Service and senior managers.

A quarterly finance report is reviewed by the Strategic Governance Board (Chaired by the Commissioner) and in 2024/25 the Finance Panel (sub Committee of ETAP) which was reported by the chair of the Finance Panel through to ETAP.

The Finance Report clearly identifies performance against budget, delivery of savings targets and plans. It reports the capital programme, cash flow management, headcount, reserves and also detailed pay cost analysis for each Service Delivery Group. The budget position is reviewed regularly and a forecast is included within the reporting usually during the final quarter to ensure that the year end position is clearly understood and material variances are reported.

The reporting is timely, relevant, and transparent and ensures that all key stake holders are well informed on the financial performance of the Authority.

2. Cash Flow

As part of the Authority's cash controls and financial management process a detailed cash flow is prepared each year. This detailed cash flow is extended to cover a two-year period in support of this Going Concern Assessment which is a general requirement from the external auditors.

The cash flow is prepared by experienced and qualified staff from the Finance Team and reviewed by the Section 151 Officer.

A treasury Management Strategy is provided on an annual basis and performance against the strategy is reported to ETAP and the Strategic Governance Board in order to review progress in year against the strategy. The Treasury risk management at the Authority is conducted within the framework of the revised 2021 Edition of the CIPFA Code. This requires the Authority to approve a treasury management strategy before the start of each financial year and, as a minimum, provide a semi-annual and annual treasury outturn report with quarterly updates on Performance Indicators. Reports were provided at the half year with the final outturn position being presented to the Strategic Governance Board on 30 July 2025.

The cash flow forecast for 2025/26 is based upon the budget that has been approved for the year, with the 2026/27 cash flow based upon the approved MTFS. The opening cash balance for 2025/26 as at 1 April 2025 was £19.950m.

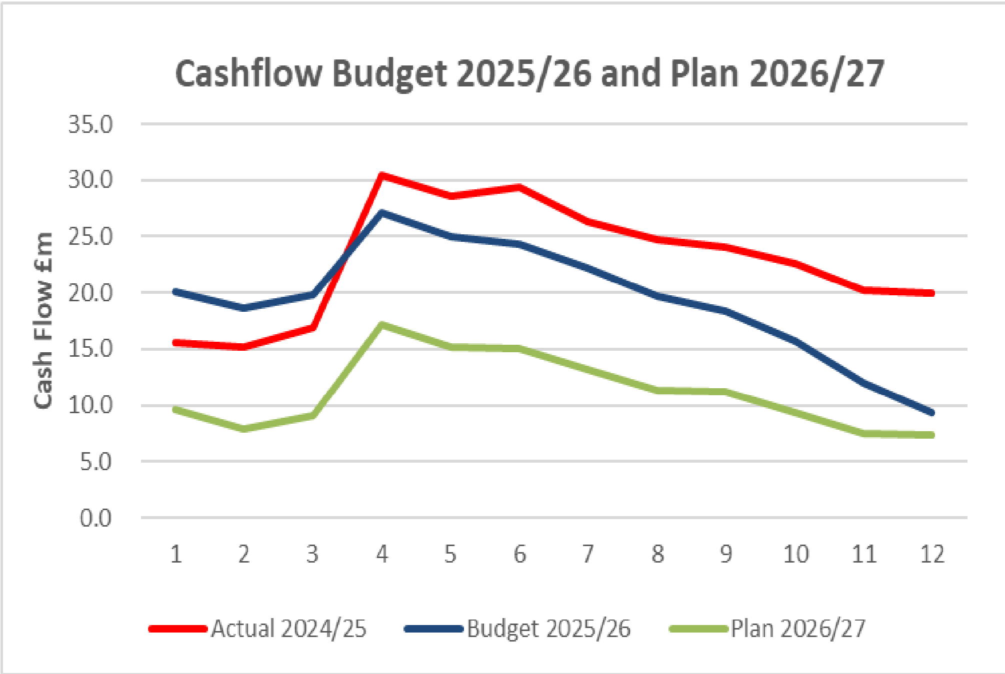
The cashflow is based upon the gross revenue and capital budgets and includes the grants that are received annually for the Firefighters' Pension Top-up grant, New Dimensions, Section 31 grants and Airwave etc. No additional borrowing requirements are anticipated during the next two years, with all capital spend funded through the intelligent use of earmarked reserves, grants and the continued use of internal cash.

