

MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024/25 TO 2026/27



1. EXECUTIVE SUMMARY

- 1.1 This document was considered by the Fire Authority on 9th February 2024 and the report provided an update on the Authority's Medium Term Financial Strategy, which integrates the revenue budget, Asset Management Plan and Reserves Strategy, and underpins the delivery of the Community Integrated Risk Management Plan.
- 1.2 The MTFS details the financial challenges facing the Authority and our strategy to address these issues which provides the best possible financial foundations for 2024/25 and beyond. The report enabled the Fire Authority to approve the recommendations details in section 2.

2. RECOMMENDATIONS APPROVED BY CLEVELAND FIRE AUTHORITY

- 2.1 The following recommendations were approved:
 1. Approved the transfer of the forecast 2023/24 revenue underspend of £0.160m to the Unearmarked General Fund Reserve to increase this reserve to £1.712m, which will maintain this reserve at 5% of the 2024/25 budget requirement.
 2. Noted the 2024/25 Local Government Finance Settlement is for one year (the 6th annual settlement) and provides an increase national Core Spending Power of **£3.903 billion (6.5%)**, which assumes **53% (£2.078 billion)** of this increase will be funded by all authorities using the available Council Tax and Adult Social Care precept flexibility.
 3. Noted for standalone Fire and Rescue Authorities the average Core Spending Power increase is **4.6%** (range 4.2% to 5%) and Cleveland has the joint lowest increase with West Midlands of **4.2%**.
 4. Noted that in line with the approach adopted by other Fire and Rescue Authorities in response to lower inflation and affordability the provision for the national Grey Book (Fire fighters) pay award for 2024 has been reduced to 3% and reflected in the revised 2024/25 budget deficit. To note that each 1% additional pay award would result in an unbudgeted cost of £223,000, which would need to be funded by making additional permanent budget reductions.
 5. Approved a **3%** Council Tax increase in line with the Government's Referendum Limit, which will provide additional recurring resources of **£0.418m** to help sustain services.

6. Noted that approving recommendation (5) will result in approximately 241,000 households (91.4%) having to pay a weekly increase of 5p or less, as highlighted in the following table.

2023/24		2024/25					
Annual Council Tax	Property Band	Annual Council Tax	Weekly Council Tax	Annual increase	Weekly increase (pence)	Number of households	% households
£57.91	A	£59.64	£1.15	£1.73	3p	119,016	45.1%
£67.56	B	£69.58	£1.34	£2.02	4p	49,328	18.7%
£77.21	C	£79.52	£1.53	£2.31	4p	48,132	18.3%
£86.86	D	£89.46	£1.72	£2.60	5p	24,563	9.3%
£106.16	E	£109.34	£2.10	£3.18	6p	13,999	5.3%
£125.46	F	£129.22	£2.49	£3.76	7p	5,419	2.1%
£144.77	G	£149.10	£2.87	£4.33	8p	2,949	1.1%
£173.72	H	£178.92	£3.44	£5.20	10p	296	0.1%
						263,702	100.0%

7. Noted that based on recommendation (5) being approved the 2024/25 budget will be balanced through a combination of the following measures:

	£'m	Percentage of total deficit
Grant Funding Increase (net of Service Grant reduction)	0.453	30%
3% Council Tax increase	0.418	28%
Investment income	0.250	16%
Business Rates/Section 31 grants increase.	0.097	6%
Use of Budget Support Fund Reserves	0.009	1%
Funding Guarantee Grant	0.294	19%
Total Gross Deficit (paragraph 7.13)	1.521	100%

8. Approved the proposal that to ensure the Authority's budget position does not become unmanageable the Chief Fire Officer brings forward savings proposals to address the range of forecast deficits for 2025/26 and 2026/27 (detailed in paragraph 8.5) for consideration by the Authority during 2024.

9. Approved the establishment of an Investment Income phasing reserves to ensure the £0.250m of support provided to the 2024/25 budget can be sustained in 2025/26, 2026/27 and potentially 2027/28, which will continue to protect services.
 10. Noted the updated forecast deficits for 2025/26 and 2026/27 detailed in section 8.5.
 11. Approved the updated Asset Management Plan detailed in **Appendix D** and the earmarking on one-off resources as detailed in paragraphs 9.4 and 9.5 to manage AMP inflation risks over the period 2024/25 to 2028/29. To note that if these resources are not needed to cover inflation risks a future MTFS report will detail alternative proposals for using these resources, including reducing the level of borrowing used to fund the Asset Management Plan.
 12. Noted the Reserves review detailed in section 10 and Robustness Advice detailed in section 11 which underpin the above decisions and the financial resilience of the MTFS pending the reintroduction of multi-year Local Government Financial Settlements.
- 2.2 Approved the supporting statutory calculations detailed in **Appendix G** and the 2024/25 Revenue Budget detailed in **Appendix H**.

3. **BACKGROUND**

- 3.1 Previous MTFS reports and presentations to Members have highlighted the significant changes in funding available to fund Fire and Rescue Authorities (FRAs) as it is important to reflect on where the Authority is starting from before considering future financial challenges. Three key factors have a permanent impact on the Authority's financial position are summarised below and detailed in **Appendix A**:

1) **Changes in funding mix**

There have been two significant changes which impact on recurring resources:



A reduction in Government funding of **£4.7m** – a reduction of **25%** between 2013/14 and 2023/24.



An increase in the percentage of the recurring resources funded from Council Tax from **31%** in 2013/14 to **47%** in 2023/24 – **£4.5m** increase

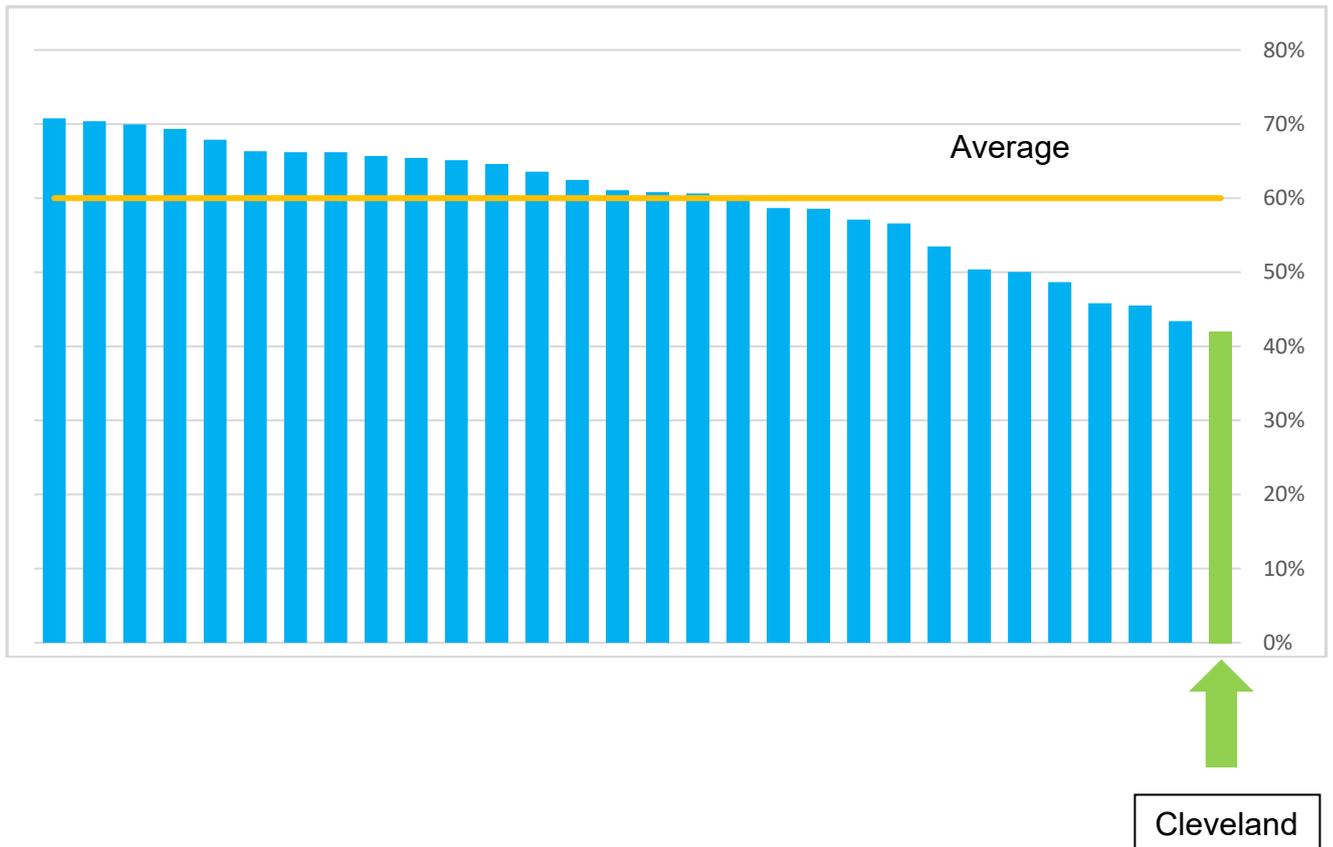


Cash reduction in funding of £0.4m – real term reduction in resources of **£9.7m** (calculated using the Bank of England inflation calculator).

2) Low Council Tax base

The Authority has a low Council Tax base as **45%** of properties are in Band A, the lowest Council Tax band, compared to **24%** nationally. This means the Authority funds **42%** of Core Spending Power from Council Tax – the lowest of any FRA and significantly below the FRA average of **60%** as summarised in the table below:

2024/2025 Forecast Council Tax as % of Core Spending Power for standalone FRAs



3) Impact of previous budget reductions

As a result of previous reductions in Government funding and the low Council Tax base the Authority will continue to face ongoing financial challenges. This position needs to take account of previous reduction, the most significant being:

 **a 33% reduction in the number of wholetime firefighter posts from 494 to 332.**

3.2 In summary the Authority is starting 2024/25 with:

- less cash funding than in 2013/14.
- a low Council Tax base which means a much lower proportion of spending is funded from Council Tax than is the case for the average FRA.

- continued reliance on the level of Government funding.
- a significant challenge given the requirement to increase Council Tax to partly fund inflation pressures; and
- uncertainty regarding 2024 national pay awards and inflation.

4. 2023/24 FORECAST REVENUE OUTTURN

- 4.1 A comprehensive report was considered by the Audit and Governance Committee on 24 November 2023 which advised Members that whilst inflation has fallen in recent months it had remained high for the first half of the financial year. Recent announcements by the Bank of England (BoE) and the Office for Budget Responsibility (OBR) indicate inflation will take longer to fall to the 2% target level.
- 4.2 Clearly continued inflation puts further pressures on the Authority's budget. In response the Chief Fire Officer has continued to carefully manage expenditure and a year-end underspend of £0.160m is forecast. This has been achieved from temporary salary savings from staff turnover.
- 4.3 It is recommended that the year-end underspend is transfer to the Unearmarked General Fund Reserves to retain the real term value of this reserve at a time of continuing inflation. This will retain this reserve at around 5% of the 2024/25 budget (i.e. £1.712m) further information is provided in section 10.17.

