

**MEDIUM TERM FINANCIAL STRATEGY 2025/26 TO  
2027/28 - INCLUDING 2025/26 BUDGET & COUNCIL  
TAX SETTING****JOINT REPORT OF THE CHIEF FIRE OFFICER AND  
TREASURER****For Approval****1. PURPOSE OF REPORT****1.1 The purposes of the report are:**

- to provide an update of the Authority's Medium Term Financial Strategy; and
- to enable the Authority to consider the detailed proposals referred by the Executive Committee for setting the 2025/26 budget and council tax to be considered.

**2. RECOMMENDATIONS****2.1 The Executive Committee has recommended that Members:-**

1. To note the final 2025/26 Local Government Finance Settlement will be issued in late January 2025 (i.e. between this Executive Committee meeting and the full Authority meeting on 14<sup>th</sup> February) and any changes in the provisional figures will be reflected in the final statutory budget calculations. Based on experience in previous years any changes are expected to be small.
2. Note the provisional Core Spending Power (CSP) increase for FRAs of **2.8%** (2.7% for the Authority) is less than half the national CSP increase of **6%**, which reflects the prioritisation of social care within the overall settlement.
3. Note the provisional 2025/25 CSP increase for FRAs is wholly predicated on all FRAs using the £5 Council Tax referendum limit (details paragraph 4.14 and Appendix A).
4. Note the provisional settlement details the proposed formula for allocating funding for increased employers National Insurance costs may disadvantage FRAs. The current funding assumption is the grant will fund 50% of these costs, with the remaining 50% (£0.250m) falling on the existing budget and therefore increasing the forecast 2025/26 budget deficit.
5. Note the forecast deficit scenarios for 2025/26 to 2027/28 detailed in paragraph 5.5 show a forecast deficit between £0.599m and £2.254m depending on the level of Council Tax for these years.

6. Note the robustness advice detailed in section 8 and the approve the recommendation to fund the gross 2025/26 budget deficit from the following combination of measures:

	Value	%age of gross deficit
Budget savings	£1.067m	42%
£5 Band D Council Tax increase	£0.813m	32%
Use of Budget Support Fund	£0.376m	15%
Tax Base Growth	£0.266m	11%
<b>Total</b>	<b>£2.522m</b>	<b>100%</b>

7. Note use of the Budget Support Fund in 2025/26 of £0.376m defers this deficit to 2026/27 and means that a forecast deficit of between £0.599m and £1.675m will need to be addressed in 2026/27 and 2027/28.
8. Note that approving recommendation (6) will result in approximately 216,000 households (82%) having to pay a weekly increase of 9p or less, as highlighted in the following table:

2024/25		2025/26					
Annual Council Tax	Property Band	Annual Council Tax	Weekly Council Tax	Annual increase	Weekly increase (pence)	Number of households (approx.)	% households
£59.64	A	£62.97	£1.21	£3.33	6p	119,000	45.1%
£69.58	B	£73.47	£1.41	£3.89	7p	49,300	18.7%
£79.52	C	£83.96	£1.61	£4.44	9p	48,100	18.3%
£89.46	D	£94.46	£1.82	£5.00	10p	24,600	9.3%
£109.34	E	£115.45	£2.22	£6.11	11p	14,000	5.3%
£129.22	F	£136.44	£2.62	£7.22	14p	5,400	2.1%
£149.10	G	£157.43	£3.03	£8.33	15p	2,900	1.1%
£178.92	H	£188.92	£3.63	£10.00	20p	300	0.1%
						263,600	100.0%

9. Note that if the recommended £5 Band D Council tax increase is not approved recurring income will be lower and replacement budget cuts will need to be implemented. Owing to the timetable for setting the 2025/26 budget these additional budget cuts will need to be approved at the Authority meeting on 28<sup>th</sup> March 2025. The implementation timetable for savings in 2025/26 will depend on the level of consultation required for additional saving proposals.
10. Approve the Asset Management Plan detailed in Appendix B, which updates the existing approved plan.
11. Note the Reserves Review detailed in section 7, which underpins the robustness strategy and ensures the Authority maintains appropriate one-off resources to manage existing commitments phased over more than one financial year and provide some financial flexibility to manage ongoing financial uncertainties.



- 2.2 On the basis of Members approving the above recommendations the Authority needs to approve the supporting statutory budget and council tax calculations as detailed in Appendix E and F - **to follow owing to the timing of the final 2025/26 Local Government Finance Settlement.**

### 3. **BACKGROUND**

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

#### 1) **Changes in Recurring Resources**

National reforms of the funding system were not progressed by the previous Government. As a result, the funding impacts of austerity are, despite funding increases over the last two years, locked into the base funding for 2024/25 and future years.

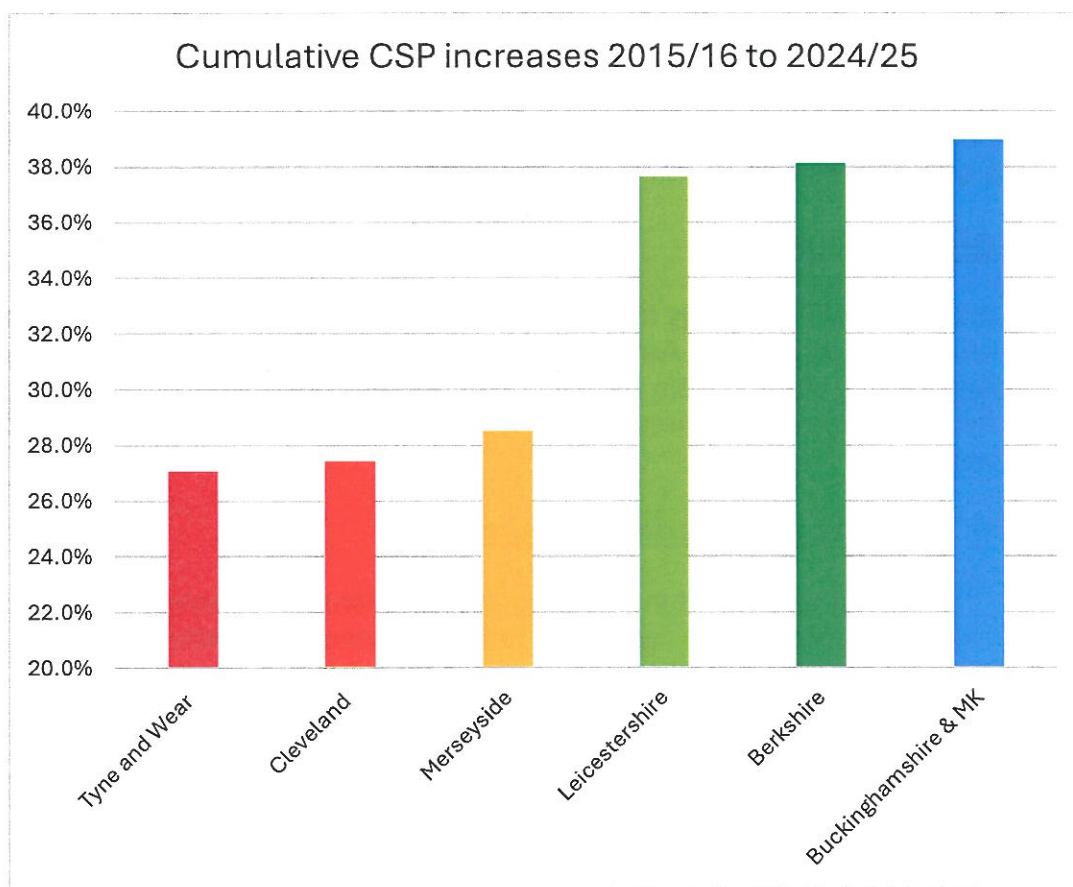
The current funding system continues to increase reliance on Council Tax to fund local services, including services provided by FRAs.