In addition to the approved cash budget for 2025/26 pension uplift grant money has been provided by the Home Office following engagement with the Government Actuary Department (GAD) with £6.2m received in

2024/25 to reflect additional costs relating to the implementation of Matthews and McCloud remedies. This forecast that 90% of the additional £7.78m will now be spent in year 2025/26. The Authority benefited from additional investment receipts during 2024/25 due to delays implementing both pension remedy projects resulting from the complexity of the remedy (including issues with HMRC), and delays by the pension administrator West Yorkshire Pension Fund following issues implementing remedy software.

Positive cash balances are reported during the two-year period 2025/26 and 2026/27 and it is therefore unlikely that any short-term borrowing would be required. The cash position is reviewed on a quarterly basis with the Treasury Team from Staffordshire County Council and revised forecasts are considered during the year as information becomes more certain e.g. some capital projects may slip into the following year. Home Office Grants may also be delayed and not always received in the expected month.

The cash flow shown below details by month the actual cash balance for the financial years 2024/25 and budgeted cash for 2025/26 and MTFS Plan for 2026/27.



The cash flow increases in July significantly following the receipt of the Firefighters' Pension Top-up Grant from Government. This top-up payment represents the expected difference between cash receipts into the Firefighters' Pension Scheme and payments out e.g. includes employee and employer pension contributions, pension payroll and lump-sum retirements benefits. As explained above the Firefighters' Pension Top-up grant received a one-off boost in 2024/25 funding the two pension remedy projects.

The main driver behind the reduction in cash flow during the two-year period is the impact of the capital programme which is not funded by additional borrowing but from earmarked reserves, grants and the use of internal cash, and the unwinding of the firefighters' pension remedy payments discussed above. The capital programme is reviewed in more detail within the next section of the report.

Overall cash balances are forecast to remain positive with a balance of £9.3m by March 2026 and £7.3m by 31 March 2027.

3. Capital Financing Requirement

The closing capital financing requirement (CFR) as at 31 March 2025 closed at £20.983m, and remains at a level of gross debt lower than in 2009/10. This level of debt is supported by long term borrowing of £16.150m again the lowest level since 2008/9. The difference between the CFR and debt is funded by the use of internal cash which currently remains the cheapest way to borrow for capital investment purposes. The use of internal cash in lieu of borrowing has become even more important due to the spiralling cost of external borrowing which has significantly increased alongside higher Bank of England interest rates.

The combination of capital investment and loan repayments may result in new borrowing being required in 2027/28 as the internal funding requirement increases.

	2024/25 Actual	2025/26 Budget	2026/27 Plan	2027/28 Plan	2028/29 Plan
Debt Outstanding - 1 April	21,376,012	20,983,634	24,081,130	25,568,518	25,974,877
+ New Borrowing	3,954,372	5,800,677	4,104,000	3,380,000	3,000,000
TOTAL DEBT POSITION	25,330,384	26,784,311	28,185,130	28,948,518	28,974,877
TOTAL MRP CHARGEABLE	1,392,228	1,681,504	2,206,612	2,503,641	2,732,500
TOTAL DEBT POSITION (Post MRP)	23,938,156	25,102,807	25,978,518	26,444,877	26,242,376
less					
Capital Finacing from Revenue Grants and Reserves	2,954,522	1,021,677	410,000	470,000	500,000
Total Capital Financing Requirement	**20,983,634**	**24,081,130**	**25,568,518**	**25,974,877**	**25,742,376**
opening long term debt	16,700,000	16,150,000	16,150,000	15,900,000	15,500,000
In year funding					
In year repayments	550,000		250,000	400,000	
LONG TERM FUNDED DEBT	16,150,000	16,150,000	15,900,000	15,500,000	15,500,000
INTERNAL FUNDING	**4,833,634**	**7,931,130**	**9,668,518**	**10,474,877**	**10,242,376**

4. Reserves

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 Reserves held are supported by a detailed reserves strategy that is updated annually as part of the budget planning process and presented to Strategic Governance Board, ETAP and the Police Fire and Crime Panel.