5. ECONOMIC OUTLOOK AND IMPACT ON PUBLIC SECTOR SPENDING

- 5.1 On 22 November 2023 the Chancellor presented the Autumn Statement and the key measures included tax reductions of £19.8 billion consisting of:
- £10.715 billion tax reduction for business investment; and
 - £9.055 billion National Insurance reduction from 12% to 10%.
- 5.2 The Autumn Statement also included updated forecasts from the OBR which highlight the challenges impacting on the economy and funding available for the public sector, as detailed in **Appendix B**. These forecasts indicate that if economic growth is not higher than forecast the next Comprehensive Spending Review, covering the period 2025/26 to 2027/28, will be extremely challenging for the next Government and requires either:

1. Further reductions in non-protected Government departments

The OBR forecast real term cuts each year from 2025/26 if protection is limited to the NHS and school funding is held flat per pupil in real terms.

If defence and overseas aid increase to the current Government's previously indicated targets the OBR forecast higher real term cuts in other areas will be required, each year from 2025/26.

2. Higher taxes

Whilst the recent Autumn statement introduced some tax reductions previous Government statements have potentially reduced the scope of higher taxes. The most significant change was the extension of the freeze in personal income tax threshold until 2027/28, which creates 'fiscal drag' meaning more people pay 20% income tax, or move into the 40% tax bracket, or 45% tax bracket.

3. A combination of 1 and 2

- 5.3 The Chancellor's Budget on 6 March 2024 will provide details of the current Government's priorities for public sector spending, taxation and updated forecasts from the OBR.
- 5.4 In view of these issues the decisions the Authority makes when setting the 2024/25 budget will have a very significant impact on the financial sustainability of the Authority in future years and its ability to manage ongoing financial uncertainty.

6. GOVERNMENT FUNDING 2024/25

- 6.1 The provisional Local Government Finance Settlement was issued on 18 December 2023, the day before Parliament recessed. At a national level the settlement confirms the following:

- **Period of Settlement**

The settlement is for one-year, which is the sixth annual one-year settlement.

The forthcoming general election will determine the funding position for 2025/26 onwards. However, the timing of the election is likely to lead to a further one-year settlement for 2025/26 owing to the complexity of reforming the existing system.

- **Core Spending Power (CSP)**

This is the Government's measure of increase in resources and includes Council Tax rises based on national referendum limits.

The final increase in Core Spending Power is **£4.208 billion** (a 7.5% increase), which reflects a combination of increased Government funding, including specific funding for Social Care, and continued reliance on Council Tax – which Government figures show for 2024/25 is just over half the national Core Spending Power increase, as follows:

National increase in CSP 2024/25

	2024/25 Increase	Percentage of total CSP increase
Council Tax and Adult Social Care precept income	£ 2.085 billion	46.3%
Other Grant increases	£ 1.231 billion	27.3%
Social Care Grant	£1.192 billion	26.4%
Total Core Spending Power Increase	£ 4.508 billion	100.0%

- **Council Tax Referendum limits**

Confirmation of the indicative **3%** Council Tax referendum limit for Fire and Rescue Authorities. The previous MTFs forecasts were based on the 2023/24 referendum limit of £5 continuing for 2024/25. The lower limit of 3% means the maximum additional recurring Council Tax income the Authority can potentially achieve is **£0.384m** lower than if the £5 limit had continued.

The National Fire Chiefs Council will be writing to the Government to highlight the adverse impact of not continuing the £5 referendum limit for 2024/25 and asking for this position to be reviewed before the final settlement is issued early in 2024.

Council Tax referendum limits take no account of either an individual Authorities starting Band D Council Tax level, or the local Council Tax base. A fixed monetary Council Tax referendum limit (i.e. £5) provides all FRAs with a more equal ability to increase recurring income. This seems to have been the rationale for Police having a fixed monetary Council Tax referendum limit for many years - a position repeated for 2024/25 with a limit of £13 (2023/24 £15).

However, a fixed percentage Council Tax referendum limit is more beneficial for FRA's with a higher band D Council Tax as they can raise more recurring resources by implementing this increase as highlighted below:

- Durham and Darlington FRA 2023/24 Band D Council Tax is £114.69 - a 3% increase for 2024/25 equates to £3.44.
(note Durham and Darlington FRA has not yet made their 2024/25 Council Tax decision)
- Cleveland Fire Authority's 2023/24 Band D Council Tax is £86.86 - a 3% increase for 2024/25 equates to £2.60.

The 3% referendum limit means this Authority raises **£0.135m** less than it would raise if it had the same monetary increase as Durham and Darlington in 2024/25. **The importance of this position over a 5-year period means Cleveland can raise £0.675m less recurring income by the fifth year.**

- **Services Grant**

Nationally this has been reduced from £483m to £77m a reduction of 84%. Most of the reduction has been used to increase the social care grant, provide resources for the 'funding guarantee' and to fund part of the increase in Revenue Support Grant. An undisclosed amount has been held back as contingency and may be allocated in the final settlement.

- **Funding Guaranteed Grant**

This grant is intended to provide a funding floor for all local authorities (including FRAs) so that no local authority will see an increase in core spending power lower than 4%, before taking into account council tax decisions and changes to funding rolled into grants.

As highlight in section 6.2 the Funding Guarantee grant is feeding into differences in FRAs Core Spending Power increases which seem to benefit FRAs with a high Council Tax base. This potentially means these FRAs will either be able to spend more on services or consider Council Tax rises below the 3% Referendum Limit (which seems unlikely as they will wish to retain financial resilience by increasing Council Tax up to the referendum limits).

- **Other areas of the settlement**

The Government "asks authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities".

As detailed in section 10 the Authority has a robust strategy for managing reserves which underpins the Asset Management Plan and provides resources to support the MTFs. The reserves strategy is very clear that any use of reserves to address a budget deficit is not a sustainable strategy and would simply defer service cuts until a later financial year.

6.2 Comparison of 2024/25 Core Spending Power increase

6.3 As highlight below FRAs have the lowest increase in Core Spending Power and the highest increases are for Social Care authorities.

Comparison of average Core Spending Power increases (based on DLUHC Settlement figures)

2023/24		2024/25
9.2%	Total for England total	7.5%
5.7%	Standalone FRAs total	5.6% (Range 5.1% to 6%)

Cleveland's CSP increase is 5.1% which is the joint lowest FRA increase with West Midlands and below the 5.6% FRA average. This position reflects the fact that FRAs (including this Authority) which raise a low proportion of Core Spending Power from Council Tax have the lowest Core Spending Power increase between 2023/24 and 2024/25. This position reflects the same long terms trend over the period 2015/16 to 2024/25 as detailed in **Appendix C**.

The table below shows a range of Spending Power increases for standalone FRAs of 5.1% (Cleveland and West Midlands) to 6% (Buckinghamshire, Dorset and Wiltshire, Hereford and Worcester, Shropshire). If Cleveland received a 5% increase this would be an additional **£0.240m** of Spending Power – if repeated over 5 years the cumulative difference is **£1.2m**.

The Spending Power increases also include the 4% Funding Guarantee which is calculated before Council Tax increases.

From this Authority's perspective it would have been better if this funding had been used to reduce the differences in Core Spending Power increases between FRAs, which all face the same national pay and inflation pressures. This point has been made in the response to the Settlement consultation.

The following table highlights differences in Core Spending Power increases and the amount allocated as Funding Guarantee grant.

Comparison of CSP increases and Funding Guarantee grant included in CSP.

	Final 2024/25 CSP increase	Final 2024/25 CSP percentage increase	Final Funding Guarantee included in CSP increase	Provisional Funding Guarantee included in CSP increase
Cleveland	£1.692m	5.1%	£0.294m	Nil
West Midlands	£6.352m	5.1%	£1.312m	£0.152m
Tyne and Wear	£3.121m	5.2%	£0.689m	£0.126m
Durham & Darlington	£1.972m	5.6%	£0.530m	£0.198m
Buckinghamshire	£2.119m	6.0%	£0.598m	£0.260m
Dorset and Wiltshire	£4.077m	6.0%	£1.632m	£0.990m
Hereford and Worcester	£2.300m	6.0%	£0.902m	£0.556m
Shropshire	£1.630m	6.0%	£0.373m	£0.174m

6.4 Settlement impact on Cleveland

- 6.5 As summarised below the provisional 2024/25 settlement would have provided a 5.05% increase (forecast 5%) if the Services Grant had not been cut. However, after reflecting the cut in the Services Grant and the allocation of the Funding Guarantee Grant the overall Government funding increase between 2023/24 and 2024/25 is **4.80%**, which means this funding is less than forecast, as summarised below:

Summary of Settlement 2024/25

2023/24 Actual		2024/25 Provisional Settlement	2024/25 Increase/ (decrease) on 2023/24 grants
£'m		£'m	
6.077	Revenue Support Grant (RSG)	6.479	6.62%
1.409	Pension Grant ##	1.409	0.0%
7.486	Revised RSG	7.888	n/a
7.749	Top-up Grant	8.116	4.74%
15.235	Sub Total	16.004	5.05%
0.379	Services Grant	0.065	(84.2%)
0.000	Funding Guarantee Grant	0.294	n/a
15.614	Total	16.363	4.80%
	Less 2024/25 Forecast	(16.306)	
	Decrease in 2024/25 funding compared to MTFS forecast	0.057	

The final settlement confirms this grant has been mainstreamed and added to the RSG from 2024/25.

- 6.6 The provisional settlement confirmed the September 2023 CPI figure will be used to update section 31 grant paid to authorities to compensate for freezes in the Business Rates multiplier and various reliefs. The exact impact on the Authority will not be known until late January once the four councils have completed the detailed calculations, which are more complex than in previous years. These grants are £0.097m, more than forecast in the MTFS owing to higher actual inflation than forecast.

7. 2024/25 BUDGET REQUIREMENT AND UPDATED FUNDING POSITION

7.1 The level of inflation has remained higher than forecast in the current year and whilst it has fallen significantly from the peak inflation will remain a financial risk into 2024/25. Therefore, an updated assessment of forecast inflation impact on pay budgets has been undertaken, as set out below:

7.2 Pay budgets

7.3 Pay is **80% (£27.8m)** of the budget and national pay awards for 2024 will not be agreed before the Authority needs to set the 2024/25 budget. Key issues are highlighted below:

- **Green Book (Support staff) pay - 14% (£4.8m) of budget.**

National Green Book pay awards are effective from 1st April each year, but not agreed before this date. The April 2023 agreement was only reached in November 2023.

In relation to Green Book (Support Staff) the level of the National Living Wage has been a key driver of pay awards over the last two years. This is a significant issue for councils owing to make-up of the workforce and the high proportion of lower paid employees. The National Employers organisation has previously addressed this by maintaining a minimum hourly pay level above the NLW – from April 2023 £11.59 compared to £10.42 NLW. This has resulted in pay increases being targeted at the lowest paid, which is beginning to put pressures on the national pay spine.

The recently agreed April 2023 national pay award increased the Authorities Green Book pay costs by 5.6%, compared to forecast of 5%, an additional recurring cost of £33,000.

The recent announcement that the NLW will increase to £11.44 (9.8% increase) in April 2024 will continue this pressure. At this stage no pay request has been submitted by the Unions, therefore pay negotiations have not commenced.

- **Grey Book (Fire fighter) pay - 66% (£23.0m) of budget.**

National Grey Book pay awards are effective from 1st July each year and in February 2023 a two-year agreement was reached - consisting of a backdated increase from 1st July 2022 (7%) and an increase from 1st July 2023 (5%). This is better than the national increases achieved by Green Book employees at managerial/professional levels who were on similar pre 2022 and 2023 pay levels to uniformed managers.

National discussions regarding the 2024 cost of living pay award have not yet commenced and agreement will not be reached before the budget needs to be set. The continuing falls in inflation (November 2023 3.9%) and expectation of further reductions in 2024 should reduce private and public sector pay demands where pay is not directly impacted by the NLW increase, or close to the NLW.