These two issues have had a significant impact on this Authority as we had to manage significant reductions in Government funding, much higher than many other FRAs. Alongside this financial challenge our low Council Tax base meant we could not mitigate these funding reductions to the same extent as other FRAs by increasing Council Tax income.

To illustrate the impact of funding changes over the period 2015/16 to 2024/25 we have looked at the Core Spending Power (CSP) changes for the different FRA's receiving:

- Lowest CSP increases – Tyne and Wear, Cleveland, Merseyside
- Highest CSP increases – Leicester, Berkshire, Buckinghamshire & Milton Keynes

As highlighted in the following graph there has been a significant variance in the cumulative change in CSP over this period from a low of **27.1%** Tyne and Wear (Cleveland second lowest **27.4%**) to a high of **39%** Buckinghamshire. This has meant different FRAs have had to manage significantly different financial and service challenges over this period.



## 2) Impact of previous budget reductions

As highlighted above without reform of the existing national funding system the Authority will continue to face ongoing financial challenges. The ability of the Authority to make further changes needs to take account of previous reductions, the most significant being:



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

## 3) National pay award and inflation

These issues have been a significant challenge over the last few years as increases have exceeded increases in Government funding and Council Tax referendum limits. As inflation has significantly reduced the Bank of England has begun to reduce interest rates. However, whilst pay awards in both the private and public sector have reduced from their peak level, they remain at a level which will impact on how quickly and how far further interest reductions are made by the Bank of England.

Until both inflation and pay awards reduce and stay at a low level these issues will continue as a budget risk for 2025/26 and 2026/27. Additionally, as we saw from inflation levels in recent years the impact of international events, which continue to be volatile, can have a significant impact on UK inflation.

## 3.2 Key financial summary



- 3.3 All FRAs face the same financial pressures from national pay awards and inflation. However, the ability of individual FRAs to manage these financial pressures varies significantly depending on the percentage of resources funded from Council Tax and Government grant:
- The most financially resilient FRA funds **70%** of their budget from Council Tax and only relies on Government Funding (including Business Rates income) to fund **30%** of their budget.
  - As a result of the low Council Tax base this Authority only funds **42%** of the budget from Council Tax - compared to an FRA average of **60%**. Therefore, we remain critically dependent on increases in Government Funding (including Business Rates income) which funds **58%** of the budget – compared to an FRA average of **40%**.
- 3.4 In summary, if Government funding for 2025/26 and future years does not keep pace with national pay awards and inflation, we will continue to face annual budget deficits as increases in Council Tax will not be sufficient to fund these pressures.
4. **PROVISIONAL 2025/26 LOCAL GOVERNMENT FINANCE SETTLEMENT (THE PROVISIONAL SETTLEMENT)**
- 4.1 The provisional settlement was published on 18 December and reflected earlier announcements detailed in the policy statement on 28 November. The consultation period closes on 15 January and the final 2025/26 settlement is expected late in January. Based on previous years it is not anticipated there will be any significant changes to the provisional settlement. Details of any changes will be reported to the full Authority, alongside the figures detailed in this report to highlight any changes that may be made. The key features of the provisional settlement are detailed in the following paragraphs:
- 4.2 **Period of 2025/26 settlement**
- 4.3 The settlement is for one year and the Government will consult in 2025 on proposals for funding reform and multi-year settlements which should then commence from 2026/27.
- 4.4 At a national level standalone FRAs account for less than 3% of total Core Spending Power and it is unclear whether the proposed funding reforms will have a significant impact on FRAs. Details will be reported as they become available.
- 4.5 Within the provisional settlement the following key changes have been made and the impact on the Authority is considered later in the report:

#### **Impact of Provisional 2025/25 Settlement**

<b>Provisional settlement change</b>	<b>Increase / (decrease) in Authority resources £'m</b>
Revenue Support Grant and Top-up Grant – increase in line with September CPI of 1.7%	0.233
Funding Guarantee grant - removed.	(0.294)
Services Grant – removed.	(0.065)
Recovery grant – new grant for one year pending funding reforms. Standalone FRAs not eligible for this funding stream.	0.000
<b>Sub Total – Net Grant reduction</b>	<b>(0.126)</b>
Provisional Settlement forecast increase in Business Rates / Section 31 grants – actual figure will be confirmed late January 2025 when the four borough councils complete the annual statutory calculations.	0.102
<b>Forecast net decrease in resources (excluding Council Tax)</b>	<b>(0.024)</b>

#### 4.6 Core Spending Power (CSP) increases

- 4.7 As a national level the total increase in CSP is **6%** and for standalone FRAs the total increase is **2.8%**. This position reflects the continued priority given to social care, both within the grant allocations and continuation of the 3% Adult Social Care Council Tax precept.
- 4.8 The forecast national increase in CSP of **6%** is again based on the Government's assumption that all authorities will make use of the available Council Tax flexibility, which will fund **55%** of the of the 2025/26 CSP increase, as highlighted below. The table also shows how the cumulative CSP increase since 2015/16 has been funded – which highlights the longer-term reliance on Council Tax.

Total national CSP changes 24/25 to 25/26 and cumulative CSP changes 15/16 to 25/26

	<b>CSP change 24/25 to 25/26</b>	<b>CSP cumulative change 15/16 to 25/26</b>
<b>Council Tax income</b>	55%	67%
<b>Grant and Business Rates income</b>	45%	33%
<b>Total CSP increase</b>	100%	100%

#### 4.9 Council Tax referendum limits

- 4.10 The Council Tax band D limit for FRAs has been confirmed at £5 and is reflected in the forecast national and individual FRAs CSP increase for 2025/26.
- 4.11 **Impact of provisional settlement on standalone FRAs Core Spending Power**
- 4.12 As highlighted earlier the total forecast increase in CSP for FRAs is **2.8%** less than half the total national increase in CSP. The Authority's CSP increase is **2.7%**.



