



Item No. on Agenda

Report to the Police Fire and Crime Panel

18 November 2024

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:

- Update to current year's budget
- Update to future years' MTFS assumptions
- Sensitivity analysis around key financial items
- Update on capital programme

Recommendations

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

Ben Adams
Staffordshire Commissioner

Contact Officer: David Greensmith
Telephone: 01785 898690
Email: david.greensmith@staffordshirefire.gov.uk

Executive Summary

- 1.1 This report provides an update to the Police, Fire and Crime Panel on the current MTFS covering the years 2024/25 to 2028/29 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.
- 1.2 The MTFS for the five-year period 2024/25 to 2028/29 was approved by the Staffordshire Commissioner following presentation to the Police, Fire and Crime Panel on 12 February 2024. For the first time in a number of years the approved MTFS included a broadly balanced position into the medium term.
- 1.3 Following the budget and precept presentation to the Panel in February, the Commissioner approved a 2.99% increase in Council Tax (£2.52 per annum) in line with the 3% referendum limit.
- 1.4 This MTFS report provides an update on the financial position beyond 2024/25 which includes updates on pay pressure, costs and areas of investment.
- 1.5 As part of the budget process for 2025/26 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 10 February 2025.
- 1.6 A high-level timetable is included in this report, to lay out the necessary steps and key meetings to communicate the 2025/26 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 with value for money being a key priority with regular Transformation update reports considered by the Strategic Governance Board chaired by the Commissioner.
- 1.8 The latest His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) report was published on Wednesday 18 September and inspectors have graded the Service as "outstanding" at responding to major and multi-agency incidents, in addition six gradings were classified as "good" and four gradings as "adequate".
- 1.9 Pressure on funding continues into the medium term as uncertainty also remains around assumptions for pay, pensions and Home Office grants. Whilst the current economic environment has shown some recent stability with reduced levels of headline inflation the MTFS assumptions around pay and pensions remain under review and close scrutiny.
- 1.10 The National Fire Chiefs Council (NFCC) are currently requesting that the Home Office and Treasury consider a further flexibility regarding the referendum limit for the Fire and Rescue. The Commissioner will incorporate a number of Council Tax scenarios into the budget consultation process for 2025/26 giving the residents of Staffordshire and Stoke on Trent the opportunity to have their say.
- 1.11 The Fire and Rescue Service is currently consulting on the updated Community Risk Management Plan (CRMP) that will sit alongside the Commissioner's revised Fire and Rescue Plan.

2.0 The Budget Process

- 2.1 The budget process for Staffordshire Fire and Rescue Service for the fiscal year 2025/26 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 2025/26 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. Budget holders have also been asked to develop Financial Business Continuity Plans as part of this process. 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 2025/26 budget process is shown below:

<u>Budget Timetable</u>	<u>Task</u>
16 October 2024	Budget Preparation commenced
16 October for 6 weeks	Budget holder consultation
24 October and 27 November	Capital Review Group Meetings
30 November – 4 December 2024	Draft pay and non-pay budget ready for review process
20 December 2024 (tbc)	Draft Local Government Finance Settlement (date tbc)
December 2024 – January 2025	Budget Consultation and budget presentations to the Strategic Governance Board (22/01/25) and Service Management Board (13/01/25)
31 January 2025	ETAP (Finance Panel Meeting)
31 January 2025	Business Rates Budget Finalised (NNDR1 deadline for billing authorities)
10 February 2025	Police, Fire and Crime Panel- Precept setting and Budget 2025/26 / MTFS report / capital and treasury management strategy reports
14 February 2025	All precept notices issued following Commissioner approval

3.0 Background and updated Financial Position 2024/25

- 3.1 The total revenue budget was approved by the Staffordshire Commissioner for 2024/25 at **£50.065m**, following presentation to the Panel in February 2024.
- 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 2024/25, with the 1% share of local business rates based upon the final NNDR1 submissions from the nine local billing authorities.
- 3.3 The Settlement Funding for 2024/25 was made up of three separate areas:

	2024/25 £m
1% share of Local Business Rates	3.935
Business Rates Top-up	6.494
RSG (Revenue Support Grant)	5.781
RSG (Pension Grant Consolidation)	1.707
Total Settlement Funding	17.917

- 3.4 The Total Settlement Funding for 2024/25 included the Firefighters' Pension Grant which has now been rolled into RSG from 2024/25. The Firefighters pension grant of £115m was introduced in 2019/20 with grants allocated to Fire and Rescue Authorities to cover 90% of the 12.6% increase in employer pension contributions. The grant allocated to the Staffordshire Commissioner was £1.707m as shown above.
- 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 £86.77 (£1.67 per week) for the Staffordshire Commissioner Fire and Rescue Authority, resulting in collection of **£31.746m** for 2023/24 based upon a collection tax base of 365,868 properties and a collection surplus of **£0.401m**.