Therefore, in view of the less favourable provisional settlement (i.e. lower grant increase than forecast and 3% Council Tax flexibility) it is recommended that the Grey Book pay forecast is reduced from 5% to 3%. This is in line with the position being adopted by other FRAs.

This approach is not without risk as each 1% national pay increase above 3% would increase recurring costs by **£0.223m**. As outlined in the next section if this arises the Authority will have to identify further service cuts to address higher recurring pay costs.

7.4 **Recurring 2024/25 Local Resources update**

7.5 These resources reflect information provided by the 4 constituent authorities in relation to the Council Tax base, Business Rates and section 31 grants. Council Tax base information is more favourable than forecast as the economy has not gone into recession (which would have increased households eligible for Council Tax support, which reduces the tax base), housing growth has remained more resilient, and authorities are applying council tax premiums on empty homes.

7.6 Information regarding Business Rates and section 31 grants will be received in late January 2024.

7.7 **Investment income update**

7.8 The budget forecasts are based on using **£0.250m** of temporary interest income achieved on the Authority's cashflow (covering revenue, capital expenditure and the timing of long-term borrowing to fund capital expenditure) and reserves. Over the period of the MTFS reserves will be used to fund the approved Asset Management Plan and other one-off commitments.

7.9 Over the same period interest rates will reduce, although the timing of reductions and eventual new 'normal' interest rates are unclear. The higher than expected reduction in inflation in November complicates this picture, as does new international uncertainties, such as incidents in the Red Sea.

7.10 Against this background an assessment of interest income over the period of the current MTFS has been completed and on this basis the £0.25m of temporary support can be extended to cover 2025/26 and 2026/27.

7.11 As Members will appreciate using non-recurring resources is not sustainable and at some point the £0.25m will need to be replaced by reducing expenditure. This is currently anticipated to arise in 2027/28. However, if interest rates reduction are phased over a longer period it may be possible to extend this support into 2027/28. To enable this to be achieved it is recommended that an "Interest Investment Phasing" reserve is established.

7.12 **Update of 2024/25 Budget Position**

7.13 The following table summarises the updated budget position and shows the following key factors:

- A reduction in the pay and non-pay inflation provision (as detailed in section 7.2), which reduced the forecast budget deficit. This issue will remain a potential risk until national pay awards for 2024 are agreed.
- Reliance on use of the 3% Council Tax referendum limit which secures **£0.418m** of recurring income – without this income the net deficit would increase to **£0.427m**.

Summary of Update Budget Position 2024/25

September Forecast £'m		Updated Forecast £'m
1.727	Pay and non-pay inflation.	1.288
0.500	Add- Deficit deferred from 2023/24 to 2024/25 by using investment income	0.500
0.114	Add – Temporary Collection fund and Budget Support fund resources used in 2023/24	0.114
0.000	Less – recurring saving identified from budget review	(0.175)
(0.017)	Less – recurring income from increase in Council Tax base	(0.206)
2.324	Gross Deficit	1.521
(0.802)	Less – Council Tax income from forecast £5 Referendum limit	0.000
0.000	Less – Council Tax income from actual 3% Referendum limit	(0.418)
(0.787)	Less – increase in Revenue Support Grant and Top-up grant	(0.767)
0.000	Add- Reduction in Services Grant	0.314
0.000	Less- Funding Guarantee Grant	(0.294)
0.000	Less – increase in Business Rates/section 31 income (note will not be confirmed until final figures received from the 4 constituent authorities in late January)	(0.097)
0.735	Net Deficit AFTER recurring funding increases	0.259
(0.250)	Less – 2024/25 Investment income (also sustainable in 2025/26 and 2026/27, but defers this element of the deficit to 2027/28)	(0.250)
0.485	DEFICIT TO BE ADDRESSED FROM SERVICE CHANGES/REDUCTIONS	0.009

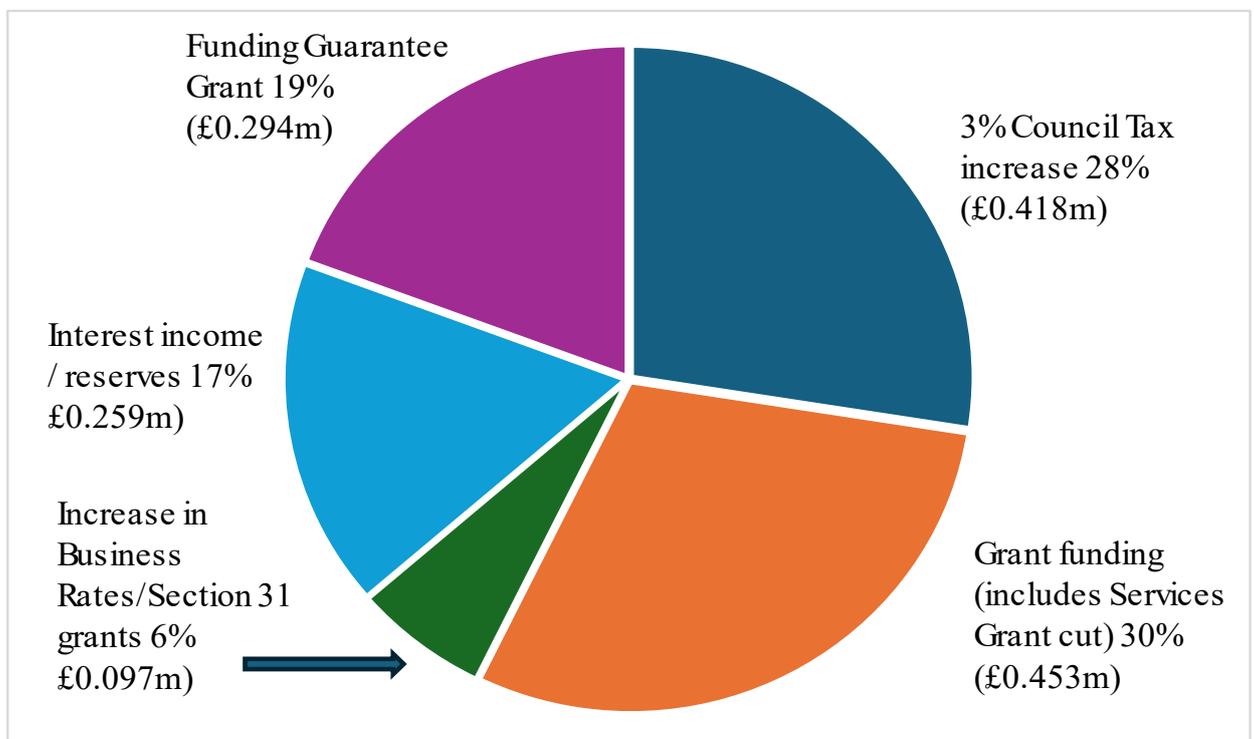
7.14 Strategy to address 2024/25 budget deficit

7.15 As detailed in previous reports and presentations the Authority has made significant service cuts in previous years and the budget for 2024/25 has been prepared against a background of high inflation and funding uncertainty.

7.16 The recent Local Government finance settlement provides funding certainty for 2024/25 and confirms the net unfunded deficit for 2024/25 of **£9,000**. It is recommended this amount is funded from the Budget Support Fund

- 7.17 There remains a risk that pay awards and inflation may be higher than forecast and if this is the case a plan will need to be developed during 2024/25 to ensure the necessary budget reductions can be achieved from April 2025 and where possible part year saving achieved in 2024/25. For example, if the national Grey Book pay award is 1% higher than the 3% budget provision this would increase recurring costs by £0.223m, which would increase the deficit from £0.009m to £0.232m.
- 7.18 As highlighted in the following chart the increased grant funding only funds **30%** of the 2024/25 budget deficit. This confirms the lower funding priority for FRAs within the overall Local Government Finance settlement which gives a higher priority to social care given the significant service pressures in these areas. This means **70%** of the deficit is funded from other sources, including increasing Council Tax by the 3% referendum limit, temporary investment income and use of the Budget Support fund.

Summary of measures to address 2024/25 deficit of £1.521m



8. BUDGET FORECASTS 2025/26 and 2026/27

- 8.1 Forecasting beyond 2024/25 remains challenging as the outlook for inflation and interest rates remain uncertain and is unlikely to become clearer until late 2024. Additionally funding settlements for 2025/26 onwards will depend on the priorities of the next Government and whether the long-delayed reforms of the Local Government Funding system are implemented.

- 8.2 In terms of funding for the Authority there are three key sources of recurring income:
- Government funding – **47%** (£16.4m) of recurring 2024/25 funding, including the mainstreamed Pension Grant.
 - Council Tax - **42%** (£14.5m) of recurring 2024/25 funding.
 - Business Rates/section 31 grant – **11%** (£3.8m) of recurring 2024/25 funding.
- 8.3 To remain financially sustainable all three sources of funding need to increase annually to offset inflation, including national pay awards, and other financial pressures. The recent Autumn Statement suggest Government funding will at best standstill in cash terms and at worst may be reduced in 2025/26 and 2026/27.
- 8.4 In relation to inflation pressures from 2025/26 the planning assumption is based on the Bank of England bringing inflation back to the 2% limit.
- 8.5 A range of planning scenarios are set out below and are based on Members approving the proposed strategy to balance the 2024/25 budget, which includes deferring a deficit of £9.000 from 2024/25 to 2025/26.

Planning Scenarios - Alternative potential budget deficits 2025/26 to 2026/27

	2025/26 Deficit (Note 1) £'m	2026/27 deficit £'m	Total deficit £'m	Total Deficit as percentage 24/25 budget
Updated Baseline forecast - scenario 1	0.349	0.254	0.603	1.8%
Annual planning factors <ul style="list-style-type: none"> • Inflation and pay awards 2% • Council Tax increase 2% • Government grant freeze • £0.250m Investment income sustained in 25/26 and 26/27 (defers deficit to 27/28) 				
Scenario 2 – Mid Case (a)	0.623	0.598	1.221	3.6%
Annual planning factors <ul style="list-style-type: none"> • Inflation and pay awards 3% • Council Tax increase 2% • Government grant freeze • £0.250m Investment income sustained in 25/26 and 26/27 (defers deficit to 27/28) 				
Scenario 3– Mid Case (b)	0.510	0.413	0.923	2.7%
Annual planning factors <ul style="list-style-type: none"> • Inflation and pay awards 2% • Council Tax increase 2% • Government grant reduction 1% • £0.250m Investment income sustained in 25/26 and 26/27 (defers deficit to 27/28) 				
Scenario 4 – Worst Case	0.784	0.757	1.541	4.6%
Annual planning factors <ul style="list-style-type: none"> • Inflation and pay awards 3% • Council Tax increase 2% • Government grant reduction 1% • £0.250m Investment income sustained in 25/26 and 26/27 (defers deficit to 27/28) 				

- 8.6 Clearly, based on the reductions made in previous years addressing deficits that arise in 2025/26 and 2026/27 will be extremely challenging and options will need careful consideration at future meetings.
- 8.7 To ensure the Authority's budget position does not become unmanageable it is recommended that the Chief Fire Officer brings forward proposals to address the deficit deferred from 2024/25 as soon as practical after the 2024 Grey book pay award is settled for consideration by the Authority. This will enable Members to consider these proposals and if approved provide an appropriate lead time to implement these measures from 1st April 2025.
- 8.8 The second stage of this strategy will involve identifying additional budget reductions once the forecast deficits for 2025/26 and 2026/27 are more certain. These proposals will reflect the actual Government funding settlement for 2025/26 determined after the General Election by whichever party(s) form the next Government. The timing of the General Election is likely to mean that once again the settlement for 2025/26 will be issued in late December 2024 and will be for one year. Therefore, some use of the Budget Support Fund may be necessary in 2025/26 to support the phasing of budget cuts. This position underlines the importance of the budget decisions to be made when setting the 2024/25 budget and the continued longer term financial planning adopted by the Authority at a time of continuing one-year Government funding settlements.