4.13 The £5 Council Tax referendum limit for FRAs accounts for all of the forecast increase in CSP. The table below shows FRAs “other funding” reduces by £18.926m, which is basically the net impact of the removal of the Funding Guarantee Grant (the main reasons for the reduction), the removal of the Services Grant less a forecast increase in Business Rates income and associated section 31 grants.

4.14 The table uses the same comparator FRAs as previous reports and highlights that some FRAs despite losing more Funding Guarantee Grant are able to offset this to a greater extent if they apply the £5 Council Tax increase. This position reflects the stronger tax base for these FRAs (i.e. less properties in Band A and B, with more in band D and above), compared to areas such as Cleveland, Merseyside and Tyne and Wear – which have a low Council Tax base (i.e. more properties in Band A and B) and continue to have a lower CSP increase in 2025/26.

Comparison of FRAs 25/26 CSP changes

	A	B	A plus B	Change in CSP 24/25 to 25/26	Change in CSP 15/16 to 25/26
	Increase / (decrease)				
	Other funding  £'m	Council Tax  £'m	Total Core Spending Power increase £'m		
Total standalone FRAs	(18.926)	70.087	51.161	2.80%	
Buckinghamshire	(0.455)	2.035	1.580	4.20%	45.0%
Berkshire Fire	(0.569)	2.177	1.608	3.50%	42.9%
Leicestershire	(0.390)	2.054	1.664	3.50%	42.3%
<b>Cleveland</b>	<b>(0.024)</b>	<b>0.973</b>	<b>0.949</b>	<b>2.70%</b>	<b>31.0%</b>
Merseyside	(0.182)	2.268	2.086	2.60%	31.5%
Tyne and Wear	(0.233)	1.764	1.531	2.40%	30.40%

If Cleveland's 25/26 CSP increase was 4.2% rather than 2.7% it would be an additional £0.513m

If Cleveland's cumulative 2015/16 to 2025/26 CSP increase had been 45% rather than 31% this would be an additional £3.830m – enough to reinstate 66 of the 162 firefighter posts, we

4.15 Details of comparative CSP increases for all FRAs are shown in **Appendix A**.

4.16 As reported previously the difference in CSP increases remains a concern as all FRAs face the same national pay pressures and inflation pressures. However, individual FRAs have different financial abilities to manage these pressures owing to

differences in CSP increases. Within the 2025/26 provisional settlement 19 out of 30 standalone FRAs are forecast to have a higher increase in CSP (2.8% to 4.2%) than Cleveland's increase of 2.7%.

- 4.17 If differences in CSP increases are not addressed as part of the funding reforms for 2026/27 onwards there is a significant risk that some FRAs may not be able to manage national pay and inflation pressures, whilst maintaining existing services.
- 4.18 **Funding for Employer's National Insurance increase**
- 4.19 As reported previously these changes will increase costs by approximately £0.5m.
- 4.20 The provisional settlement confirms £515m of funding, which is intended to compensate for directly employed staff. This funding has not yet been included in the provisional settlement figures as some data is missing at a national level. The proposal is to allocate this funding on the basis of net current expenditure.
- 4.21 The proposed formula for allocating this funding may disadvantage FRAs as they spend a higher percentage of net current expenditure on pay than unitary/metropolitan and county councils. The position will not be clear until the final settlement late in January.
- 4.22 There are currently a range of potential grant allocations towards the increased National Insurance costs and at this stage the central forecast of a 50% grant (£0.250m) is the appropriate planning assumption.

## 5. **MEDIUM TERM FINANCIAL STRATEGY UPDATE**

- 5.1 The previous MTFS report outlined saving proposals of **£1.067m**, as detailed below, which need to be implemented to help address the 2025/26 budget deficit. Whilst, these changes can be implemented without impacting on services, they reduce financial flexibility and will require the Chief Fire Officer to manage the revenue budget extremely carefully in 2025/26 and future years.

- **Pay Budget Adjustment - £0.857m**

Historic trends from the last 3 years pay budgets show an underspend because of turnover/vacancies and the mix of development and competent rates of pay. Based on these trends a 3% saving can be built into the budget. Achieving this saving will need careful management of the pay budget.

- **Non-pay budget efficiencies - £0.210m**

Reflects a comprehensive review of non-pay budgets to identify efficiencies from historic underspends and budget rationalisation.

- 5.2 After reflecting these savings and the impact of the provisional settlement, including grant funding for the Employers National Insurance increase only covering 50% of these costs, the updated 2025/26 deficit **before any** Council Tax increase and tax base growth is **£1.455m** (i.e. gross deficit £2.522m less savings £1.067m).
- 5.3 The MTFS has been rolled forward to include 2027/28 and the forecasts for this year assume inflation and national pay awards will have returned to 2%. On this



basis the Authority faces continuing deficits in 2026/27 and 2027/28 before any potential benefits of changes to the funding system and Council Tax increases.

5.4 In terms of addressing the forecast deficits the level of Council Tax will be critical – particularly for 2025/26 as this sets the permanent baseline. Four scenarios have been modelled based on the following rationale:

- **Scenario 1** – annual Council Tax increases of 1.9%

This was the previous planning assumption and the Referendum Limit most often applying to FRAs.

- **Scenario 2** – annual Council Tax increases of £5

This scenario is based on the Government accepting the National Fire Chief Council’s case for a fixed annual limit, rather than a percentage limit. This is the model adopted for the Police for many years.

As the forecasts show an annual £5 limit would provide financial stability for the Authority, provided inflation and national pay awards reduce from 2026/27. This would equally apply across most FRAs.

- **Scenario 3**- £5 Council Tax 2025/26 then £3 in 2026/27 and 2027/28

This scenario is based on the Government accepting the National Fire Chief Council’s case for a fixed annual limit, rather than a percentage limit, but with the limit reducing in 2026/27 to £3 in response to lower inflation.

- **Scenario 4** - £5 Council Tax 2025/26 then £1.9% in 2026/27 and 2027/28

This scenario is included to highlight the difference from scenario 3 and supports the rationale that if the Government implements a lower limit from 2026/27 than £5 that a revised limit may be £3.

