



Item No. _____ on Agenda

Report to the Police Fire and Crime Panel

13th February 2023

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 2023/24. This is the second budget report and Medium-Term Financial Strategy (MTFS) for the Staffordshire Commissioner. This report delivers one of the Commissioner's key responsibilities as laid out within the Police Reform and Social Responsibility Act 2011.

The report sets out the following:

- Net revenue budget requirement for 2023/24
- Proposed precept for the fire element of the council tax 2023/24
- Proposed Medium Term Financial Strategy (MTFS)
- Outline Capital Budget for 2023/24 to 2025/26

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 2023/24 net revenue budget requirement of £46.465m, including
 - A council tax requirement for 2023/24 of £30.355m before collection fund surplus/deficits are taken into account (**see Appendix 6**)
- b) Note that the funding for 2023/24 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) by 31 January 2023.

- c) Support the Commissioner's proposal to increase the 2023/24 precept for the fire element of the council tax bill by 4.85% or £3.90 per annum which is equivalent to 7.5p per week, increasing the council tax to £84.25 for a Band D Property (**see Appendix 6**)
- d) To note that the Council Tax base has increased to 360,299 properties (**see Appendix 5**) equivalent to an increase of 1.46%. The Council Tax collection fund has also been finalised delivering a surplus of £405k (**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 final 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.£0.7m during the MTFs period and a net use of earmarked grants/reserves of £0.65m. This is driven by the assumptions around ongoing cost pressures which includes ongoing pay pressure and inflationary increases in non-pay 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 business rates for 2023/24 is based upon NNDR1 returns from the nine local billing authorities. This report includes a recovery of the collection fund deficit position included within the 202/23 returns.
- 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 2023/24 (**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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Staffordshire Commissioner

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Commissioner's Foreword



This is my second budget and council tax precept proposal for Staffordshire Fire and Rescue Authority as Police, Fire & Crime Commissioner. Since my election in May 2021, I continue to be impressed by the professionalism and commitment of our Fire officers and staff. I would like to thank them for this and particularly for their ongoing commitment and dedication ensuring the safety of the communities we serve.

This 2023/24 budget and Medium Term Financial Strategy (MTFS) is set against this backdrop that includes some significant uncertainties. The 2022/23 pay award for Firefighters' has yet to be resolved and it is now increasingly more likely that following the strike ballot which closed on 30 January 2023 members of the Fire Brigade Union will be taking industrial action. This will be a very challenging time for all and I remain deeply concerned about the impact of strike action on all staff and on our communities, and I sincerely hope that strike action can be avoided. Since the last budget was set we have also seen the invasion of Ukraine by Russian forces leading to a significant increase in energy costs with inflation running at over 10% in recent months placing significant pressure on household as well as fire and rescue budgets.

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. I have reported progress against my plan to the Police Fire and Crime Panel and also challenged the performance of the Service by questioning the Chief Fire Officer during a number of Public Performance Meetings.

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 and MTFS that incorporates around £1 million of cash savings delivered as part of this transformation work. This has improved efficiency and effectiveness of the Service but there is still more to do to address funding moving forward.

HMICFRS recognised that following their inspection carried out in 2021 there were 21 areas for improvement identified by the Inspectorate and I am happy with the progress being made by the Service and I am confident that the next inspection during 2023 will report tangible improvements in many areas.

This MTFS will ensure that the Chief Fire Officer has the resources needed to deliver on the local plan and national government priorities. With this, inflation and wage pressures in mind, I have concluded that the 2023/24 Fire and Rescue council tax precept should increase by 4.85%, equivalent to £3.90 per year or 7.5p 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 once again 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. The Council Tax proposal is also below the referendum limit which was set at £5 for Fire & Rescue Authorities in 2023/24.

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 further reserves, £0.7 million 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 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 2023/24, 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 2027/28.

On 17 November, Chancellor of the Exchequer Jeremy Hunt announced the Autumn Statement 2022 in a speech in the House of Commons. The Statement was Mr Hunt's first major fiscal event as Chancellor and was accompanied by the Office of Budget Responsibility's Economic and Fiscal Outlook. The new Chancellor and the Prime Minister delayed the Autumn Statement to give themselves more time to address the spending gap. Prior to the announcement, with inflation running at a 41 year high at 11.1% CPI, and 14.2% RPI and the Bank of England Base Rate (3%) also at its highest since 2008, the gap was estimated to be approximately £55bn. The Chancellor had indicated that £20bn would be met through tax rises and the remaining £35bn through spending cuts.