9. ASSET MANAGEMENT PLAN (AMP)

- 9.1 The AMP covers planned capital expenditure on buildings, vehicles, equipment and IT systems needed to deliver fire and rescue services. The AMP is rolled forward annually and as detailed in **Appendix D** the proposal now includes requirement up to 2028/29. This longer-term planning period reflect this longer lead for capital expenditure. The total planned AMP investment is £15.697m (at 2023/24 prices) and is funded from a combination of borrowing and the capital reserve (one off funding set aside to reduce the level of borrowing required).
- 9.2 The higher than forecast level of inflation during 2023 and OBR forecast of continuing inflation into 2024/25 has a significant impact on the AMP. This position is complicated by lead in times for capital schemes and the need to ensure individual project specifications are robust.
- 9.3 To manage these risks an assessment has been made of the impact higher inflation has on the forecast costs. There is a greater risk that these forecasts may underestimate the inflation risk for later years if inflation does not fall and is then sustained by the Bank of England at the 2% target level. Therefore, the position will need to be reviewed annually until inflation reduces and becomes stable. As summarised below an inflation provision of **£1.190m** is recommended, which equates to 7.6% of the 2024/25 to 2028/29 AMP value.

Summary of Inflation impact on AMP 2023/24 to 2028/29

	Current Estimate	Additional costs to cover inflation
	£'m	£'m
2023/24	2.779	0
2024/25	7.587	0.490
2025/26	0.580	0.050
2026/27	1.485	0.170
2027/28	0.856	0.110
2028/29	2.410	0.370
Total	15.697	1.190

- 9.4 In terms of funding the additional AMP inflation it is recommended that most of this cost can be offset from the following one-off resources:

Summary of resources to fund potential AMP inflation 2023/24 to 2028/29

	£'m
Recommended inflation provision	1.190
Less – Release of Collection Fund Deficit Reserve	(0.406)
<p>This reserve was set aside to cover the costs for forecast Collection Fund deficits arising from Covid and the phasing of these over three financial years (2021/22 to 2023/24). Collection Fund figures received from the four constituent authorities indicate Collection Funds have recovered from the financial impact of Covid. Therefore, this reserve can be released.</p>	
Less – Forecast Collection Fund Surpluses	(0.618)
<p>The Collection Fund balances were received in late January. In normal circumstances (i.e. pre Covid) the impact on the Authority is small. However, several of the constituent councils have reviewed their methodology for calculating bad debt provisions in relation to council tax and business rates. This has resulted in a one-off benefit through the four Collection Funds. The Authority's share of this one off funding can be allocated to partly fund AMP inflation risks.</p>	

- 9.5 The whole of the inflation provision does not need to be funded at this stage as it is a forecast covering the period up to 2028/29 and the potential shortfall can be managed over this period.

- 9.6 In the event that AMP inflation pressures are less than the provision a strategy for using any unused funds can be developed as part of a future MTFs, including using these funds to reduce the level of borrowing for the AMP, which would then reduce annual loan repayment costs.

10. **RESERVES REVIEW**

- 10.1 Reserves are a key element of the Authority's financial planning arrangements and enables financial risks and spending priorities to be managed over more than one financial year, where these activities support the Authority's strategy to deliver a good quality of service to the public. Provisions within the Local Government Act 1992 require authorities to have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.
- 10.2 This section details how the Authority's Reserves Strategy underpins the MTFs by helping to manage financial risks / uncertainty and outlines how the Authority complies with the requirements outlined in the Fire and Rescue National Framework for England in relation to Reserves, as detailed in **Appendix E**.
- 10.3 The Authority holds both Earmarked Reserves and an Unearmarked General Fund Reserve. Earmarked reserves make up 88% of the Authority's Reserves and are held to spread the cost of large-scale capital projects over a number of years, to support the revenue budget and to meet other one-off commitments.
- 10.4 In the event that circumstances change, and individual Earmarked Reserves are not needed, or the calls on these reserves are less than currently forecast, the position will be reviewed when the MTFs is updated. This will ensure the Reserves Strategy continues to underpin the MTFs and the financial resilience of the Authority.
- 10.5 **Reserves Benchmarking**
- 10.6 No national reserve benchmarking was undertaken during 2023, therefore the most recent comparative national figures are for 2022. The national reserve figures consist of two components – Earmarked Reserves and General Fund Reserve.
- 10.7 The following table compares the Authority's position with the national average using the 2022 comparative figures and the Authority's figures which would have been used 2023 benchmarking. Both figures show that the Authorities split is broadly in line with the national split. It is not expected this split would have changed if benchmarking had been undertaken in 2023 as FRA's have historically maintained General Fund Reserves at a consistent level.

Split between Earmarked Reserves and General Fund Reserve

2022 National	2022 Cleveland		2023 Cleveland
86%	88%	Earmarked Reserves	88%
14%	12%	General Fund Reserves	12%
100%	100%	Total	100%

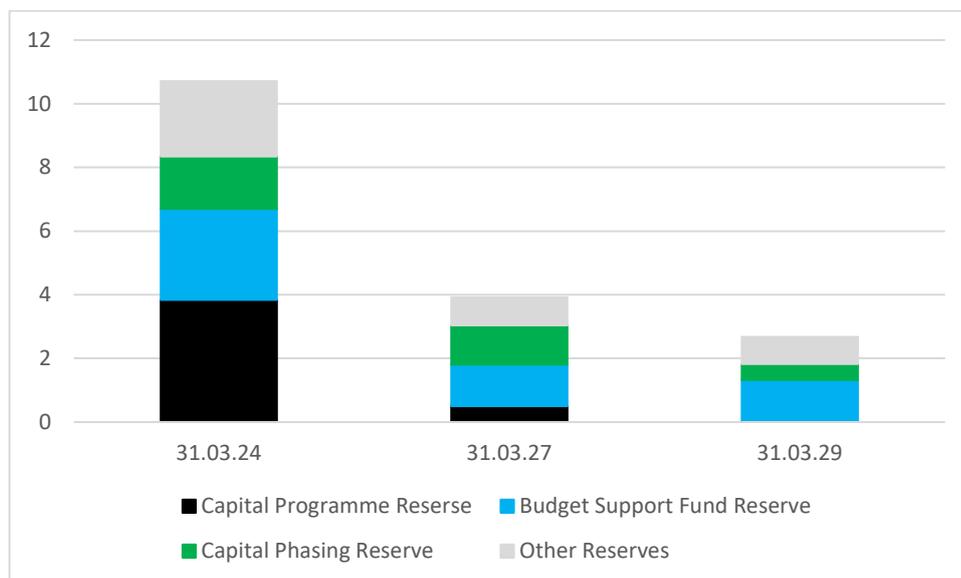
10.8 The following paragraphs provide more up to date information on the forecast position of the Authority's reserves over the period of the MTFS.

10.9 The Authority's Earmarked Reserves

10.10 The Authority's Earmarked Reserves fall into three categories as detailed in **Appendix F** which shows the planned use of reserves up to 2028/29. Over this period Earmarked Reserves will reduce significantly as these one-off resources are used to fund planned commitments as follows:

- Category 1 Reserves – there will be significant use of these reserves as the main reserves are the Capital Programme Reserve, which support the AMP plan, and the Budget Support Fund Reserves, which supports the phased implementation of budget cuts.
- Category 2 Reserves – these will be used to support AMP borrowing costs and n invest to safe initiatives.
- Category 3 Reserve – this is the Authority's insurance fund and no planned use of forecast as this will depend on potential claims not covered by insurance.

Forecast Earmarked Reserves



The following paragraphs provide more information on reserves based on the forecast starting position at 31.03.24.

10.11 **Category 1 - Funding for planned expenditure on projects and programmes over the period of the current MTFS - £7.362m forecast balance 31.03.24.**

10.12 These reserves relate to three keys areas:

- **Earmarked Capital Reserves (£3.841m)** - allocated to support the Authority's Asset Management Plan which provides funding to replace operational vehicles and equipment.
- **Budget Support Fund Reserve (£2.857m)** – this reserve is earmarked to manage financial risks and uncertainties regarding national pay awards / inflation over the period of the MTFs (including in 2024/25) and the level of Government funding from 2025/26. Using this reserve to manage the recurring impact of these risks materialising would not provide a permanent solution. However, it would provide a longer lead time to address this position should it arise, which would be more manageable than implementing in-year measures to reduce costs.
- **Earmarked Revenue Reserves (£0.664m)** - allocated to fund Collection Fund deficits, installation of fire alarms and managing income risks for services funded from specific grant/external funding.

10.13 **Category 2 - Funding for specific projects and programmes beyond the current planning period - £2.704m forecast balance 31.03.24.**

10.14 The Authority reserves under this category are:

- **Capital Phasing Reserve (£1.644m)** - this reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing are uneven. The reserve therefore avoids temporary increases/decreases in the annual charge to the revenue budget, which would impact on resources available to fund services.

This reserve achieves the same objectives as a PFI (Public Finance Initiative) Smoothing reserve operated by FRAs which implemented PFI schemes to address building condition issues.

The reserve will be used on a phased basis and by 2029/30 the reserve will be fully used.

- **Other Reserves under this category (£1.060m)** – as detailed in Appendix C the main items are resources earmarked for Invest to Save, Grenfell Action Plan and Ring Fenced Grants reserve.

10.15 **Category 3 - General contingency or resources to meet other expenditure needs held in accordance with sound principles of good financial management - £0.643m balance 31.03.24.**

10.16 The Authority only holds one reserve within this category – the Insurance Fund. This is earmarked to fund payments that fall within the Authority's insurance policy excesses.

10.17 **The Authority's General Fund Reserve - £1.712m 31.03.24**

- 10.18 The Authority also holds an Un-earmarked General Fund Reserve. As a single purpose authority, the Authority has no opportunity to use cross service subsidies to meet unanticipated expenditure, so this reserve is a key component of our strategy for managing financial risks.
- 10.19 This is the only uncommitted reserve held by the Authority and equates to 4.9% of the proposed 2024/25 revenue budget – which equates to less than three weeks expenditure.
- 10.20 This reserve is broadly in line with the 5% level suggested in the Fire and Rescue National Framework for England guidance.
- 10.21 The level of this reserve is considered appropriate and has been set at this level to reflect recurring financial risks facing the Authority not covered by other reserves. If these risks materialise this would have an adverse financial impact on the Authority and use of this reserve would avoid an immediate impact on the level of resources available to fund services to the public and therefore avoid the need for in year budget cuts.
- 10.22 The potential one-off events relate to:
- **Business Rates income risks** - the overall business rates base for the authority's area consists of a number of major rate payers where business rates income is volatile as Rateable Values can reduce significantly on a temporary basis. For example, in 2016/17 Rateable Value reductions resulted in a collection fund deficit (i.e. reduction in Business Rates income) for the Authority of £0.615m. This situation could potentially be repeated if the Nuclear Power station had an unplanned shutdown, as the Valuation Office Agency would approve a temporary rateable value reduction.
 - **Incident costs** - as the Authority previously reduced the budget there are less resources and therefore less resilience to deal with major incidents, particularly in relation to COMAH sites. If the Authority had to rely upon mutual aid to support a major incident the Authority would have to fund recharges from other Fire and Rescue Authorities. As there is no budget provision for these costs they would need to be funded from this reserve.