5.5 The following table details the forecast deficits for the above Council Tax scenarios and includes the baseline position with no Council Tax increase:

**Forecast deficits 2025/26 to 2027/28**  
 (note all scenarios for 2025/26 include a forecast unfunded National Insurance cost increase for £0.250m)

Council Tax increase	2025/26	2026/27	2027/28	Total	Total deficit as percentage 25/26 budget
	£'m	£'m	£'m	£'m	
<b>Baseline – no Council Tax increase</b>	1.189	1.205	0.723	3.117	8.9%
<b>Scenario 1 - 1.9% 25/26, 26/27 and 27/28</b>	0.922	0.913	0.419	2.254	6.4%
<b>Scenario 2- £5 25/26, 26/27 and 27/28</b>	0.376	0.361	(0.138)	0.599	1.7%
<b>Scenario 3 - £5 25/26, £3 26/27 and 27/28</b>	0.376	0.695	0.203	1.274	3.6%
<b>Scenario 3 - £5 25/26, 1.9% 26/27 and 27/28</b>	0.376	0.897	0.402	1.675	4.8%

- 5.6 The £5 Council Tax limit in 2025/26 will secure recurring annual additional income of **£0.813m**) – which avoids having to make these additional cuts to balance the 2025/26 budget.
- 5.7 Under scenarios 2, 3 and 4 there is still a **£0.376m** deficit after re using the £5 limit in 2025/26. It is recommended this amount is funded from the Budget Support Fund pending the outcome of the consultation on funding reforms from 2026/27. If these reforms have a positive benefit on the Authority the forecast deficits in 2026/27 and future years may reduce.
- 5.8 If these reforms do not increase forecast Government grant funding the total potential deficits to be addressed will not change, although the phasing will change as £0.376m of cuts will be deferred from 2025/26 to 2026/27.
- 5.9 Under scenarios 2, 3 and 4 the cuts required in 2026/27 whilst extremely challenging will be manageable, although they will require changes to existing services, including a reduction in the number of wholetime fire appliances. These decisions will be driven by the next Community Risk Management Plan, which will be subject to public consultation and a future decision by the Authority.
- 5.10 The following table details the revised phasing of the forecast deficits after using the Budget Support Fund to help support the 2025/26 budget.

**Revised phasing of forecast 2025/26 to 2027/28 Budget Deficits**

	2025/26 £'m	2026/27 £'m	2027/28 £'m	Total £'m
<b>Scenario 2- £5 25/26, 26/27 and 27/28</b>				



Deficit before use of Budget Support Fund	0.376	0.361	(0.138)	0.599
Deficit deferred by using Budget Support Fund	(0.376)	0.376	0	0
Revised Deficit	0	0.737	(0.138)	0.599

<b>Scenario 3 - £5 25/26, £3 26/27 and 27/28</b>				
Deficit before use of Budget Support Fund	0.376	0.695	0.203	1.274
Deficit deferred by using Budget Support Fund	(0.376)	0.376	0	0
Revised Deficit	0	1.071	0.203	1.274

<b>Scenario 4 - £5 25/26, 1.9% 26/27 and 27/28</b>				
Deficit before use of Budget Support Fund	0.376	0.897	0.402	1.675
Deficit deferred by using Budget Support Fund	(0.376)	0.376	0	0
Revised Deficit	0	1.273	0.402	1.675

## 6. ASSET MANAGEMENT PLAN (AMP)

- 6.1 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 B** the proposal now includes requirements up to 2029/30. This planning period reflects the longer lead time for capital expenditure. The total planned AMP investment is £15.074m (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).
- 6.2 The 2024/25 MTFS approved a strategy to manage the forecast impact of inflation on the AMP. This position is complicated by lead in times for capital schemes and the need to ensure individual project specifications are robust.
- 6.3 To manage these risks an assessment was made of the forecast impact of inflation on the AMP. This assessment highlighted the risk if inflation does not fall and is then sustained by the Bank of England at the 2% target level. As we have seen over recent months falls in inflation up to September have been reversed and the outlook is for inflation to take longer to fall and then be sustained at the 2% level.
- 6.4 The 2024/25 MTFS recommended an inflation provision of £1.190m. This provision has been reassessed and remains appropriate and equates to 7.9% of the 2024/25 to 2029/30 AMP value.
- 6.5 As reported previously 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 2029/30 and the potential shortfall can be managed over this period. One-off resources of £1.024m have previously been set aside and the approved 2024/25 outturn strategy will seek to reduce the funding shortfall if one-off resources are available.
- 6.6 The inflation impact on the AMP will continue to be reviewed annually. 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.



## 7. **RESERVES REVIEW**

- 7.1 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. 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.
- 7.2 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 C**.
- 7.3 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.
- 7.4 In the event that circumstances change, and individual Earmarked Reserves are not needed, or the call 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.
- 7.5 **Reserves Benchmarking**
- 7.6 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.
- 7.7 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 for 2024 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 FRAs have historically maintained General Fund Reserves at a consistent level.

Split between Earmarked Reserves and General Fund Reserve

2022 National	2022 Cleveland		2024 Cleveland
86%	88%	Earmarked Reserves	86%
14%	12%	General Fund Reserves	14%
<b>100%</b>	<b>100%</b>	<b>Total</b>	<b>100%</b>

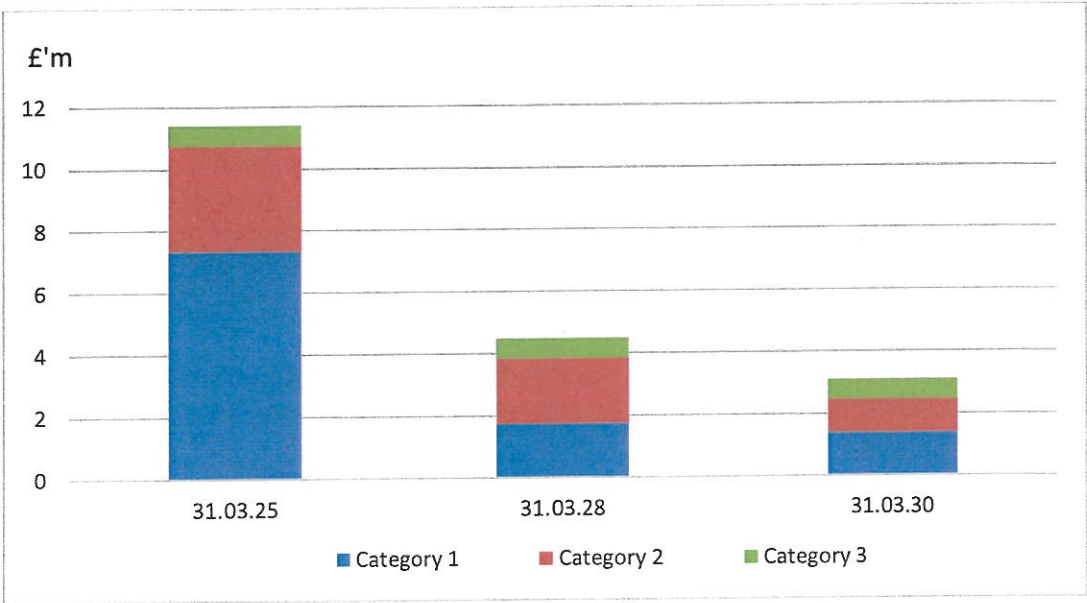
- 7.8 The following paragraphs provide more up to date information on the forecast position of the Authority's reserves over the period of the MTFS.
- 7.9 **The Authority's Earmarked Reserves**



7.10 The Authority’s Earmarked Reserves fall into three categories as detailed in **Appendix D** which shows the planned use of reserves up to 2029/30. 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 supports the AMP, and the Budget Support Fund Reserves, which supports the phased implementation of budget cuts.
- Category 2 Reserves – the main reserves in this category will be used to support AMP borrowing costs and invest to safe initiatives.
- Category 3 Reserve – this is the Authority’s insurance fund, and no planned use is forecast as this will depend on potential claims not covered by insurance.