The cash available to use as internal funding for the capital programme is supported by the overall level of reserves held by the Authority.

The balance of Useable Reserves as incorporated into the draft statement of Accounts for 2024/25 was £17.262m and is reported as follows:

31-Mar-24 £,000		31-Mar-25 £,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**

The overall balance of reserves at £17.262m includes some items that the Authority may report as an earmarked reserve but the reality of how the reserves can be utilised are quite different. For example, the £6.8m Earmarked PFI grant will unwind completely at the end of the 25-year period for each PFI project, so it supports the cash flow for now but can't be classified as a normal earmarked reserve and must be used for the purpose intended. This reserve will need to be replaced with additional borrowing from 2035 and is a future financial pressure for the Authority and should be factored into the end of the PFI contract periods.

The Reserve Strategy's focus centres around the General Reserve and the Earmarked Other Reserve (2), which totals £8.7m. This closing level of reserve was in line with forecast which included a favourable outturn financial position reported for 2024/25 and a higher revenue contribution to capital spending in the year.

The following table is as reported within the approved reserves strategy for 2025/26 (updated for 24/25 actual), and shows the categorisation of Earmarked Reserves and a reducing balance over the MTFS.

	2023/24 Actual £m	2024/25 Actual £m	2025/26 Plan £m	2026/27 Plan £m	2027/28 Plan £m	2028/29 Plan £m	2029/30 Plan £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	0.2	0.2	0.2			
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	2.1	0.9	0.4	0.2	0.4	0.8
Total Earmarked Reserve	**7.1**	**6.8**	**4.9**	**4.1**	**3.6**	**3.2**	**3.6**
Total Reserves Available (Useable)	**9.0**	**8.7**	**6.8**	**6.0**	**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%	13.6%	9.4%	7.6%	6.5%	5.7%	6.2%
Total	**18.7%**	**17.4%**	**13.1%**	**11.2%**	**10.0%**	**9.0%**	**9.5%**

The level of reserves, however, does provide a level of financial resilience and supports the going concern assessment, with a balance of £5.5m forecast by 2029/30.

5. Medium Term Financial Strategy (MTFS)

The MTFS is updated fully as part of the budget setting process and has identified and reported a balanced financial position by 31 March 2028.

The MTFS is based upon a number of key assumptions that are agreed and supported by the Staffordshire Commissioner. The main assumptions cover the following areas:

1. Levels of future Settlement Funding and Council Tax Growth incl. precept increase
2. Levels of future Pay Awards
3. Assessment of Capital spend and borrowing
4. Estimated RPI increases for Non-Pay items
5. Assumptions for Pensions contributions and the financial impact of the 2 remedy projects

The funding for local Government for the last few years has been based upon single year settlements which makes planning into the medium term challenging. The Government is also currently considering an update to the assumptions contained within the fire grant formula funding.

There is also a significant level of political uncertainty and the impact upon local government funding into the medium term with the Fire and Rescue sector not falling within any protected department funding. In addition the world economy remains fragile due to ongoing conflict in Ukraine and the Middle East.

The Staffordshire Commissioner has worked with the Service to address budget challenges over the past two years which has culminated in over £1 million of recurring cash savings as part of a comprehensive transformation programme. However, there is more to do and further options to improve efficiency and productivity of the Service are part of a further £1m of new savings now required in order to provide a stable and balanced financial position. This is in addition the planned use of £1.3m of earmarked reserves required in 2025/26 following the challenging financial settlement received.

The Service will continue with the important work of the Transformation Board in order to plan for changes in the funding position.

6. Going Concern Conclusion

As discussed above A25 of the CIPFA code of Practice states that the concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future.

The key factors that need to be considered when undertaking a going concern review have been covered within this paper and the S151 Officer supports the evidence presented that the Staffordshire Commissioner Fire and Rescue Authority should be treated as a going concern.

This report will be considered by ETAP on 26 June 2025.

David Greensmith
Director of Finance / S151 Officer
16 June 2025

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