11. **ROBUSTNESS ADVICE AND CONCLUSION**

- 11.1 Prior to 2020/21 the Authority had managed nine years of austerity and cuts in Government grant funding. As most of the budget is spent on front line services the Authority has made significant changes, including a 33% reduction (494 to 332) in the number of whole time Fire fighter posts.
- 11.2 The final settlement indicates a total increase in national core Spending Power of **7.5%**, an increase of £4.508 billion. This increase includes the assumption all authorities use the full Council Tax referendum limits which could raise £2.086 billion – i.e. **46%** of the increase in Spending Power.

- 11.3 The Authority's Core Spending Power increase is **5.1%** (joint lowest with West Midlands) and below the FRA average of **5.6%** and highest **6%** increase for 4 FRAs (Buckinghamshire, Dorset and Wiltshire, Hereford and Worcester, Shropshire). This position reflects the Authority's low Council Tax base and allocation of the Funding Guarantee grant.
- 11.4 Whilst the 2024/25 percentage differences in Core Spending Power may seem small between FRAs the financial value is significant. If this Authority Core Spending Power increase matched the 5% increase this would equate to an additional **£0.2640** in 2024/25. If this pattern of differential increases is repeated in future years over a 5-year period, the difference is **£1.2m**.
- 11.5 The key impact of the Core Spending Power increase set out in the Local Government Finance Settlement for the Authority is the net increase in Government grant funding of **£0.747m** (including the Funding Guarantee grant). This is **49%** of the 2024/25 budget deficit of **£1.521m**. This means the remaining **51% (£0.774m)** of the deficit is being funded from local resources (including the income from a 3% Council Tax increase and the Authority's share of Business Rates and section 31 grants) as detailed in paragraph 7.18.
- 11.6 The proposals and recommendations in this report enable the Authority to:
- Set a balance budget for 2024/25.
 - Manage the financial uncertainties facing the Authority in 2024/25 – i.e. national pay awards and inflation.
 - Protect existing services; and
 - Provide financial resilience into 2025/26 and 2026/27 when hopefully inflation will have reduced to the Bank of England's 2% target and then by 2026/27 multi-year financial settlements are reinstated.
- 11.7 Achieving the increase in Council Tax income is particularly important for the Authority's financial sustainability and managing budget risks. This includes having to manage the situation of setting the 2024/25 budget before national pay awards for Fire Fighters have been resolved. There is clearly a risk that if the actual pay settlements exceed the budget forecasts the three-year budget deficit will be higher and require greater service cuts from 2025/26.
- 11.8 As Members are aware an annual decision is needed to increase the Council Tax level. For many other taxes the income raised increases automatically, for example: -
- In a period of inflation if VAT stays at 20% it is paid on the higher cost of goods / services and this increases VAT income received by the Government.
 - Similarly, as wages rise additional income tax receipts are generated by the Treasury if income tax thresholds are frozen. This is known as "Fiscal drag" as people pay either 20% income tax on any pay award they receive, or more people pay 40% income tax if their pay increase pushes their income above the relevant tax threshold.

- 11.9 The recommended Council Tax increase provides the most robust basis for setting the 2024/25 budget and the increased recurring income will help protect services during a period of continued financial uncertainty and inflation above the Bank of England target.

IAN HAYTON
CHIEF FIRE OFFICER

CHRIS LITTLE
TREASURER

KEY CHANGES 2013/14 TO 2023/24

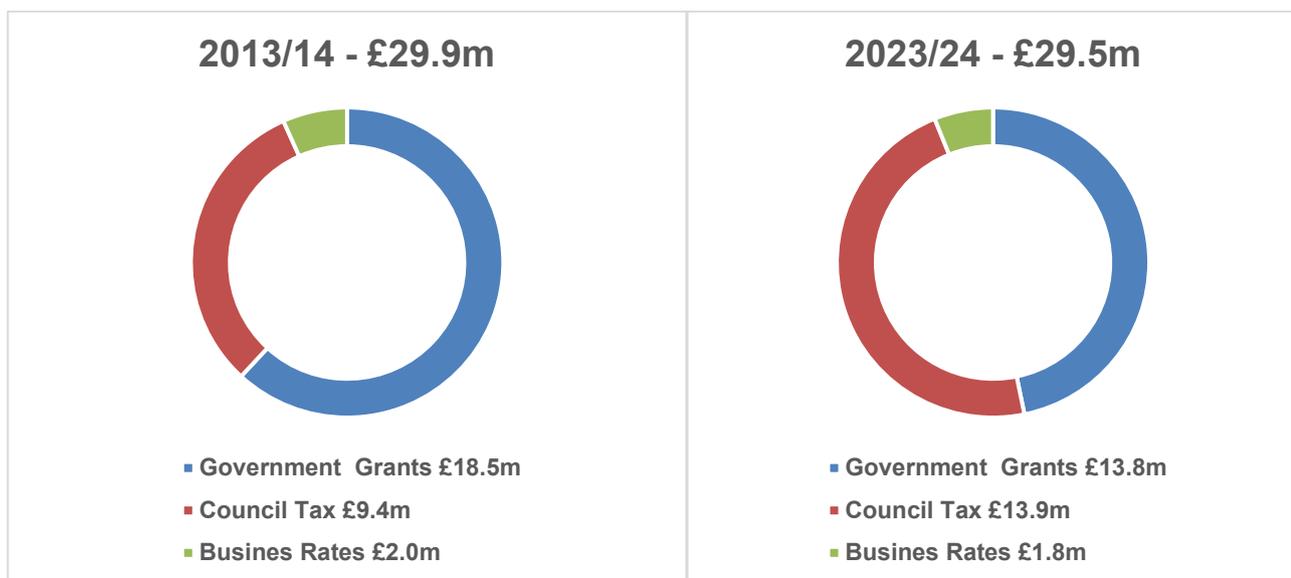
1) Changes in funding mix

There have been two significant changes which impact on recurring resources:

- A reduction in Government funding of **£4.7m** – a reduction of **25%** between 2013/14 and 2023/24.
- An increase in the percentage of the recurring resources funded from Council Tax from **31%** in 2013/14 to **47%** in 2023/24 – an increase of **£4.5m**.

These changes are summarised in the following charts:

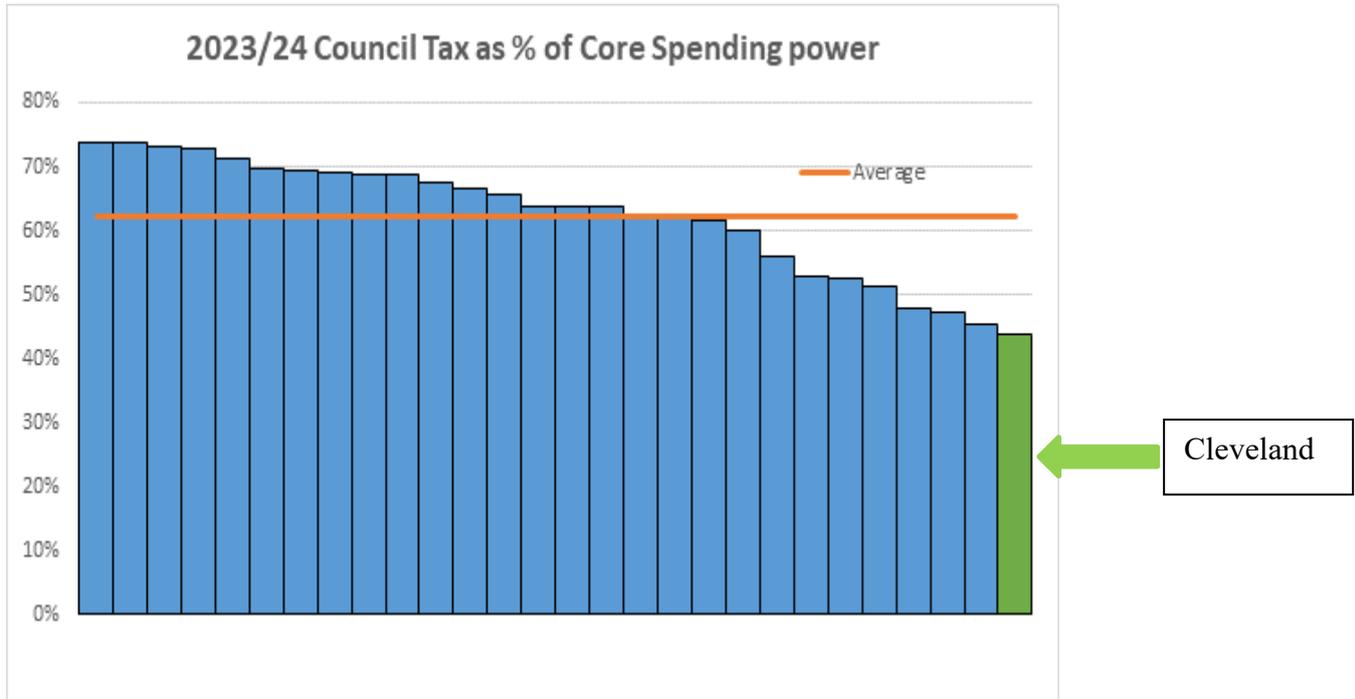
Changes in recurring funding 2013/14 to 2023/24



The table above shows that over the period 2013/14 to 2023/24 the Authority's recurring **cash** resources have basically remained unchanged. Had these resources increased in line with inflation (calculated using the Bank of England inflation calculator) the resources in 2023/24 would have been **£39.2m**. This highlights the significant financial challenges managed by the Authority and accounts for the scale of the budget reductions implemented over this period - as detailed in point 3 below.

2) Low Council Tax base

The Authority has a low Council Tax base as **45%** of properties are in Band A, the lowest Council Tax band, compared to **24%** nationally. This means the Authority raises the lowest proportion of Core Spending Power from Council Tax than any other Fire and Rescue Authority (FRA), as summarised below:



The Authority has no control over planning decisions to approve new housing developments, which increase the Council Tax base. Councils are responsible for encouraging housing growth. The scope to shift the balance of the Council Tax base towards higher value properties is determined by local economic conditions and the affordability of housing. The reality of the situation is the percentage of our Spending Power funded from Council Tax will remain low and will probably never match the FRA average.

The low Council Tax base means the Authority will continue to remain reliant on Government grant, which in 2023/24 is **47% (£13.8m)** of recurring resources. The future level of this funding is therefore critical to the financial sustainability of the services provided by the Authority.

3) Impact of previous budget reductions

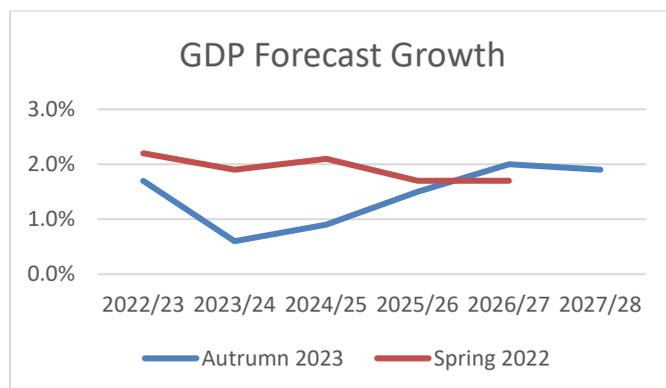
As a result of previous reductions in Government funding and the low Council Tax base the Authority will continue to face ongoing financial challenges. This position needs to take account of previous reductions:

- **33% reduction** in the number of **whole time firefighter posts** from 494 to 332.