On 19 December 2022, Michael Gove MP, set out the Provisional Local Government Finance Settlement for 2023/24 in the form of a written ministerial statement. Alongside the statement, details of the provisional settlement have been published on the Gov.uk website. The Secretary of State stated that the proposals announced "give multi-year certainty to local authorities, allowing them to plan ahead with more confidence over the rest of the Spending Review period". The Provisional Settlement publication marked the start of the four-week consultation which closed on 16 January 2022. The Settlement Funding assumptions contained within this report are based upon this Provisional Settlement.

Following the receipt of the draft local government finance settlement which included the increase in referendum limits to £5 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.

The Commissioner has considered 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 2023/24 includes an inflationary increase in Revenue Support Grant (RSG) set at 10.1%, increasing by £499k. The business rates top-up has also been increased by 2.5%.

The Commissioner is proposing a 4.85% increase in Council Tax equivalent to an additional £3.90 per annum (7.5 pence per week) which is £1.10 below this referendum limit of £5 and will increase Band D Council Tax for the Staffordshire Commissioner FRA to £84.25. A £5 increase would have been equivalent to a 6.2% increase.

For 2023/24 in support of this recommendation the online precept consultation with residents undertaken by the Commissioner shows that overall, around 58% of all respondents support an

increase in precept for the Fire and Rescue Service. The resident's survey generated 1922 responses and shows that 1121 of individuals favoured an increase, with 801 not supporting any increase at all.

The budget process for 2023/24 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 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 draw on reserves of £0.65m to support the MTFS revenue budget over the five year planning window. This paper is accompanied by a revised Reserves Strategy. There are significant risks and uncertainties beyond 2023/24 that are reflected and narrated within this paper which include the uncertainty regarding pay awards for Firefighters and the impact of inflation running at a 41 year high.

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 2023/24 and 2024/25, however the continuing uncertainty beyond next year makes planning challenging.

The MTFS includes a saving target of £0.7m 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 better than reported to the Panel back in October 2022.

	2023/24 Budget	2024/25 Plan	2025/26 Plan	2026/27 Plan
	£m	£m	£m	£m
Gap (Surplus) reported to Panel - October 2022	(2.2)	(3.1)	(3.2)	(3.2)
Movement				
Settlement Funding Position	1.1	1.1	1.1	1.1
Council Tax Proposal - 4.85% (£3.90)	0.8	1.0	1.0	1.0
Business rates Income and S31 Grants	0.7	0.7	0.7	0.7
Special Services Grant - per settlement	0.3	0.3	0.3	0.3
Inflational Assumptions (Utilities)	(0.6)	(0.7)	(0.9)	(0.9)
Capital Financing Costs	(0.5)	(0.3)	(0.5)	(0.5)
Pension cost assumptions (Employer rate updated)		0.7	0.7	0.7
Revised MTFS Position	(0.4)	(0.3)	(0.7)	(0.7)
Use of earmarked grants and reserves	0.4	0.3		
MTFS Position - Transformation Requirement	0.0	0.0	(0.7)	(0.7)

This above reflects the improved position received as part of the Provisional Local Government Finance Settlement and also the greater council tax flexibility offered to Fire and Rescue Authorities.

Although there is still a gap in funding by 2025/26 this updated and improved position will help to maintain the level of service provided to the communities of Staffordshire and Stoke on Trent. The budget position for 2023/24 and 2024/25 is balanced and includes the use of £0.65m in grants and reserves to help support this position.

Background

1. The budget proposals contained within this report are based upon the provisional 2023/24 Local Government Finance Settlement received on 19 December 2022.
2. Settlement Funding comprises of three funding streams shown below. The RSG and Business Rates top-up are shown as extracted from the provisional settlement, with the 1% share of local business rates being based upon the NNDR1 submissions from the nine billing authorities.

	2022/23 £m	2023/24 £m	Movement £m
1% share of Local Business Rates	2.670	4.070	1.400
Business Rates Top-up	6.059	6.212	0.153
Revenue Support Grant (RSG)	4.923	5.422	0.499
Total Settlement Funding	13.652	15.704	2.052

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 resulted in a year on year reduction of £1,065m last year demonstrating overall reduction in the business rates collection estimates across Staffordshire and Stoke on Trent due to the impact of the pandemic, with less business rates relief promised. This business rates deficit reported in 2022/23 has fully recovered in the budget year 2023/24 and a surplus on the business rates collection fund has also been reported.
5. Dialogue with the nine billing authorities will be undertaken during the year to ensure any impact of the future business rates reset is understood and included within future updates of the MTFS when more information is available.
6. S31 grants are also received as part of the NNDR1 returns and have been included within the budget for 2023/24 and maintained for the MTFS period.