Financial Position – as at 30 September 2024 (See Appendix A)

- 3.6 Overall the financial position for the Authority is “on track” year to date and demonstrating good progress with a total revenue spend as at 30 September of £24.9m, in line with the phased budget.
- 3.7 As of 30 September 2024, total pay expenditure was £16.7 million, which included additional costs incurred within wholetime pay. These costs have been partially offset by savings in support staff. The majority of the additional wholetime costs attributable to the timing of the new recruits' course, originally budgeted for 2023/24. While crewing deficiency costs have decreased they remain above budget, now reduced to eight casual contracts in September to support wholetime crewing. On-call pay was elevated during this period due to increased turn-outs in August, as well as additional holiday and bank holiday pay.

- 3.8 Total non-pay and income have slightly exceeded the budget after six months. Interest receivable remains favourable, bolstered by the Firefighter Pension Top-up grant (budgeted) and the pension remedy grants (not budgeted due to late notification), both received in July. Consequently, the cash balance at the end of the month was £29.3 million, which is £8.2 million higher than the original budget set in February. The additional remedy grant funding covers the immediate costs for both the Sargeant/McCloud pension remedy and the Matthews second options exercise. Quarterly reporting to the Home Office will be required.
- 3.9 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).

4.0 MTFS Assumptions and Update

- 4.1 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 on or before 20 December 2024.
- 4.2 The Commissioner and Staffordshire Fire are reviewing current planned revenue savings, pressures, proposed investment areas and capital spend. This work being undertaken as part of the budget setting process in preparation for the 2025/26 settlement and has identified a number of high-level revenue pressures and considers the potential opportunity arising should there be any council tax flexibility afforded as part of the settlement.
- 4.3 The overall position into the medium term shows a forecast gap in revenue funding of £0.8m for 2025/26 reducing to a £0.3m gap by 2028/29.
- 4.4 The current MTFS Assumptions have been updated as follows, with the impact upon the current MTFS shown within paragraph 4.5:

Category		2024/25	2025/26	2026/27	2027/28	2028/29
		Budget	Plan	Plan	Plan	Plan
Pay award	MTFS	5.0%	3.0%	2.0%	2.0%	2.0%
	Revised	4.0%	3.0%	2.0%	2.0%	2.0%
Gas, Electric Fuel *average	MTFS	-23.0%	5.0%	5.0%	5.0%	5.0%
	Revised *	-27.0%	3.0%	2.0%	2.0%	2.0%
General non-pay inflation	MTFS	5.0%	3.0%	2.0%	2.0%	2.0%
	Revised	4.0%	3.0%	2.0%	2.0%	2.0%
Unitary Charge for PFI	MTFS	9.0%	3.0%	2.0%	2.0%	2.0%
	Revised	9.0%	3.0%	2.0%	2.0%	2.0%

- 4.5 The table below shows the estimated impact of major assumptions based upon the current reporting position and the updated MTFS assumptions:

	2025/26	2026/27	2027/28	2028/29
	Plan	Plan	Plan	Plan
	£m	£m	£m	£m
MTFS Reported Budget Position 24/25 (surplus / (deficit))	(0.4)	0.1	0.1	0.2
Pay Award and pressures	0.3	0.3	0.3	0.3
Changes to Capital Financing	0.2	0.2	0.2	0.2
Non Pay Cost review	0.1	0.2	0.2	0.3
Pension Costs	(0.1)	(0.1)	(0.1)	(0.1)
Income from Investments and S31 Grants	(0.1)	(0.2)	(0.3)	(0.3)
Investment into the Service	(0.6)	(0.6)	(0.6)	(0.6)
Revised MTFS Position	(0.8)	(0.3)	(0.3)	(0.2)

4.6 Pay Award and Pressures

Pay increases were budgeted at 5% for 2024/25 for all staff, reducing to 3% in 2025/26 and 2% thereafter as shown above (see 4.4).

The actual pay award for operational (Grey Book) staff was agreed at 4% for 2025/26, and recently the Local Government Pay Award was settled for Fire staff (Green Book) at £1,290 per pay band or 2.5% Back dated to 1 April 2024. The assumption for 2025/26 at 3% for all staff is considered to be a reasonable estimate following the reduction in headline inflation and CPI reported at 1.7% in September 2024.

The increase in the employer national insurance contributions and change to the NI free threshold will add c.£0.45m to the Authority's costs. On the basis that the Government has stated that it will fund this cost increase for public sector bodies, this has been assumed net nil. Given that the detail around exact funding is awaited, there remains a risk that the funding will be insufficient depending on how the additional funding is calculated and distributed.

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.

4.7 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.