APPENDIX B

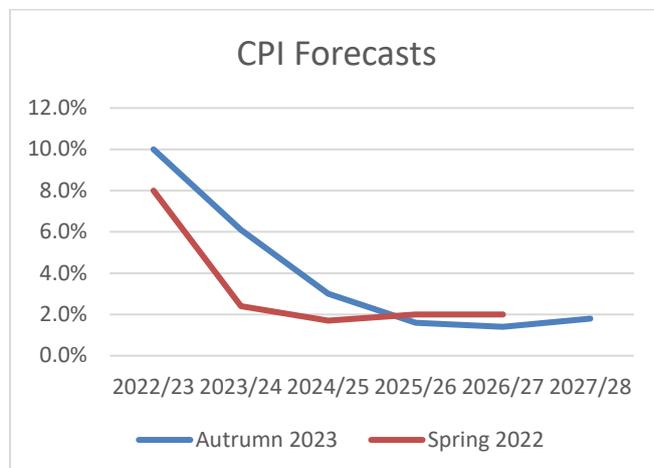
KEY OFFICE FOR BUDGET RESPONSIBILITY FORECAST INCLUDED IN AUTUMN STATEMENT 2023

Forecast GDP (Gross Domestic Product) growth



This chart shows GDP growth has reduced since the Spring 2022 Statement which then impacts on the total resources available for public sector services.

Forecast CPI Inflation



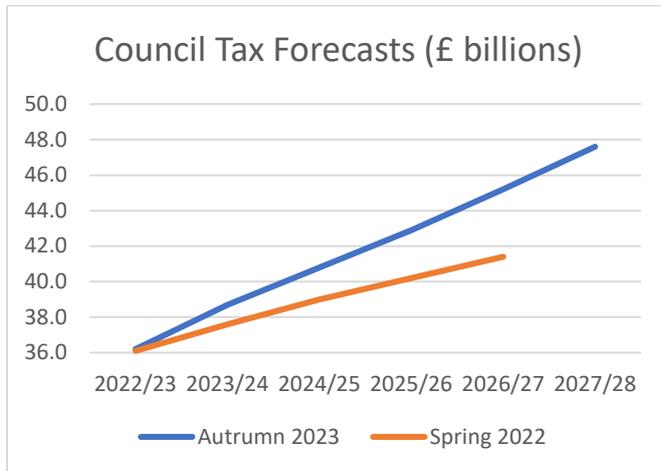
This chart shows the forecast annual CPI rates and shows that inflation will be higher and last longer than forecast in the Spring 2022 Statement.

This will result in continued pressures on public sector budgets.

The November 2023 fall in CPI to 3.9% (October 2023 4.6%) was greater than the OBR forecast.

The inflation outlook remains uncertain and will continue to be impacted by international events, such as the recent attacks in the Red Sea and the ongoing war in Ukraine.

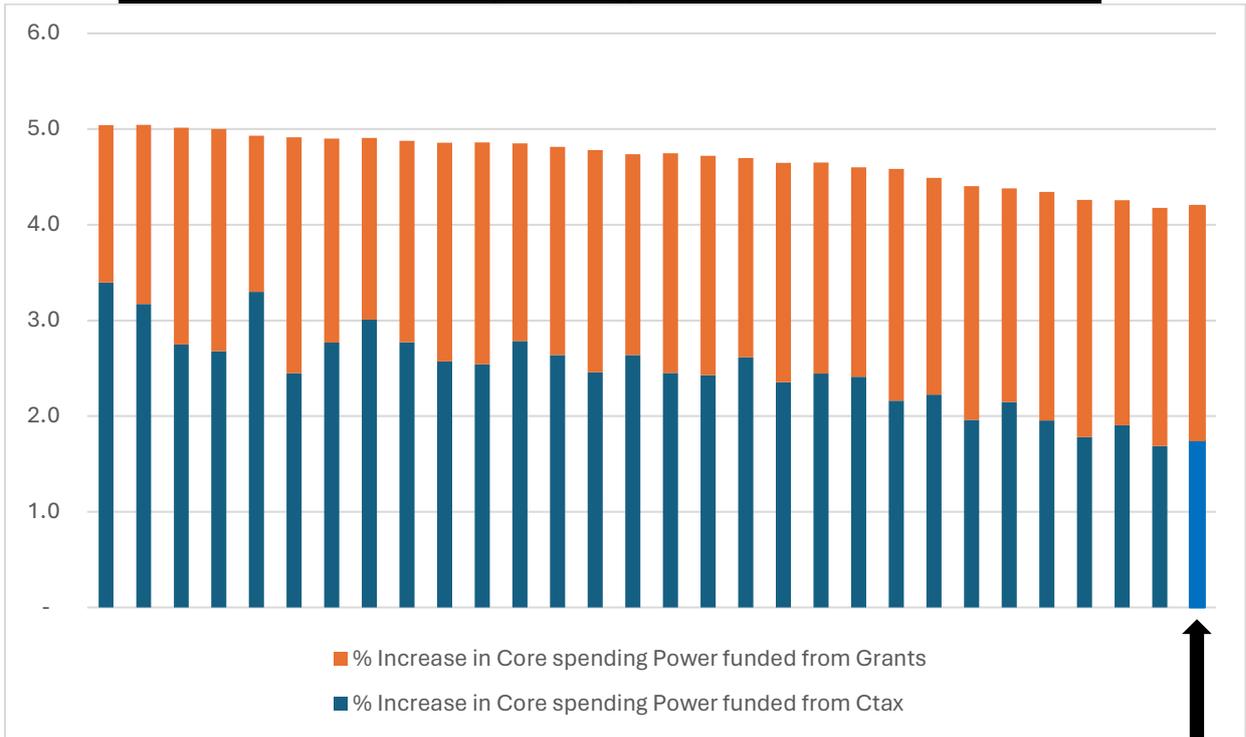
Forecast Council Tax receipts



This chart shows continuing increase in Council Tax income from a combination of housing growth and annual council tax increases.

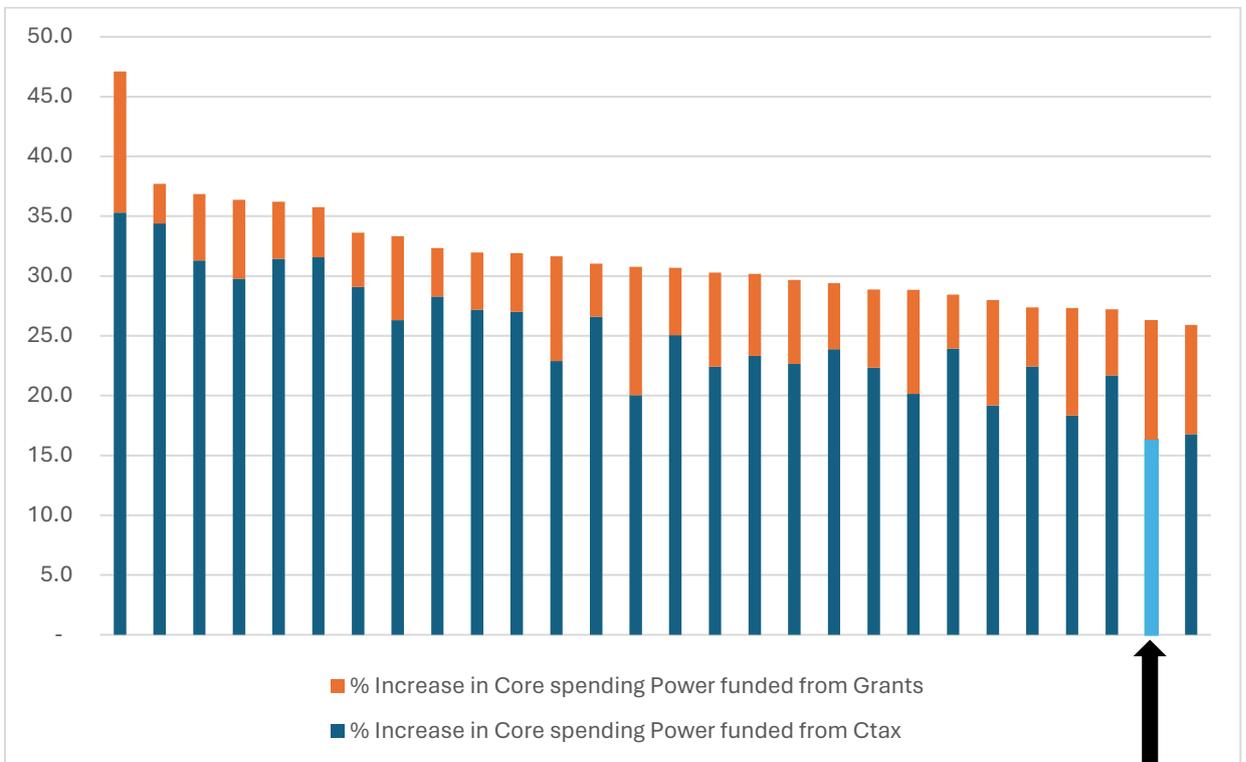
Without this increased income there will be further pressure on services as the loss of this income will not be replaced with higher Government grants.

% Increase in Core Spending Power 2023-24 to 2024-25



Cleveland

% Increase in Core Spending Power 2015-16 to 2024-25



Cleveland

Description	Financed Over Years	Type	Estimate 2023/24 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
Fire Appliance CCTV Upgrade	8	V	51	20	31
26 Electric Charging Points	30	E	45	45	
Foam Equipment	15	E	198		198
Mobile Workshop Van	15	V	40		40
117 Vehicle Trackers	10	E	33		33
Rescue Boat	12	V	35		35
Hartlepool Emergency Generator Upgrade	25	E	8	8	
L&D Centre - Drill Towers	30	P	60	60	
Redcar - Drill Towers	30	P	120		120
Saltburn - Drill Towers	30	P	108	108	
Thornaby - Drill Towers	30	P	114	114	
Billingham - Drill Towers	30	P	170	170	
20 Digital Advertising Screens	10	E	20	20	
FDO Resilience Vehicle	9	V	23		23
132 BA Telemetry	10	E	162	37	125
2 BA Decontamination	10	E	8	8	
26 Emergency Air Supply Equipment	12	E	14	14	
256 BA Cylinders	10	E	110	110	
132 BA Sets	10	E	176	176	
1000 Personal Protective Equipment (Fire Kit)	9	E	120	120	
Fire Control Mobilising System (Initial Payment only)	10	E	250		250
30 Mobile Working Devices	5	E	50	50	
Hartlepool App Bay Floor Refurbishment	20	P	66	66	
Guisborough Roof Refurbishment	30	P	55	55	
Redcar Emergency Generator Upgrade	25	E	24	24	
Billingham Emergency Generator Upgrade	25	E	24	24	
2 Climate Change - Site Decarbonisation	30	P	200	200	
QMC Roof Access Handrail System	30	P	20	20	
Wind Turbine Training Prop	20	P	339	339	
Air Conditioning		E	72		72
Workshops Equipment		E	42		42
Gym Equipment Coulby		E	22		22
TOTALS			2,779	1,788	991