Forecast Earmarked Reserves



7.11 The following paragraphs provide more information on reserves based on the forecast starting position at 31.03.25.

7.12 **Category 1 - Funding for planned expenditure on projects and programmes over the period of the current MTFS - £7.343m forecast balance 31.03.25.**

These reserves relate to two keys areas:

- **Earmarked Capital Reserves (£3.039m)** - allocated to support the Authority’s Asset Management Plan which provides funding to replace operational vehicles and equipment.
- **Budget Support Fund Reserve (£3.598m)** – this reserve is earmarked to manage financial risks and uncertainties regarding national pay awards / inflation over the period of the MTFS (including in 2025/26) and the level of Government

funding from 2026/27. 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.

In the event that national funding reforms are implemented from 2026/27 the Government has indicated changes will be phased. Therefore, in the event that the Authority benefits from these changes (which cannot be guaranteed until details of actual formula changes are known) it would be appropriate to use the Budget Support Fund to support the phasing of potential grant increases.

This reserve includes £0.750m of investment income which is committed to provide annual support for the revenue budget of £0.250m in 2025/26, 2026/27 and 2027/28.

**7.13 Category 2 - Funding for specific projects and programmes beyond the current planning period - £3.403m forecast balance 31.03.25.**

The Authority reserves under this category are:

- **Capital Phasing Reserve (£2.638m)** - 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 2033/34 the reserve will be fully used.

- **Other Reserves under this category (£0.765)** – as detailed in Appendix D the main items are resources earmarked for Invest to Save, Grenfell Action Plan and Ring Fenced Grants reserve.

**7.14 Category 3 - General contingency or resources to meet other expenditure needs held in accordance with sound principles of good financial management - £0.643m balance 31.03.25.**

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.

**7.15 The Authority's General Fund Reserve - £1.897m 31.03.25**

**7.16 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.**



- 7.17 This is the only uncommitted reserve held by the Authority and equates to 5% (which is the level suggested in the Fire and Rescue National Framework for England guidance) of the proposed 2025/26 revenue budget – which equates to less than three weeks expenditure.
- 7.18 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.
- 7.19 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.

## 8. ROBUSTNESS ADVICE AND CONCLUSION

- 8.1 The last two financial years (2023/24 and 2024/25) provided an increase in Government funding owing to the impact of inflation. However, this did not reverse the significant funding cuts in previous years, which are locked into the base budget. As a result, the Authority previously made significant changes to services to manage with a reduced level of recurring funding – the most significant being a **33% reduction** in the number of **wholetime firefighter posts** from 494 (2013/14) to 332 (2023/24 and current).
- 8.2 The 2025/26 provisional settlement does not continue the trend of the last two years for FRAs as there is an overall net reduction in grant funding as inflation increases in Revenue Support Grant and Top-up Grant have not been sufficient to offset the removal of the Funding Guarantee Grant and Services Grant.
- 8.3 At a national level standalone FRAs have not been prioritised within the provisional settlement as the total FRAs CSP increase is **2.8%** (range 1% to 4.2%) – which is significantly less than the national CSP increase of **6%**, which prioritise social care.



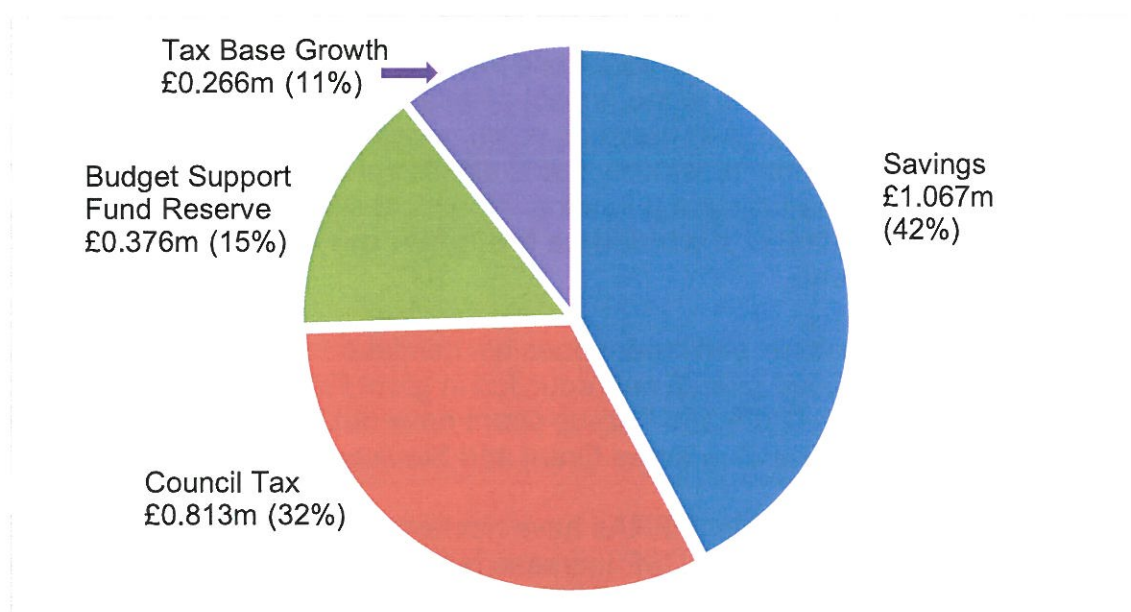
- 8.4 As highlighted in the following table the CSP increase for standalone FRAs is wholly dependent on using the £5 Council Tax referendum limit – which is covering the reduction in grant funding referred to above. If these grants had been maintained, they would provide £18.9m for the sector and would have provided a total CSP increase of **3.8%**. The table also compares the FRAs CSP increase to the national CSP increase for 2025/26, which is less reliant on Council Tax than the increase for FRAs.

**Comparison of Standalone FRA CSP changes to National CSP changes**

	Standalone FRAs CSP change 24/25 to 25/26	Total national CSP change 24/25 to 25/26
<b>Council Tax income</b>	136%	67%
<b>Grant and Business Rates income</b>	(36%)	33%
<b>Total CSP increase</b>	100%	100%

- 8.5 In terms of the Authority's 2025/26 budget position and ongoing financial sustainability the £5 Council Tax limit is critical and provides recurring additional income of **£0.813m** (which is £0.547m more than a 1.9% increase). Even after reflecting this income and savings previously approved the Authority still faces a 2025/26 budget shortfall of **£0.376m**. It is recommended this amount is funded from the Budget Support Funding pending the outcome of consultation funding reforms to be implemented from 2026/27.
- 8.6 As highlighted in the chart below the recommendation to use the £5 Council Tax referendum limit will fund only **32%** of the gross 2025/26 budget deficit, with savings, tax base growth and use of the Budget Support Fund covering the remaining **68%**. This overall financial strategy provides the best possible basis for setting the 2025/26 budget and providing the financial foundations for 2026/27 and future years.