4.8 Non-Pay Costs Review

The current year trends for electricity and gas costs are being closely monitored during the year and after six months of the year are showing a slightly favorable position. This position of course does not reflect the impact of the coming winter period but a small savings has been assumed for 2024/25 and into the medium term

4.9 Pension Costs

The Home Office secured a further £85.3m of Firefighters' Pensions Grant in 2024/25, and £6m towards the admin costs, to compensate for the increase in the Firefighters' Pension Scheme employer contribution rate from 1 April 2024. This is following 2020 valuation of the Firefighters' Pension Schemes which resulted in employer pension contributions into the 2015 scheme increasing to 37.6% from 1 April 2024.

The actual grant received by the Authority was less than the budgeted amount, and this has been corrected within the updated MTFS.

4.10 Income from Investments and S31 Grants

The favourable cash balance position has resulted in additional interest receivable in year and reflected into the MTFS (see paragraph 7.8).

The final factor for the distribution of S31 Grants announced by the Home Office was lower than the 124/499 factor estimated as part of the budget. This has now been corrected as part of the MTFS update.

The MTFS update assumed that the 4% Funding Guarantee introduced as part of the 2024/25 Settlement will remain in place for 2025/26 and beyond. This Funding Guarantee amounted to £268m across the public sector and £0.828m for this Authority. There is therefore a significant risk into the medium term, should this grant not be maintained as part of the 2025/26 Settlement.

4.11 Investments into the Service

The Commissioner has supported investment into the Service during 2024/25 this includes investment into the ICT department and the introduction of a new Project and Portfolio Manager post in addition to investment into the On-call establishment.

The business case for the replacement of the existing Command and Control System is being developed by West Midlands and Staffordshire Fire and Rescue Services. Whilst the exact cost of the new system will be subject to the commercial process and the contribution required by Staffordshire has not been determined an early estimate has now been incorporated into this MTFS update. Additional information will be available to allow a more robust cost to be included during the budget setting process.

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 that 2025/26 will also be a single year settlement which does not support planning into the medium term.
- 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.
- 5.3 The following sensitivity analysis is based upon the approved MTFS paper from February 2024:

Cost / Income Area	Change	£000s
Pay Costs	+/- 1%	317
Premises Costs (incl utilities)	+/- 1%	29
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

- 5.4 The National Fire Chiefs Council (NFCC) and the Home Office are in discussion with Ministers and HM Treasury with regard to the referendum limit that will be included within the Local Government Finance Settlement for 2025/26. The NFCC have requested that Ministers consider allowing some additional flexibility for Authorities when setting Council Tax increases. A £5 increase in Council Tax for this Authority would raise an additional £0.9m per annum compared to the current assumption of 2.99%.

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 The first phase of the transformation work has been logged and monitored by the Service on an electronic live tracker utilising a programme called SharePoint. The tracker has been scrutinised by the Service’s Management Board and the Commissioner’s Strategic Governance Board with 16 out of the 19 themes completed to date
- 6.3 Savings options in excess of £1.3m were included within the approved MTFS of which

£1.1m has been fully implemented. Three remaining workstreams are nearing completion: the mobilising of three-person crew of On-call Staff, the Prevention, Protection and Partnerships review and finally Shared Estates.

- 6.5 The next stages of transformation are very much focussed on efficiency and productivity driving improvements for the public and the workforce. The Transformation Board is meeting on a quarterly basis but can adjust its work to suit the demand and progress of each topic. Whilst some work remains on the original transformation themes captured in the service' online tracker. There are some new topics which are about to be brought into this sphere of work.
- 6.6 The Service will continue to develop its transformation options as this pro-active approach has led to the positive feedback following the recent HMICFRS inspection. As part of the recent inspection report by HMICFRS the Service receive a grading of "good" as making the Service affordable now and in the future.

7.0 Capital (See appendix B)

- 7.1 As part of the current MTFS refresh and budget build for 2025/26 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 for 2024/25 (see Appendix B) was approved at £5.7m plus £1.0m of carry-over from 2023/24. The capital commitment as at 30 September was £2.6m which is 54% of the latest programme forecast which is just over £4.8m.
- 7.3 The planned work for Brewood Fire Station, originally set to begin in 2024, has been postponed due to significant cost increases. This project is now rescheduled for 2025/26 and will be managed by the Estates Team. A review of the capital programme, conducted with all capital budget managers, has identified a deliverable schedule. As a consequence, £1.6 million of capital projects have been reprogrammed to 2025/26.
- 7.4 The two new Appliances (ERP's) have now been delivered into the Service and will be operation during quarter 3.
- 7.5 A full capital programme update and Capital Strategy will be presented to the Panel in February 2025 as part of the budget and MTFS papers.