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 in 2018. 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 £80.35 for 2022/23, this report includes the proposal by the Commissioner to increase Council Tax by 4.85% to £84.25 in 2023/24.
10. The referendum limit for 2023/24 has been increased to £5 for this Authority for a single year as announced within the settlement.
11. A 4.85% increase in Council Tax is equivalent to an increase in Band D of £3.90 per annum (7.5 pence per week), and will increase Band D to £84.25. This proposed increase is £1.10 (1.37%) below the referendum limit.
12. The Council Tax base shown in **Appendix 5** has increased to 360,299 from 355,100 properties in 2022/23, which is equivalent to an increase of 1.46%. The Council Tax collection fund is also in credit by £405k, 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 £0.3m.
14. Based upon a 4.85% increase, the total budgeted precept (including collection fund deficit) has increased by £1.941m, as follows:

Council Tax Amount 2022/23	£28.820m
Increase in Council Tax Base by 1.46%	£0.418m
Movement in Council tax Surplus	£0.118m
Increase in Council Tax by 4.85%	£1.405m
Council Tax Amount 2023/24	£30.761m

15. The Staffordshire Commissioner issued a budget consultation document in December which concluded on 16 January 2022 which also included a survey regarding options for the local precept. The results of this consultation show that 58% of the 1922 that responded supported an increase in Council Tax.

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

Council Tax (Fire Element)	2022/23	2023/24
Band D Council Tax Proposed	£80.35	£84.25
Increase on Prior Year	£1.57	£3.90
Percentage increase on Prior Year	1.99%	4.85%
Council Tax Increase*	£1,059,123	£1,822,896
Total Precept Levied (Band D)	£28,532,303	£30,355,199
Council Tax surplus (Deficit)	£287,904	£405,402
Total Council Tax	£28,820,207	£30,760,601
Weekly Increase	£0.03p	£0.075p

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

Revenue Budget 2023/24

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 £46.465m for 2023/24 based upon a Council Tax Increase of 4.85% and the provisional Local Government Finance Settlement and the 1% share of local business rates based upon the amount included within the NNDR1 submissions from the nine billing authorities.
19. The key features of the budget, are as follows:

Pay costs Revenue budget

The overall pay costs budget for 2023/24 at £30.4m, shows an increase of £1.4m more than last year's budget.

The 2022/23 pay award for Firefighters' has yet to be resolved and it is now increasingly more likely that following the strike ballot which closed on 30 January 2023, members of the Fire Brigade Union voted in favour of taking industrial action. The budget for 2023/24 assumes a 5% pay award for 2022/23 and a 4% pay award for 2023/24. Increases above this level will increase the savings requirement for the Authority unless additional funding is provided by the Home Office.

The Fire Brigades Union remain in discussion with fire service employers through the National Joint Council and it is hoped that a pay resolution can be agreed to avoid strike action.

There is, therefore, some risk associated with the assumed level of pay award for 2022/23 and 2023/24 included within the medium term particularly with the 5% pay offer for 2022/23 rejected by the FBU and inflation (RPI) continues to run at rates in excess of 11%, forecasting to reduce to around 9% in 2023.

The following bridge explains the net increase in pay costs:

	£m
Pay Budget – 2022/23	29.0
Pay Award (2022/23 +2%, 2023/24 at 4%)	1.7
National Insurance reversal of 1.25%	(0.2)
New Posts (incl. temporary investment and re-grades)	0.4
Restructure and efficiency savings (transformation)	(0.7)
Other factors	0.2
Pay Budget – 2023/24	30.4

Non-pay costs

Non-pay costs are budgeted to increase by over £2.1 million year on year. Some of the main movements in non-pay costs are as follows:

- Premises costs have increased by £1.2m and includes an estimate of the anticipated increase in gas and electricity costs following the significant increase in wholesale prices
- Transport costs are broadly in line with previous year despite the significant increase in fuel prices during the year. Fuel costs are held at £0.3m per annum and reflect the purchase rates which are reducing from the high levels seen during 2022
- Non-Pay includes a charge of £1.3m payable to West Midlands Fire Service, this represents 30% of the budgeted cost of running the Joint Fire Control. Costs have increased by £0.1m and reflects the additional pay rates discussed above.
- Non-pay includes impact of contract renewals etc. reflecting the general increase in prices for goods and services, £0.4m
- Collaboration (shared service charges), overall costs have increased by £0.3m and includes pay awards for Police Staff (£1900 per pay band) and is equivalent to a pay award in excess of 5%. In addition the employer pension contribution into LGPS by Staffordshire Police has increased by 6% from 1 April 2023.