**Summary of measure to address gross 2025/26 Budget deficit of £2.522m**





- 8.7 As highlighted in paragraph 5.8 using the Budget Support Fund defers a deficit from 2025/26 to 2026/27. The updated planning forecasts are a deficit for 2026/27 and 2027/28 of between **£0.599m and £1.675m**. The actual deficits for these years will depend on the actual level of national pay awards, inflation and the impact of changes to the national funding system from 2026/27. At this stage, these forecasts provide a basis for developing potential savings plans, which can be updated once the Government consults on the funding system for 2026/27 and future years.
- 8.8 Whilst, it is hoped we will not be waiting until December 2025 to have a clear idea of the detailed impact on individual authorities of changes to the funding system for 2026/27, this cannot be ruled out. Therefore, maintaining the majority of the Budget Support Fund uncommitted provides financial resilience to manage the ongoing financial uncertainty facing the Authority beyond 2025/26.
- 8.9 In terms of the impact of the £5 Council Tax on households it is recognised that any increase will be challenging for many of our residents.
- 8.10 However, Members face the difficult challenge of balancing these pressures whilst ensuring the Authority remains financially sustainable and able to deliver services to the community. In this regard the following considerations are relevant
- Direct impact on households
 

The majority of households are in either Council Tax A or B. The £5 Band D limit results in a Band A increase of £3.33 (6p per week) and Band B increase of £3.89 (7p per week) property
  - Impact on overall Council Tax bill
    - A £5 increase in the Fire element of the overall annual 2024/25 Band D Council Tax bill of around £2,300 (range £2,293 to £2,378) is an increase of around 0.2%.
- 8.11 The proposals and recommendations in this report enable the Authority to:
- Set a balance budget for 2025/26.
  - Manage the financial uncertainties facing the Authority in 2025/26 – i.e. national pay awards and inflation.
  - Protect existing services; and
  - Provide financial resilience into 2026/27 when hopefully inflation will have reduced to the Bank of England's 2% target and multi-year financial settlements are reinstated.
- 8.12 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 2025/26 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 service cuts.

- 8.13 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.
- 8.14 If Members determine not to recommend a £5 Band D Council Tax increase the Authority will find it difficult to argue for a fairer financial settlement for future years as it will not have made use of the available financial flexibility provided by the provisional 2025/26 settlement.
- 8.15 More significantly the Chief Fire Officer will need to bring forward budget cuts to cover the resulting shortfall in Council Tax resources for 2025/26 for approval by the Authority.
- 8.16 For example, if Members determine to recommend a 1.9% Council Tax additional cuts of £0.547m will need to be identified and as reported previously these cuts will come from reducing front line services. Making such cuts will reduce financial flexibility for managing forecast budget deficits in future years and reduce ongoing financial resilience.
- 8.17 In summary the provisional 2025/26 settlement leaves the Authority with a stark choice between either.
- using the £5 Council Tax limit to secure recurring resources, which helps financial resilience; or
  - increasing Council Tax by a lower amount than £5 and funding the reduction in recurring resources by making services cuts – which reduces both operational and financial resilience.

**PETER RICKARD**  
**CHIEF FIRE OFFICER**

**CHRIS LITTLE**  
**TREASURER**



**TREASURY MANAGEMENT STRATEGY 2025/26 REGULATORY INFORMATION  
AND PRUDENTIAL INDICATORS**

**1. INTRODUCTION**

- 1.1 The regulatory information and prudential indicators for the 2025/26 Treasury Management Strategy are set out below.

**2. PRUDENTIAL INDICATORS**

- 2.1 The Local Government Act 2003 requires the Authority to adopt the CIPFA Prudential Code and set prudential indicators. Each indicator either summarises the expected capital activity or introduces limits upon that activity.
- 2.2 The first prudential indicator is confirmation that the Authority has adopted the CIPFA Treasury Management Code of Practice, which the Treasury Management Strategy report confirms.
- 2.3 Details of the proposed prudential limits are set out in the following sections.

**3. CAPITAL EXPENDITURE AND FINANCING REQUIREMENT**

- 3.1 The Authority's Borrowing Strategy is driven by the Capital Financing Requirement (CFR) and the Authority's view of interest rates. The CFR is the total outstanding capital expenditure which has not yet been paid for from revenue budgets or other capital resources. It is essentially a measure of the Authority's underlying borrowing need based on capital programmes approved by the Authority in previous years.
- 3.2 The Government no longer issues supported borrowing allocations. Consequently all borrowing is now made under the Prudential Borrowing Code. Capital spending decisions need to have regard to the following:
- Service objectives (e.g. strategic planning);
  - Stewardship of assets (e.g. asset management planning);
  - Value for money (e.g. option appraisal);
  - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
  - Affordability (e.g. implications for the Council Tax);
  - Practicality (e.g. the achievability of the forward plan).
- 3.4 The Authority ultimately needs to fund the CFR by borrowing money from the Public Works Loan Board (PWLb) or banks. The CFR is then repaid over a number of years reflecting the long term benefits of capital expenditure. In simple terms the CFR represents the Authority's outstanding mortgage,

although the legislation and accounting requirements are significantly more complex.

- 3.5 The estimated Capital Finance & Borrowing Requirement is shown in the following table:

Capital Financing & Borrowing Requirement	2024/25 Revised £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
CFR at 1st April	9,680	12,392	13,772	13,902
Capital Expenditure Financed by Borrowing	3,248	2,089	970	856
Less Repayment of CFR	(536)	(709)	(840)	(902)
CFR at 31st March	12,392	13,772	13,902	13,856

- 3.6 As part of the Medium Term Financial Strategy the Authority is required to approve the 2025/26 capital programme summarised as follows:

Capital Expenditure	2024/25 Revised £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
Capital Expenditure	5,372	3,585	1,509	856
<b>Financed by:</b>				
Capital Investment Programme	1,891	1,410	539	0
Prudential Borrowing	3,248	2,089	970	856
Inflation Reserves	124	9	0	0
RCCO	109	77	0	0
<b>Total Funding</b>	<b>5,372</b>	<b>3,585</b>	<b>1,509</b>	<b>856</b>

#### 4. AFFORDABILITY PRUDENTIAL INDICATORS

- 4.1 The affordability of the approved Capital Investment Programme was assessed when the Asset Management Plan was approved and revenue costs are built into the Medium Term Financial Strategy. The 'Affordability Prudential Indicators' are detailed below and are intended to give an indication of the affordability of the planned capital expenditure financed by borrowing in terms of the impact on Council Tax and the Net Revenue Stream.