Description	Financed Over Years	Type	Estimate 2024/25 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
Hartlepool Garage Refurbishment	30	P	55	55	
Arial Ladder Platform (A6)	25	V	825		825
17 Departmental Vehicles	10	V	382	374	8
Tec Hub Resource Garages Conversion	30	P	220	220	
Tech Hub Mezannine Conversion	30	P	60	60	
Billingham Drill Yard	40	P	29	3	26
6 Departmental Vehicles	10	V	135	135	
4 Water Tenders (Rescue Pumps)	15	V	1320	134	1186
74 Hydraulic RTC Tools	20	E	701	701	
Coulby Newham Refurbishment	40	P	1457	1457	
High Volume Foam Pump	20	V	22	22	
34 Defibrillators	8	E	28	28	
5 BA Compressors	20	E	54	54	
2 Electronic Security Gates	25	P	48	48	
Drill Tower Replacements and Ladders (Ston & Hpool)	30	P	308	28	280
Drill Tower Replacements and Ladders (Guis & Loftus)	30	P	308	308	
2 Climate Change - Site Decarbonisation	30	P	200	200	
Fire Control Mobilising System	10	E	887	690	197
36 x Mobile Data Terminals (MDTs)	5	E	148	148	
Billingham Appliance Bay Doors	25	P	65	65	
Loftus Roof Refurbishment	30	P	35	35	
Technical Hub Emergency Generator Upgrade	20	E	40	40	
Skelton Emergency Generator Upgrade	20	E	18	18	
Redcar Heating Pipework Refurbishment	25	P	167	167	
Hose Reel Branches	15	E	30		30
Fuel Pump Management System	10	E	45		45
TOTALS			7,587	4,990	2,597

Description	Financed Over Years	Type	Estimate 2025/26 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
4 Departmental Vehicles	10	V	90	90	
2 Climate Change - Site Decarbonisation	30	P	200	200	
10 Standard Lifting Bags	10	E	6	6	
4 Ladders	18	E	11	11	
24 Hydraulic Hose	10	E	19	19	
Wildfire Vehicle	10	V	100	100	
Drill Tower Replacements and Ladders (Coulby)	30	P	154	154	
TOTALS			580	580	0

Description	Financed Over Years	Type	Estimate 2026/27 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
1000 Personal Protective Equipment (Fire Kit)	9	E	690	190	500
4 Departmental Vehicles	10	V	90	90	
14 Tyre Compressor	20	E	12	12	
50 Life Jackets	10	E	7	7	
52 Gas Tight Suits	10	E	43	4	39
Yarm Refurbishment	40	P	341	341	
2 Climate Change - Site Decarbonisation	30	P	200	200	
A0 Plotter	9	E	13	13	
135 Fireground Radios & BA Comms	10	E	89	89	
TOTALS			1,485	946	539

Description	Financed Over Years	Type	Estimate 2027/28 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
2 Climate Change - Site Decarbonisation	30	P	200	200	
Appliance Bay Doors	25	P	122	122	
Community Defibrillator Replacement	5	E	15	15	
Hartlepool Station Roof Refurbishment	30	P	77	77	
Unimog (C4) Replacement	20	V	217	217	
Small Fire Units	12	V	145	145	
Technical Hub Van	9	V	23	23	
Inflatable Boat	10	V	10	10	
Outboard Engine	10	V	5	5	
Heavy Duty Lifting Bags	15	E	34	34	
Roof Ladder Harnesses & Lanyards	10	E	8	8	
TOTALS			856	856	0

Description	Financed Over Years	Type	Estimate 2028/29 £'000	Prudential Borrowing £'000	Capital Investment Programme Reserve £'000
Mobile Working Devices	5	E	60	60	
Mobile Data Terminals	5	E	162	162	
Station Roof Replacements (D,G)	30	P	154	154	
Station Yard Resurfacing (L,N)	20	P	48	48	
Climate Change - Site Decarbonisation	30	P	200	200	
4 Water Tenders	15	V	1,186	1,186	
Water Tender (CARP Replacement M1)	15	V	300	300	
Water Tender (CARP Replacement B4)	15	V	300	300	
TOTALS			2,410	2,410	0
GRAND TOTAL CAPITAL			15,697	11,570	4,127

**EXTRACT FROM HOME OFFICE – FIRE AND RESCUE NATIONAL
FRAMEWORK FOR ENGLAND**

Reserves

- 5.6 Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 5.7 Fire and rescue authorities should establish a policy on reserves and provisions in consultation with their chief finance officer. General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.
- 5.8 Each fire and rescue authority should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).
- 5.9 Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan. The strategy should be set out in a way that is clear and understandable for members of the public, and should include:
- how the level of the general reserve has been set;
 - justification for holding a general reserve larger than five percent of budget;
 - details of the activities or items to be funded from each earmarked reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.
- 5.10 The information on each reserve should make clear how much of the funding falls into the following three categories:
- a. Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
 - b. Funding for specific projects and programmes beyond the current planning period.
 - c. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).

Earmarked Reserves : Category 1 - Funding for planned expenditure on projects / programmes over the period of the current MTFS

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2023 £'000	2023/24 Contributions / (Use) £'000	2023/24 Transfer between reserves - from / (to) £'000	Forecast Balance at 31/3/2024 £'000	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk £'000
					2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	
<u>Earmarked Capital Reserves</u>										
Capital Investment Programme This reserve will be used to partly fund the Authority's approved Asset Management Plan (AMP) which is designed to address operational requirements covering water tenders (fire appliances) and other operational equipment and properties. This expenditure will ensure the Authority maintains its operational effectiveness and is able to respond to the significant risks within the Authority's area. Annual phasing may change to reflect the actual timing of capital projects.	3,706	(271)	0	3,435	(2,596)	0	(539)	0	0	300
Asset Management Plan inflation risk reserve This reserve is earmarked to manage inflation risks in relation to the Asset Management Plan. Use of this reserve will be managed on an annual basis and details reported within future MTFS reports. The current forecast AMP inflation risk is £1.190m for the period 2024/25 to 2028/29. Funding of £0.906m has been identified within the MTFS, leaving a potential shortfall of £0.284m which is not forecast to arise until 2028/29. This shortfall can potentially be funded from the uncommitted Capital	0	0	406	406	10	(50)	(170)	(110)	(370)	(284)
Total Earmarked Capital Reserves	3,706	(271)	406	3,841	(2,586)	(50)	(709)	(110)	(370)	16

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2023	2023/24 Contributions / (Use)	2023/24 Transfer between reserves - from / (to)	Forecast Balance at 31/3/2024	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk
					2024/25	2025/26	2026/27	2027/28	2028/29	
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked Revenue Reserves										
Budget Support Fund As detailed in the MTFS report the 2024/25 Local Government Finance Settlement only covers one financial year. Funding for 2025/26 and future years will be determined by the next Spending Review, which will be completed after the General Election. This position, alongside current inflation and uncertainty regarding 2024 national pay awards makes financial planning extremely challenging. This reserve helps manage these risks and uncertainties. The 2024/25 use of this reserve reflects the recommendations in the current MTFS report. This use may increase if 2024 pay awards exceed forecasts to provide a slightly longer lead time to implement permanent budget reductions. The forecast use to support the revenue budget over the period 2025/26 to 2026/27 reflects the worst case MTFS scenario. This strategy would provide a slightly longer lead time to address these annual deficits if they arise. It is recognised reserves are a finite resource and can only provide temporary support of services whilst a plan to deliver The use of this reserve could increase if Revenue Support Grant reductions recommence from 2025/26, or to meet increased costs arising from remedies to address the McCloud Judgement if these are not funded from grants. The forecast balance at the end of 2026/27 is earmarked to manage these potential risks and uncertainty of one year Government grant settlements continuing. If the Government provides a multi-year funding settlement from 2026/27 this will enable the Authority to develop a detailed plan for using this reserve. Depending on the level of Government recurring funding this plan may enable this reserve to be released to either fund part of the Asset Management Plan, which will reduce borrowing, or for invest to save initiatives.	3,207	(350)	0	2,857	(190)	(965)	(757)	0	0	945
Budget Support Fund	3,207	(350)	0	2,857	(190)	(965)	(757)	0	0	945

				Forecast	Planned Use of Reserves					Balance
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Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2023	2023/24 Contributions / (Use)	2023/24 Transfer between reserves - from / (to)	Balance at 31/3/2024	2024/25	2025/26	2026/27	2027/28	2028/29	Allocated to Manage Ongoing Risk
	£'000	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Collection Fund Deficit Reserve This reserve was established to manage the economic impact of Covid-19 on Council Tax and Business Rates income reductions which would feed through as Collection Fund deficits. The reserve avoided these deficits impacting on services. As detailed in the report this reserve can now be released and reallocated to fund AMP inflation risks.	599	(193)	(406)	0	0	0	0	0	0	0
Innovation Fund Is earmarked primarily to fund the installation of Fire alarms and this will have a positive impact on community safety.	453	0	0	453	(153)	(150)	(150)	0	0	0
Commissioned Services This reserve is earmarked to manage income volatility and to provide a longer lead time to manage temporary income reductions. The availability of this reserve avoids temporary income reductions having to be funded from the Authority's revenue budget in the year they arise. This therefore protects funding available for front line services. The reserve also enables the Authority to protect staffing resources allocated to undertake these initiatives until alternative external funding can be secured. No future use is shown as the timing of potential income shortfalls is uncertain.	251	(40)	0	211	0	0	0	0	0	211
Total Earmarked Revenue Reserves	1,303	(233)	(406)	664	(153)	(150)	(150)	0	0	211
Total Earmarked Capital and Revenue Reserves	8,216	(854)	0	7,362	(2,929)	(1,165)	(1,616)	(110)	(370)	1,172

Balance 31 March	4,433	3,268	1,652	1,542	1,172
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Earmarked Reserves : Category 2 - Funding for specific projects and programmes beyond the current planning period

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2023 £'000	2023/24 Contributions / (Use) £'000	2023/24 Transfer between reserves from / (to) £'000	Forecast Balance at 31/3/2024 £'000	Planned Contribution / (Use)					Balance Allocated to Manage Ongoing Risk £'000
					2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	
Capital Phasing Reserve This reserve will be used over a number of years to smooth the interest and loan repayment costs which are charged to the annual budget. The reserve recognises that the annual charges, which arise from the use of Prudential Borrowing to fund part of the approved Asset Management Plan, are uneven and therefore avoids temporary increases/decrease in the annual charge to the revenue budget, which would impact on resources available to fund services. This reserve achieves the same objectives as a PFI (Public Finance Initiative) Smoothing reserve operated by Fire and Rescue Authorities which implemented PFI schemes to address building condition issues. This reserve will be used on a phased basis and by 2029/30 the reserve will have been fully used.	1,408	236	0	1,644	117	(246)	(274)	(346)	0	895
Grenfell Action Plan This reserves will support our implementation of the Grenfell Tower Inquiry recommendations and improve resilience to major incidents.	156	(43)	0	113	(24)	(30)	(30)	(29)	0	0
Invest to Save Reserve This will support the Digital Transformation programme, Fire Hydrant maintenance and property issues	624	263	0	887	(634)	(188)	(65)	0	0	0
Ring-fenced Grants This reserve is earmarked for specific commitments in accordance with grant conditions.	60	0	0	60	(34)	(26)	0	0	0	0
Total	2,248	456	0	2,704	(575)	(490)	(369)	(375)	0	895

Balance 31 March	2,129	1,639	1,270	895	895
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Earmarked Reserves : Category 3 - General contingency or resources to meet other expenditure needs held in accordance with sound principles of good financial management

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2023	2023/24 Contributions / (Use)	2023/24 Transfer between reserves - from / (to)	Forecast Balance at 31/3/2024	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk
	£'000	£'000	£'000	£'000	2024/25	2025/26	2026/27	2027/28	2028/29	
Insurance Fund This is earmarked to fund payments that fall within the Authority's insurance policy excesses. As the timing of insurance claims/settlements is unknown no usage is shown. The availability of this reserves avoids the cost of unbudgeted insurance claims having to be funded from the Authority's revenue budget in the year they arise and therefore protects funding available for front line services.	643	0	0	643	0	0	0	0	0	643
Total	643	0	0	643	0	0	0	0	0	643

Balance 31 March	643	643	643	643	643
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Summary of Earmarked Reserves

Category 1	8,216	(854)	0	7,362	(2,929)	(1,165)	(1,616)	(110)	(370)	1,172
Category 2	2,248	456	0	2,704	(575)	(490)	(369)	(375)	0	895
Category 3	643	0	0	643	0	0	0	0	0	643
Total Earmarked Reserves	11,107	(398)	0	10,709	(3,504)	(1,655)	(1,985)	(485)	(370)	2,710

Balance 31 March	7,205	5,550	3,565	3,080	2,710
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PART 1 – UPDATE OF 2024/25 BUDGET POSITION

A detailed in the report the provisional 2024/25 Local Government Finance Settlement was issued on 18 December 2023.