(ii) Income

Income for 2023/24 is budgeted to increase by £0.7m to £4.1m

- A Special Services Grant has been included within the Provisional Settlement, £0.2m higher than the amount released in 2022/23 (based upon the previous grant allocation that included the additional 1.25% NI increase which has now been reversed)
- The S31 Grant for Business Rates has increased by £0.5m as additional business rates relief has been committed within the Provisional Settlement. This increase is taken from the NNDR1 submissions.

(iii) Capital Charges

Total capital charges are budgeted to increase by £1.4m to £6.6m

- The £1.6m minimum revenue provision requirement for 2023/24 in line with the MRP Policy. This is up £0.2m based upon the capital investment programme and strategy.
- 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 £16.800m is 4.36% (Budget 2023/24, £0.732m)
- The budget includes the direct funding for the replacement of operational cars and vans (with a 5 year estimated life), £0.5m.
- The unitary charge will increase by RPIx applied to the variable elements of both PFI contracts. The CPI rate led to increases of 8.2% in 2022/23 and estimated also at this level for 2023/24. Total impact of inflation £0.7m by March 2024.

Budget Monitoring 2023/24

20. A budget monitoring report will be considered by the Strategic Governance Board on a quarterly basis. A monthly Finance Report will be issued to members of the Service Delivery Board (SDB) and also published on the Intranet available for all staff.
21. 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 Chair of the Finance Panel.

Service Transformation

22. The Service has undertaken a number of scenario planning sessions and options have been 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 delivering improved productivity.
23. 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.”
24. There are a number of topics that have explored 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.
25. The following update provides the Panel with an update position on all workstreams included within the budget and MTFs report for 2022/23.

26. The work undertaken fits into four distinct categories:

a) Corporate Reform

- **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.

Update: This work has been completed and a new senior structure is now in place within 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.

Update: Work is continuing within the Service with the role out of the Core Code of Ethics, a workstream that has been led nationally by the Chief Fire Officer. The creation of the Insights team is complete

- **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

Update: Workstream complete

- **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

Update: Workstream complete

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.

Update: two new appliances are on order and delivery is expected in 2023/24. This will remove 4 operational posts, annual saving £0.2m.

- **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

Update: Workstream ongoing

- **Reviewing the viability of station locations**

Update: This work has been completed.

- **Reviewing of the crewing models in place across the Service** – To understand the potential of changing crewing models at wholetime stations

Update: Wholetime crews will now respond to call with a minimum level of crewing of 4 firefighters (optimum level 5). This is delivering reduced overtime and savings estimated to be £0.4m full year.

Options for Wholetime Shift Stations to move to day duty shift systems are also being reviewed so they are available to the Commissioner Fire and Rescue Authority as options if required as part of the Service's transformation requirements

- **Review of Service standby policy** - To provide evidence to demonstrate whether our standby movements add value to our response to incidents

Update: workstream completed

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.

Update: Workstream ongoing

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

Update: Work is ongoing to review the Stafford area. Additional collaboration opportunities are under review at Chase Terrace, Uttoxeter, Stone, Kidsgrove and across Police and Fire Headquarters

- **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

Update: Workstream ongoing through Shared Service Operational Management Group

27. Savings options in excess of £1m have been included within the MTFS of which £0.7m has now been fully implemented. Workstreams above will continue to be developed alongside the Commissioner to ensure that the Service continues to deliver efficiencies and improved productivity in order to meet the £0.7m gap within the MTFS by 2026.

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 four years' from the Home Office covering 90% of this increase and this grant has also been guaranteed for the budget year 2023/24. The Commissioner has been informed by the Home Office that it is looking to base line this grant into future funding settlements.

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 to affected members ahead of the legislation under Section 61 of the Equality Act, with a process called Immediate Detriment (ID). In total nine cases have been processed in this way and will need be reviewed once the legislation is enacted to ensure that all benefits being paid accurately reflect the revised scheme rules. The Commissioner agreed to cease processing ID cases in May 2022 as advised by the Home Office, due to a number of significant risks identified by HMT and HMRC.

30. Firefighters pension scheme costs therefore remain a significant risk over the medium term, and the Commissioner has established a pensions reserve. Employer contribution rates payable into the Firefighters' Pension Scheme remain at 28.8% within the life of the MTFS. It is assumed that any future increases in Employer contribution rates will be funded centrally through additional grant. It remains unlikely that rates will be announced before 2025/26.