8.0 Reserves and Balances

- 8.1 The Authority holds two reserves, an Earmarked Reserve which is build 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 2024/25 and the

overall provision of £1.9m has remained unchanged for a number of years and represents 3.8% of the revenue budget for the year.

- 8.3 At 1 April 2024 the Authority held £7m 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 2025/26 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 2024

	Revenue Summary - September 2024								
	Current Month			Year to Date			Year End 2024/25		
	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000	Budget £'000	Forecast £'000	Variance £'000
Pay									
Wholetime	1,678	1,675	3	9,780	10,041	(261)	20,050	20,242	(192)
On-Call	496	581	(84)	3,131	3,143	(12)	6,262	6,286	(24)
Support	501	502	(1)	3,005	2,909	95	6,015	5,880	135
FF Pension Grant	(116)	(104)	(12)	(695)	(622)	(73)	(1,390)	(1,244)	(146)
Total Pay Costs	2,559	2,654	(95)	15,221	15,471	(250)	30,937	31,164	(227)
Other Employee Costs	205	230	(25)	1,234	1,265	(31)	2,600	2,611	(11)
Efficiency Savings	0	0	0	0	0	0	0	0	0
	2,764	2,884	(120)	16,455	16,736	(281)	33,537	33,775	(238)
Non Pay									
Premises Costs	214	164	50	3,476	3,303	173	5,092	4,992	100
Transport Costs	74	75	(1)	553	590	(37)	1,044	1,044	0
Supplies & Services Costs:									
- Equipment, Furniture & Materials	48	62	(15)	302	331	(29)	612	612	0
- Catering Costs	2	3	(1)	14	16	(2)	29	29	0
- Clothes & Uniforms	30	28	2	179	171	8	357	357	0
- Printing, Stationery & General	9	11	(1)	156	178	(22)	256	256	0
- Contracted Services	170	159	11	919	892	27	1,883	1,883	0
- Communication & Computing	146	151	(5)	1,675	1,708	(32)	2,507	2,507	0
- Expenses	4	1	4	27	23	4	54	54	0
CFS Initiatives	26	26	(0)	143	106	36	340	340	0
Other Support Services	272	272	(0)	1,621	1,546	75	3,352	3,352	0
Unitary Charge	343	343	0	2,057	2,057	0	4,114	4,114	0
Efficiency Savings - Non Pay	0	0	0	0	0	0	0	0	0
	1,339	1,295	44	11,122	10,920	202	19,639	19,539	100
Income									
Income - General	(616)	(563)	(53)	(2,753)	(2,611)	(142)	(5,510)	(5,210)	(300)
Grants Released	0	(7)	7	0	6	(6)	0	0	0
Interest Receivable	(45)	(144)	99	(271)	(451)	180	(541)	(868)	327
	(661)	(713)	53	(3,023)	(3,056)	32	(6,051)	(6,078)	27
Capital Charges	0	0	0	0	0	0	1,560	1,360	200
Interest Payable	20	20	(0)	363	370	(8)	720	720	0
Revenue Financing of Capital	0	0	0	0	0	0	783	783	0
Total before use of reserves	3,462	3,485	(23)	24,916	24,970	(55)	50,187	50,098	89
Use of Reserves	(10)	(13)	3	(61)	(113)	52	(123)	(34)	(89)
Total Revenue Budget	3,452	3,472	(20)	24,854	24,857	(3)	50,065	50,065	0

Staffordshire Commissioner Fire and Rescue Authority

Appendix B

Capital Programme Position as at 30th September 2024

	Capital Programme Budget 2024/25			Capital Programme Forecast 2024/25			Actual to Date 2024/25		
	Approved Budget 2024/25 £	Reprofiling of Budget from 2023/24 £	Restated Capital Programme £	Savings Identified £	Spend Reprofiling to 2025/26 £	Latest Forecast Programme £	Actual £	Commitments £	Total £
Building Enhancements	1,779,000	435,000	2,214,000	(29,967)	(1,166,677)	1,017,356	319,478	64,983	384,461
Operational Equipment	854,696	405,000	1,259,696	(3,282)	(210,000)	1,046,414	380,539	10,097	390,637
Vehicles									
Heavy Fleet	1,530,904	0	1,530,904	(70,000)	(50,000)	1,410,904	503,976	487,868	991,844
Light Fleet	570,000	56,000	626,000	(30,000)	0	596,000	165,495	360,092	525,587
	2,100,904	56,000	2,156,904	(100,000)	(50,000)	2,006,904	669,470	847,960	1,517,431
Information Technology	970,000	62,000	1,032,000	0	(265,000)	767,000	224,831	59,513	284,344
Total Capital Programme	5,704,600	958,000	6,662,600	(133,249)	(1,691,677)	4,837,674	1,594,318	982,554	2,576,872