On 24 January 2024 the Government announced additional national resources of £600m consisting of:

- £500m for Social Care;
- £100m to cover the following Government priorities – to increase the Funding Guarantee from 3% to 4%, £15m for the Rural Services Delivery Grant, £3m for authorities with Internal Drainage Boards, and additional funding for the Isle of Wight and the Isles of Scilly, with the remainder distributed through the Services Grant.

The final Local Government Settlement on 5 February 2024 confirmed the above additional funding and the detailed allocation to individual authorities. The impact on the Authority and changes in local resources are summarised below:

Changes between provisional and final settlement

	Increase / (decrease) in funding £
<u>Funding Guarantee Grant</u> The increase in the Funding Guarantee from 3% to 4% means the Authority is now eligible for this grant and will receive £294,182 (provisional settlement nil allocation). Subject to the next Comprehensive Spending Review this funding should be sustainable beyond 2024/25	294,182
<u>Services Grant</u> The final 2024/25 Services Grant is £65,386 (2023/24 £378,764), which is £5,386 more than the provisional 2024/25 allocation	5,386
<u>Business Rates and Section 31 grants</u> The Authorities share of Business Rate income and related section 31 grants was calculated following receipt of NNDR 1 returns (National Non-Domestic Rates) on 31 st January 2024 as £3,805,484. This is £118,515 less than forecast.	(118,515)
Net increase in resources	181,053

The net increase in resources of £181,053 enables reliance on the use of the Budget Support Fund to be reduced by this amount. This makes the budget position more sustainable as the deficit deferred from 2024/25 to 2025/26 reduces from £190,000 (the provisional use of reserves in 2024/25) to £8,947 (the final use of reserves in 2024/25).

The additional resources are reflected in the statutory budget calculations detailed in Part 3 (which update recommendation 7).

PART 2 – ASSET MANAGEMENT PLAN (AMP) UPDATE

Details of the recommended funding strategy for AMP inflation pressures are set out in section 9 of the report, which showed a forecast funding shortfall of £0.284m.

This figure was based on the Authority's provisional share of Collection Fund surpluses from the four constituent Authority's. The final figures were received this week and the total surplus is £618,058, compared to a forecast of £500,000 – an increase of £118,058.

As this is a one-off benefit it is recommended that these resources are allocated to reduce the forecast AMP inflation funding shortfall from £0.284m to £0.166m. This additional resource can be reflected in recommendation 11 of the report.

The AMP inflation risks will continue to be monitored carefully and regular updates will be reported to Members.

PART 3 - 2024/2025 COUNCIL TAX RESOLUTION 3.0% INCREASE

The Authority is recommended to approve as follows:

1. For the purpose of Section 42 A, B of the Local Government Finance Act 1992, the following amounts in respect of 2024/25:
 - (a) The Council Tax Base for 2024/25 as 162,692.2 as notified by the relevant billing authorities.
2. That the Council Tax requirement for the Authority's own purposes for 2024/25 is £14,554,444.
3. That the following amounts be calculated by the Authority for 2024/25 in accordance with Sections 42 to 48 of the Local Government Finance Act 1992 and relevant regulations:-
 - (a) £33,118,200 Being the aggregate of the amounts which the Authority estimates for the items set out in Section 42 to 48 of the Local Government Finance Act 1992 and relevant regulations.
 - (b) £18,563,756 Being the aggregate of the sums which the Authority estimate will be payable to it in respect of Revenue Support Grant £7,887,936, Top Up Grant of £8,116,484, Business Rates income of £1,934,278 and the estimate to be paid from the Collection Funds of the billing authorities of £625,058 as at 31st March 2024, in accordance with Section 99 (3) (b) of the Local Government Finance Act 1988 and the Local Government Charges for England (Collection Fund Surpluses and Deficits) Regulations 1995 amended.

- (c) £14,554,444 Being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Authority in accordance with Section 42B (1) (2) of the Act as its Council Tax requirement for the year.
- (d) £89.46 Being the amount calculated by the Authority in accordance with Section 44 of the Local Government Finance Act 1992, as the basic amount of Council Tax for the year.

4. That the Authority, in accordance with Section 47 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the tables below as the amounts of Council Tax for 2024/25 for each of the categories of dwellings:

Property Band	Council Tax (£)
A	59.64
B	69.58
C	79.52
D	89.46
E	109.34
F	129.22
G	149.10
H	178.92

5. The precept payable by each billing authority in accordance with Section 48 of the 1992 Act, as follows:-

Billing Authority	£
Hartlepool	2,306,279
Middlesbrough	3,232,896
Redcar and Cleveland	3,679,669
Stockton	5,335,600

6. Approve that the Authority's basic amount of Council Tax for 2024/25 is not excessive in accordance with the principles approved under section 52ZB Local Government Finance Act 1992 and that no local referendum will be carried out in relation to Chapter 4ZA of the Local Government Finance Act 1992.

FIRE BRIGADE BEST VALUE BUDGET 2024/2025 - BEST VALUE FORMAT

APPENDIX H

Staff F.T.E.	Budget 2023/24		Staff F.T.E.	Budget 2024/25
	£			£
15.30	1,000,934	COMMUNITY PROTECTION	15.30	1,068,265
11.70	600,336	Protection	11.70	649,955
0.00	3,114,604	Prevention	0.00	3,302,554
4.00	138,460	Prevention Notional Station Splits	4.00	146,520
6.00	341,860	Advocates	6.00	345,080
8.00	106,940	Home Fire Safety	8.00	38,000
1.00	36,000	Commissioned Services	1.00	38,020
46.00	5,339,134	Learn and Live	46.00	5,588,394
		TOTAL COMMUNITY PROTECTION		
		FIREFIGHTING & RESCUE OPERATIONS		
8.70	1,076,930	Emergency Response	8.70	954,777
	314,490	Operational Equipment		337,260
44.92	2,040,206	Middlesbrough Fire Station	44.92	2,190,436
56.54	2,170,364	Stockton Fire Station	56.54	2,324,898
45.00	1,975,688	Grangetown Fire Station	45.00	2,099,988
37.00	1,268,774	Redcar Fire Station	37.00	1,352,084
44.54	1,955,026	Thornaby Fire Station	44.54	2,137,852
24.00	1,094,106	Billingham Fire Station	24.00	1,175,640
24.00	1,124,654	Coulby Newham Fire Station	24.00	1,205,452
45.00	2,019,798	Stranton Fire Station	45.00	2,112,936
12.00	147,250	Headland Retained Fire Station	12.00	145,890
12.00	149,900	Yarm Retained Fire Station	12.00	162,710
12.00	186,630	Guisborough Retained Fire Station	12.00	268,709
12.00	219,240	Saltburn Retained Fire Station	12.00	262,329
12.00	209,020	Skelton Retained Fire Station	12.00	235,069
12.00	211,800	Loftus Retained Fire Station	12.00	268,839
20.00	1,410,070	Control	20.00	1,661,710
	(54,000)	New Dimension/CBRN		0
3.00	155,650	Hydrants and Water	3.00	161,930
424.70	17,675,596	TOTAL FIREFIGHTING AND RESCUE	424.70	19,058,508
		MANAGEMENT & SUPPORT SERVICES		
	1,577,100	Headquarters and Central Support		1,445,090
	1,008,100	Capital Financing Costs		1,008,100
	80,000	Apprenticeship Levy		88,000
3.00	131,720	Communications	3.00	137,610
	368,590	Insurances		378,580
7.30	629,111	ICT	7.30	721,381
5.00	747,110	Principal Officers and Secretariat	5.00	836,730
5.00	516,510	Finance and Payroll	5.00	512,770
6.15	255,380	Corporate and Democratic Support	6.15	312,170
7.50	415,925	Human Resources	7.50	472,335
	147,900	Occupational Health		147,900
21.50	1,739,315	Training & Assurance	21.50	1,510,905
	230,000	Pension Injury Awards		248,000
6.50	301,090	Risk and Performance	6.50	308,680
0.50	71,340	Legal	0.50	73,380
1.00	58,320	Partnership & Evaluation	1.00	60,030
8.80	637,130	Policy & Planning	8.80	696,798
6.20	187,923	Technical Services and Stores	6.20	197,576
3.50	150,950	Procurement	3.50	157,700
3.30	158,773	Estates	3.30	166,696
5.20	597,964	Transport Maintenance	5.20	617,748
90.45	10,010,250	TOTAL MANAGEMENT & SUPPORT SERVICES	90.45	10,098,178
		FIREFIGHTERS PENSIONS		
	14,947,960	Ongoing Pension Payments		16,233,590
	813,250	Lump Sum Payments		1,568,300
	(11,170,570)	Pension Deficit Grant		(12,301,220)
	30,000	Transfer Values/III Health Charges		30,000
	(4,620,640)	Pension Contributions		(5,530,670)
0.00	0	TOTAL PENSIONS	0.00	0
2.00	201,890	CORPORATE EXPENSES	2.00	243,920
2.00	201,890	TOTAL CORPORATE EXPENSES	2.00	243,920
	169,000	INFLATION CONTINGENCIES		0
	480,000	PROVISION FOR 2023 NATIONAL PAY OFFER ABOVE MTF5 FORECAST		0
563.15	33,875,870	BUDGET REQUIREMENT FOR SERVICES	563.15	34,989,000
	0	ASSET MANAGEMENT PLAN INFLATION PROVISION		618,058
563.15	33,875,870	TOTAL BUDGET REQUIREMENT	563.15	35,607,058
	(1,908,708)	Section 31 Grants		(1,870,232)
	(1,409,000)	Pension Grant (mainstreamed from 2024/25 and included in Revenue Support Grant)		0
	(500,000)	Use of Investment income		(250,000)
	(62,972)	Use of Budget Support Fund		(9,058)
	(378,764)	New Services Grant		(65,386)
	0	Funding Guarantee grant		(294,182)
	(123,000)	Use Collection Fund Deficit Reserve		0
	29,493,426	NET STATUTORY BUDGET		33,118,200
	13,938,077	Council Tax		14,554,444
	6,076,576	Revenue Support Grant		7,887,936
	7,748,804	Top Grant		8,116,484
	1,800,009	Business Rates		1,934,278
	(5,642)	Council Tax Collection fund surplus / (deficit)		71,986
	(64,398)	Business Rates Collection fund surplus / (deficit)		553,072
	29,493,426	TOTAL FUNDING		33,118,200