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 2022; 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 2022 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 2023/24 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.1% of the proposed revenue budget for the year.
33. At 1 April 2022 the Authority held £8.2m 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 2023/24 and incorporates the assumptions contained with the Provisional Local Government Settlement, which includes the assumed increase in Council Tax of 4.85%. A summary of the financials covering the medium term period 2023/24 to 2027/28 are included within **Appendix 7**.
36. Should the Staffordshire Commissioner elect not to increase Council Tax for 2023/24 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 2023/24 and 2024/25 shows a balanced position, however there is a saving requirement of £0.7m identified into the medium term and the use of £0.65m of earmarked grants and reserves proposed for 2023/24 and 2024/25.
38. There remains a significant level of financial uncertainty regarding the funding position for the Authority beyond and including 2022/23, this unfortunately results in a higher level of risk associated with the funding assumptions contained within the updated MTFS.
39. The main areas of uncertainty must be considered when reviewing this MTFS:
 - The likely impact of Pay Awards for 2022/23 and 2023/24 above the respective 5% and 4% assumptions
 - The Impact of Inflation on all costs if high inflation continues beyond 2023

- The impact on Firefighter pension costs from the 2020 valuation and the Sargeant McCloud ruling, likely from 2026
- The impact on Service Delivery if savings are required beyond the £0.7m identified within this MTFS

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

	2023/24 Budget	2024/25 Plan	2025/26 Plan	2026/27 Plan	2027/28 Plan
<u>PAY COSTS</u>					
Pay Award Operational Staff	4.0%	3.0%	3.0%	2.0%	2.0%
Pay Award Non Operational Staff	4.0%	3.0%	3.0%	2.0%	2.0%
Other Pay Costs	4.0%	4.0%	3.0%	2.0%	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	54.0%	5.0%	5.0%	2.0%	2.0%
Gas	54.0%	5.0%	5.0%	2.0%	2.0%
Business Rates	2.0%	2.0%	2.0%	2.0%	2.0%
Water and Sewerage	5.0%	2.0%	2.0%	2.0%	2.0%
General Supplies and Services	5.0%	2.0%	5.0%	2.0%	5.0%
<u>INTEREST RATES</u>					
Interest on Investments	3.0%	2.0%	2.0%	1.0%	1.0%
Interest on Debt	4.4%	4.4%	4.4%	4.4%	4.4%
<u>GENERAL FUNDING</u>					
Council Tax Increases	4.85%	2.99%	1.99%	1.99%	1.99%
Council Tax Base Growth	1.46%	1.50%	1.50%	1.50%	1.50%
Revenue Support Grant	10.1%	3.0%	2.0%	2.0%	2.0%
Local Business Rates	52.4%	2.0%	0.0%	0.0%	0.0%
Business rates Top-up grant	2.0%	2.0%	2.0%	2.0%	2.0%

A 1% sensitivity across key budget areas is reflected below:

Cost / Income Area	Change	£000s
Pay Costs	+/- 1%	297
Premises Costs (incl utilities)	+/- 1%	50
Vehicles	+/- 1%	10
Supplies and Services	+/- 1%	82
Employer Pension Contributions	+/- 1%	210
Business Rates	+/- 1%	40
Revenue Support Grant	+/- 1%	54
Precept	+/- 1%	303
Council Tax Base	+/- 1%	312

Capital Programme

41. The three year Capital Programme and Capital Strategy for 2023/24 to 2025/26 has been developed and is reviewed within the Capital Strategy.
42. 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.
43. The total programme of £6.7m for 2023/24 includes an element of carry-over from the current year. Whilst this delay has not impacted upon service delivery to date, it has culminated in a challenging programme for 2023/24 and again this comes with a degree of risk of further delays and slippage.
44. 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.
45. As part of the capital programme for 2023/24 and 2024/25 the Commissioner has committed the use of £0.9m of reserves to support the vehicle replacement programme , and £0.5m to support the station refurbishment work at Brewood.
46. The summary capital programme is shown within **Appendix 8**.
47. The detailed programme for 2023/24 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

48. 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.
49. I can confirm that the budget for 2023/24 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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Revenue Budget Summary 2023/24