##### 4.3 Ratio of Financing Costs to Net Revenue Stream

- 4.4 This shows the net cost of capital borrowing as a percentage of the net budget and the forecast annual increases reflect the phasing of borrowing to partly fund the Asset Management Plan.

%	2024/25 Revised	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
Ratio	2.24%	2.66%	2.96%	3.11%



## 5. BORROWING PRUDENTIAL INDICATORS

### 5.1 Debt Projections 2024/25 – 2027/28

5.2 The table below sets out the Authority's projected Capital Financing Requirement (CFR) and level of debt:

Debt and Investment Projections	2024/25 Revised £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Long Term Borrowing 1 April	8,796	8,694	8,589	8,481
Expected change in Long Term Debt	(102)	(105)	(108)	(111)
Debt at 31 March	8,694	8,589	8,481	8,370
CFR	12,392	13,772	13,902	13,856
Advance/(Under) Borrowing	(3,699)	(5,184)	(5,422)	(5,487)

### 5.4 Limits to Borrowing Activity

5.5 Within the prudential indicators there are a number of key indicators to ensure the Authority operates its activities within well defined limits.

5.6 The Authority needs to ensure that total borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2025/2026 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

External Debt	2024/25 Revised £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Gross Borrowing	8,694	8,589	8,481	8,370

5.7 The following table shows two key limits for the monitoring of debt. The Operational Limit is the likely limit the Authority will require and is aligned closely with the actual CFR on the assumption that cash flow is broadly neutral. The Authorised Limit for External Debt is a further key prudential indicator to control the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the Authority. In practice it needs to take account of the range of cash flows that might occur for the Authority in addition to the CFR. This also includes the flexibility to enable advance refinancing of existing loans.

Borrowing Limits	2024/25 Revised £'000	2025/26 Estimated £'000	2026/27 Estimated £'000	2027/28 Estimated £'000
Operational Limit	13,000	15,000	15,000	15,000
Authorised limit	15,000	17,000	17,000	17,000

## 6. INVESTMENT PRUDENTIAL INDICATORS AND OTHER LIMITS ON TREASURY ACTIVITY

### 6.1 Investment Projections 2024/25– 2027/28

6.2 The following table sets out the estimates for the expected level of resource for investment or use to defer long term borrowing.

2023/24 Outturn £'000	Year End Resources	2024/25 Revised £'000	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000
13,968	Balances and Reserves	11,389	8,342	5,875	4,491
713	Provisions	713	713	713	713
(555)	Collection fund Adjustment Account	0	0	0	0
14,126	<b>Total Core Funds</b>	12,102	9,055	6,588	5,204
(3,117)	Working Capital*	2,611	2,611	2,611	2,611
11,009	<b>Resources Available for Investment</b>	14,713	11,666	9,199	7,815
(884)	(Under)/Advance borrowing	(3,699)	(5,184)	(5,422)	(5,487)
10,125	<b>Expected Investments</b>	11,014	6,482	3,777	2,328

### 6.3 Sensitivity to Interest Rate Movements

6.4 Sensitivity to Interest Rate Movements is a prudential indicator that the Authority is required to disclose. The following table highlights the estimated impact of a 1% increase/decrease in all interest rates to the estimated treasury management costs/income for next year. These forecasts are based on a prudent view of a +/- 1% change in interest rates. As borrowing has already been undertaken to fund the majority of the CFR there is limited risk in relation to the impact of borrowing on revenue budgets for 2025/26. For investments they are based on a prudent view of the total amount invested.

Impact on Revenue Budgets	2025/26 Estimated 1% £'000	2025/26 Estimated -1% £'000
Interest on Borrowing	52	(52)
Investment income	(65)	65
<b>Net General Fund Borrowing Cost</b>	<b>(13)</b>	<b>13</b>

6.5 There are four further treasury activity limits and the purpose of these are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates.



## 6.6 The limits are:

- i) Upper limits on variable interest rate exposure – This identifies a maximum limit for the Authority's borrowing and investments that are held with variable interest rates. The proposed limits are detailed in the following table.

Limits on Variable Interest Rates	2025/26 Upper £'000	2026/27 Upper £'000	2027/28 Upper £'000
Borrowing	75%	75%	75%
Investments	100%	100%	100%

- ii) Upper limits on fixed interest rate exposure – Similar to the previous indicator this covers a maximum limit for the Authority's borrowing and investments that are held with fixed interest rates.

Limits on Fixed Interest Rates	2025/26 Upper £'000	2026/27 Upper £'000	2027/28 Upper £'000
Borrowing	100%	100%	100%
Investments	100%	100%	100%

- iii) Maturity structure of borrowing – Limits for the 'Maturity Structure of Borrowing' are intended to reduce exposure to large fixed rate sums falling due for refinancing. In the opinion of the Treasurer limits on fixed and variable rates for **borrowing** are unhelpful and could lead to higher costs of borrowing. Previous experience has shown that it is possible to move from a position of predominantly fixed rate borrowing to variable rate borrowing and then back to fixed rate borrowing over a period of two years. In the Treasurer's professional opinion this proactive management of investments and borrowing continues to provide the most cost effective strategy for the Authority, whilst not exposing the Authority to unnecessary risk. The Authority should ensure maximum flexibility to minimise costs to the revenue budget in the medium term. These limits are detailed in the following table:

Maturity Structure of fixed interest rate borrowing				
	2024/25 £000 Lower Limit	2024/25 £000 Upper Limit	2024/25 £000 Lower Limit	2024/25 £000 Upper Limit
Under 12 months	0	90%	0	90%
12 months to 2 years	0	100%	0	100%
2 years to 5 years	0	100%	0	100%
5 years to 10 years	0	100%	0	100%
10 years to 20 years	0	100%	0	100%
20 years to 30 years	0	100%	0	100%
30 years to 40 years	0	100%	0	100%
40 years to 50 years	0	100%	0	100%
50 years to 60 years	0	100%	0	100%
60 years to 70 years	0	100%	0	100%

The limits allow for borrowing up to the Capital Financing Requirement at either variable or fixed rates. The intention is to move to fixed rate borrowing when rates are at an appropriate level and may require the temporary use of variable rate borrowing in the interim.

- iv) Maximum principal sums invested – Total principal funds invested for greater than 364 days – These limits are set with regard to the Authority's liquidity requirements and reflect the current recommended advice that investments are limited to short term investments i.e. up to 1 year.