	Budget 2022/23	Budget Proposal 2023/24	Year on Year Change
	£000s	£000s	£000s
Pay			
Pay Costs	26,875	28,025	1,149
Other Employee Costs	2,098	2,387	289
Total Pay	28,973	30,411	1,439
Non Pay			
Premises Costs	3,897	5,154	1,257
Transport Costs	772	775	3
Supplies & Services Costs	7,075	7,941	867
CFS Costs and Initiatives	309	323	14
Total Non Pay	12,053	14,193	2,140
Income			
Income - General	(3,326)	(4,081)	(754)
Interest Receivable	(10)	(285)	(275)
Total Income	(3,336)	(4,366)	(1,029)
Capital charges	1,425	2,108	683
Interest Payable	758	732	(25)
PFI Unitary Charge	3,003	3,776	773
Total Capital Charges	5,185	6,616	1,431
Total Revenue before Reserves	42,875	46,855	3,980
Transfer to/(from) Reserves	(403)	(390)	13
Budget Gap in Year			
Total Revenue Budget	42,472	46,465	3,993
FINANCED BY:			
<u>Settlement Funding</u>			
Revenue Support Grant	4,923	5,422	499
Local Business Rates (1%)	2,670	4,070	1,400
Government Top-up (business rates)	6,059	6,212	153
Total Settlement Funding	13,652	15,704	2,053
<u>Council Tax</u>	28,820	30,761	1,940
Total Financing	42,472	46,465	3,993

Earmarked and General Reserves for 2023/24 to 2027/28

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Est.	Est.	Est.	Est.	Est.	Est.
	£m	£m	£m	£m	£m	£m	£m
General Fund	1.9	1.9	1.9	1.9	1.9	1.9	1.9
<u>Earmarked Reserves</u>							
PFI Reserve (Project Reserve Deductions)	0.8	0.7	0.3	0.3	0.3	0.3	0.3
Operational Budget Holder Reserves	0.2	0.3	0.3	0.3	0.3	0.2	0.2
Budget and MTFS Support Reserve	0.8	0.8	0.8	0.5	0.5	0.5	0.5
Refurbishment Reserve Abbots Bromley	0.5						
Capital Reserves	1.9	0.8					
Pension Reserve	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Collaboration Reserve	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Future Funding Reserve	1.7	1.7	1.5	1.3	1.3	1.3	1.3
Total Earmarked Reserve	8.2	6.4	5.0	4.5	4.5	4.4	4.4
Total Reserves Available	10.1	8.3	6.9	6.4	6.4	6.3	6.3
Percentage of Revenue Budget							
General Reserve	4.5%	4.5%	4.1%	4.0%	3.8%	3.7%	3.6%
Earmarked Reserve	19.5%	15.1%	10.8%	9.3%	9.1%	8.6%	8.4%

Risk Assessment of General Reserves for 2023/24

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 2023/24 and the overall provision of £1.9m has remained unchanged for a number of years and represents 4.1% 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	2023/24 Provision £000
Loss of Employees / additional pay costs	High	Spate conditions caused by for example; prolonged severe weather conditions (e.g. hot weather or flooding), unexpected loss of staff through COVID-19, Avian Flu / Ebola etc.	650
Failure to achieve efficiency savings	Medium	Risk of not achieving future savings requirements	350
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 2023/24**Council Tax Surplus / (Deficit) by Authority**

	2021/22	2022/23	2023/24	Variation
	£	£	£	£
Cannock Chase	(11,536)	112,486	(46,934)	(159,419)
East Staffordshire	12,454	48,291	74,054	25,763
Lichfield	(12,686)	(14,191)	21,029	35,220
Newcastle	(18,480)	11,107	22,674	11,567
South Staffordshire	(13,600)	53,244	70,810	17,566
Stafford	(18,160)	21,882	109,918	88,036
Staffordshire Moorlands	(27,024)	22,740	37,539	14,799
Stoke	(3,685)	1,000	91,542	90,542
Tamworth	25,639	31,345	24,770	(6,575)
Budget Adjustment				
Total (per budget paper)	(67,078)	287,904	405,402	117,498

Council Tax Report 2023/24**Taxbase by Authority**

	2021/22	2022/23	2023/24	Variation	%
Cannock Chase	29,137	29,458	29,851	393	1.33%
East Staffordshire	37,875	39,059	40,060	1,001	2.56%
Lichfield	38,891	39,695	40,534	839	2.11%
Newcastle	37,087	37,668	38,099	431	1.14%
South Staffordshire	38,664	39,066	39,609	543	1.39%
Stafford	47,994	48,490	48,864	373	0.77%
Staffordshire Moorlands	33,260	33,510	33,374	(136)	-0.41%
Stoke	63,459	65,185	66,532	1,347	2.07%
Tamworth	22,366	22,968	23,376	408	1.78%
Total	348,733	355,100	360,299	5,199	1.46%

Council Tax Report 2023/24**Council Bands for Each Band and District Precepts****Based upon a Band D Increase of 4.85%**

	2021/22	2022/23	2023/24	Increase	Per Week
Band	£	£	£	£	Pence
A	52.52	53.57	56.17	2.60	5.0
B	61.27	62.49	65.53	3.03	5.8
C	70.03	71.42	74.89	3.47	6.7
D	78.78	80.35	84.25	3.90	7.5
E	96.29	98.21	102.97	4.77	9.2
F	113.79	116.06	121.69	5.63	10.8
G	131.30	133.92	140.42	6.50	12.5
H	157.56	160.70	168.50	7.80	15.0

Precept Payable

	2021/22	2022/23	2023/24	Variation	
	£	£	£	£	%
Cannock Chase	2,295,399	2,366,962	2,514,951	147,989	6.25%
East Staffordshire	2,983,793	3,138,407	3,375,055	236,648	7.54%
Lichfield	3,063,833	3,189,501	3,415,023	225,522	7.07%
Newcastle	2,921,714	3,026,624	3,209,841	183,217	6.05%
South Staffordshire	3,045,974	3,138,968	3,337,058	198,091	6.31%
Stafford	3,780,975	3,896,203	4,116,754	220,551	5.66%
Staffordshire Moorlands	2,620,223	2,692,529	2,811,760	119,231	4.43%
Stoke	4,999,276	5,237,631	5,605,329	367,699	7.02%
Tamworth	1,761,993	1,845,479	1,969,428	123,949	6.72%
Total	27,473,179	28,532,303	30,355,199	1,822,896	6.39%

MTFS Summary Financials to 2027/28

	2023/24 Budget £000s	2024/25 Plan £000s	2025/26 Plan £000s	2026/27 Plan £000s	2027/28 Plan £000s
Pay					
Pay Costs	28,025	28,687	29,365	29,826	30,295
Other Employee Costs	2,387	2,458	2,514	2,551	2,590
Total Pay	30,411	31,145	31,878	32,378	32,885
Non Pay					
Premises Costs	5,154	5,332	5,517	5,628	5,740
Transport Costs	775	813	830	846	863
Supplies & Services Costs	7,941	8,122	8,285	8,451	8,620
CFS Costs and Initiatives	323	323	323	323	323
Total Non Pay	14,193	14,591	14,955	15,248	15,546
Income					
Income - General	(4,081)	(4,027)	(3,916)	(3,820)	(3,820)
Interest Receivable	(285)	(221)	(158)	(56)	(36)
Total Income	(4,366)	(4,248)	(4,074)	(3,875)	(3,855)
Capital charges	2,108	2,347	2,672	2,905	3,434
Interest Payable	732	732	832	932	932
PFI Unitary Charge	3,776	3,851	3,928	4,007	4,087
Total Capital Charges	6,616	6,931	7,433	7,844	8,453
Total Revenue	46,855	48,419	50,192	51,593	53,028
Transformation requirement			(681)	(683)	(671)
Net use of Reserves	(390)	(265)			
Total Revenue	46,465	48,155	49,511	50,910	52,357
FINANCED BY:					
Settlement Funding					
Revenue Support Grant	5,422	5,585	5,697	5,811	5,927
Local Business Rates (1%)	4,070	4,151	4,151	4,151	4,151
Government Top-up (business rates)	6,212	6,336	6,463	6,592	6,724
Total Settlement Funding	15,704	16,072	16,311	16,554	16,802
Council Tax	30,761	32,082	33,200	34,356	35,555
Total Financing	46,465	48,155	49,511	50,910	52,357

Capital Programme Summary 2023/24 to 2025/26

	2023/24 Budget	2024/25 Plan	2025/26 Plan
	£	£	£
Building & Infrastructure Works			
Refurbishment Programme	650,000	550,000	
Improvement Works	930,000	605,000	510,000
Total	1,580,000	1,155,000	510,000
Operational Equipment	2,284,000	125,000	84,000
Appliances & Vehicles			
Appliances & Specialist Vehicles	1,360,000	750,000	980,000
Vans & Cars	510,000	370,000	470,000
Total	1,870,000	1,120,000	1,450,000
Information Technology			
ICT Hardware, Software Systems & Installations	925,000	1,150,000	730,000
Total	925,000	1,150,000	730,000
Total Capital Programme	6,659,000	3,550,000	2,774,000
Funding			
Direct Revenue Funding	510,000	370,000	470,000
Unsupported Borrowing	5,069,000	3,180,000	2,304,000
Earmarked Reserves	1,080,000		
Total Funding	6,659,000	3,550,000	2,774,000

Capital Programme Detail - 2023/24

Priority	Scheme Description	Detail	2023/24 Budget £
	IADS Brewood Refurbishment Tutbury Refurbishment	Internal Refurbishment and modernisation of 1960' fire station Internal Refurbishment and modernisation of 1960' fire station	500,000 150,000
	Building Works - Improvements Sustainability heating system replacement - Stations HQ - Resurfacing Works Phase 2 HQ - Lighting replacement programme Phase 3 Stations - Lighting replacement programme Phase 3 Skylight Window Replacement - old House BEMS installation Abbots Bromley - Tower HQ Old House - Escape Staircase HQ Amenities - Replace Boilers FBT Improvement Works	Ipstones - Phase out gas heating for sustainable solution Front of Amenities and visitor car park and drainage Replace lighting with Energy Efficient LED to Control building Replace lighting with Energy Efficient LED at Biddulph (Old Part) + Wombourne Replace existing skylights with aluminium solution Intelligent Heating / Sustainable Controls - HQ Look at tower options Replace fire escape staircase. Health and Safety issue re fire escape Replace gas boilers in the Amenities building	650,000 150,000 100,000 35,000 45,000 70,000 120,000 150,000 90,000 100,000 70,000
	Operational Equipment Operational Equipment Pool Life Jackets x 300 Body Worn Cameras Operational PPE BA Sets and Testing Modules (Questor) Entry Control Board Batteries Thermal Image Cameras RTC Stabilisation Ladders Hydraulic Cutting Equipment Clean Concept Equipment Appliance Equipment - ERPs Appliance Equipment - ALPs Boats	Replacement as required Replacement of all Life Jackets within service due to age Possible replacement of cameras. Decision paper to Response Directorate £1.3 million for new PPE (final year of PPE receipt) Total replacement due to age of BA sets. Regional procurement exercise Original batteries lasted 7 years and this is final year. Existing cameras are now starting to fail and parts are becoming difficult to obtain Equipment for 12 pumps Replacement programme Ongoing replacement programme Ensure PPE is clean with not contamination Equipment for new appliances Equipment for new appliances	930,000 25,000 37,500 22,000 400,000 1,000,000 15,000 200,000 32,500 11,000 292,000 65,000 150,000 16,000 18,000
	Appliances & Vehicles Light Fleet Specials Replacement Pumping Appliances ERPs ALPs	Mix of Cars & Vans ICU, Off Road, RR ERP 3 & ERP 4 - Chassis Payments ERP 1 & ERP 2 - Body Build Payments ALP 1 & ALP 2 - Final Payments	2,284,000 200,000 310,000 300,000 510,000 550,000
	Information Technology ICT Rolling Programme - Desktop ICT Rolling Programme - Infrastructure PSN Network Refresh Mobile Phone Replacement New Project - Device Strategy Stations/L&D Teams Rooms Enablement Alerter Replacement Microsoft enablement SharePoint Intranet	Rolling program for officers and admin laptop replacement plus desktop solutions such as igels. Station end 5 year investment This will probably span 2425 and 2526 Increase based on 2020/21 purchase costs Includes : tablets, mobile phones, alerters and tom toms Enablement across all station Investing in new alerter technology for operational staff O365 investment	1,870,000 150,000 200,000 50,000 70,000 150,000 125,000 100,000 50,000 30,000
	Overall Total		925,000 6,659,000

Fees and Charges for April 2023 to March 2024

	Current (Net of VAT) £	Charges from 1 st April 2023 (Net of VAT) £	VAT Status
(a) Special Service Charges			
Attendance per Appliance per hour* (Including crew) <i>*£372.66 for the first hour and £93.21 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>	336.64	372.66	Standard
Professional services per hour <i>Eg Officer interviews, provision of advice</i>	88.49	97.96	Standard
Fire investigation Interviews <i>£100.10 per hour or part hour</i>	113.25	125.37	Standard
Fire Investigator detailed Fire report	396.38	438.79	Standard
(b) Other charges			
Extract of Fire reports	93.70	103.73	Exempt
Some information retrieval may incur an additional administration charge of £46.42 ex VAT per search.			
Photographic/digital images	Price on Application	P.O.A	Standard

c) Conference Suite
Scale of Charges from 1st April 2023

Room Hire Only
Monday – Friday
Whole-day
£

Conference Suite

Room 1	322.88
Room 2	220.56
Room 3 - break out area	138.26
Room 4 (VDR)	220.56
Rooms 1 and 2	454.76
Rooms 1, 2 and 3	568.44

Catering Charges

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

Charges quoted are subject to VAT at prevailing rates

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

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

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

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