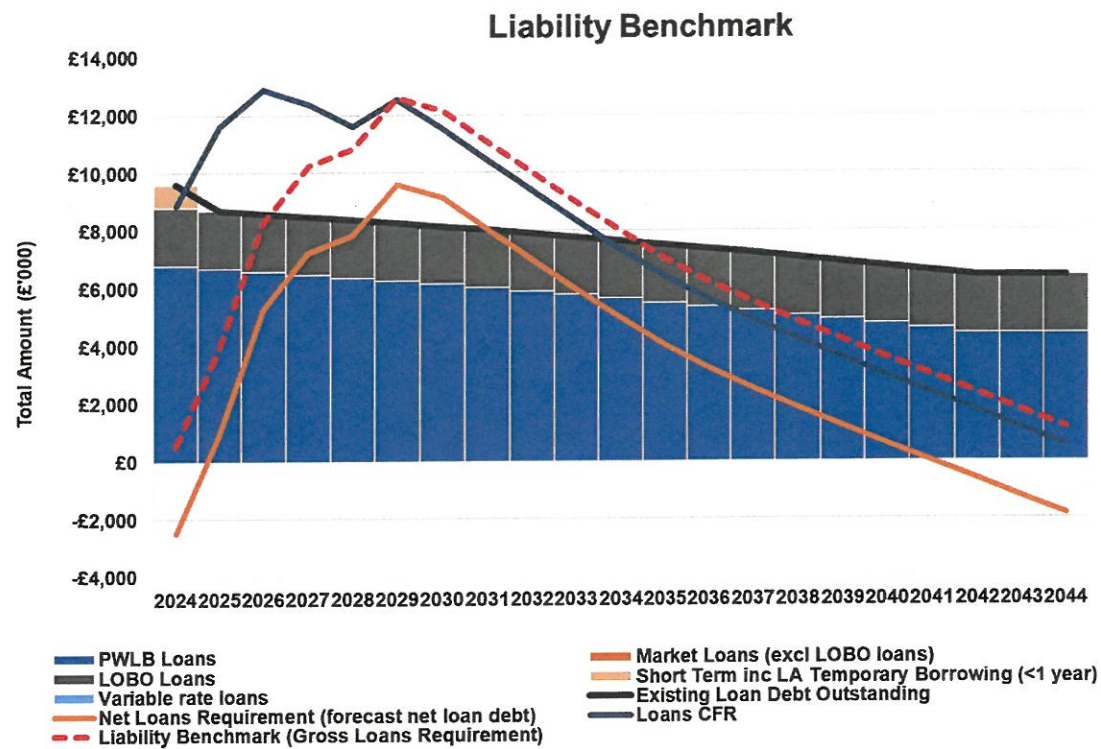
Limit for Maximum Principal Sums Invested > 364 days			
	1 year £000	2 years £000	3 years £000
Maximum	5,000	0	0

## 6.7 Liability Benchmark

- 6.8 The liability benchmark treasury indicator is to support the financing risk management of the capital financing requirement, with material differences between the liability benchmark and actual loans. The liability benchmark is a long-term forecast of the Authority's gross loan debt based on its current capital programme and other forecast cash flow movements.
- 6.9 The chart therefore tells an authority how much it needs to borrow, when and to match maturities with its planned borrowing needs.



6.10 Liability Benchmark







## Asset Management Plan

## APPENDIX B

Description	Financed Over  Years		Estimate 2025/26  £	Prudential Borrowing  £	Capital Investment Programme Reserve £	Inflation Allocation £
256 BA Cyclinders	10		77,585	77,585		
132 BA Sets	10		237,438	115,415	122,023	
26 Electric Charging Points	30	E	11,500	11,500		
Foam Equipment	15	E	187,619		187,619	
117 Vehicle Trackers	10	E	17,224		17,224	
Fire Appliance CCTV Upgrade	8	V	50,500	20,000	30,500	
Mobile Workshop Van	15	V	44,000	4,000	40,000	
Rescue Boat	12	V	41,000	6,000	35,000	
20 Digital Advertising Screens	10	E	20,000	20,000		
1000 Personal Protective Equipment (Fire Kit)	9	E	138,000	138,000		
Fire Control Mobilising System (initial Payment only)	10	E	250,000		250,000	
Redcar Emergency Generator Upgrade	25	E	24,200	24,200		
Gym Equipment Coulby			22,000		22,000	
Hartlepool Garage Refurbishment	30	P	48,582	48,582		
Drill Tower Replacements and Ladders (Ston & Hpool)	30	P	299,815	19,815	280,000	
Drill Tower Replacements and Ladders (Guis & Loftus)	30	P	302,142	302,142		
Arial Ladder Platform (A6)	25	V	300,000		300,000	
16 Departmental Vehicles	10	V	400,500	374,351	7,549	18,600
1 Departmental Vehicle (Fitness Van)	10	V	28,000	28,000		
Tec Hub Resource Garages Conversion	30	P	220,000	220,000		
Tech Hub Mezannine Conversion	30	P	60,000	60,000		
Billingham Drill Yard	40	P	28,600	2,600	26,000	
4 Departmental Vehicles EV Crew Vans	10	V	100,000	90,000		10,000
2 Departmental Vehicles EV Vans	10	V	50,000	45,000		5,000
4 Water Tenders (Rescue Pumps)	15	V	620,000	188,387	345,813	85,800
74 Hydraulic RTC Tools	20	E	500,000	500,000		
Coulby Newham Refurbishment	40	P	80,000	80,000		
High Volume Foam Pump	20	V	22,000	22,000		
34 Defibrillators	8	E	28,050	28,050		
5 BA Compressors	20	E	62,625	59,125		3,500
2 Electronic Security Gates	25	P	48,400	48,400		
Fire Control Mobilising System	10	E	657,000	389,915	267,085	
Billingham Appliance Bay Doors	25	P	65,000	65,000		
Loftus Roof Refurbishment	30	P	35,000	35,000		
Technical Hub Emergency Generator Upgrade	20	E	40,000	40,000		
Skelton Emergency Generator Upgrade	20	E	18,000	18,000		
Redcar Heating Pipework Refurbishment	25	P	167,000	167,000		
Hose Reel Branches	15	E	31,500		30,000	1,500
Respirators	5	E	14,000		14,000	
Dry Suits	8	E	25,000		25,000	
<b>TOTALS</b>			<b>5,372,281</b>	<b>3,248,068</b>	<b>1,999,813</b>	<b>124,400</b>

Description	Financed Over Years		Estimate 2025/26 £	Prudential Borrowing £	Capital Investment Programme Reserve £	Inflation Allocation £
Ariel Ladder Platform	25		525,000		525,000	
30 Mobile Working Devices	5		44,819	44,819		
2 Climate Change - Site Decarbonisation	30		33,122	33,122		
26 Electric Charging Points	30	E	24,000	24,000		
4 Water Tenders (Rescue Pumps)	15	V	840,000		840,000	
2 Climate Change - Site Decarbonisation	30	P	200,000	200,000		
36 x Mobile Data Terminals (MDTs)	5	E	148,000	148,000		
Fuel Pump Management System	10	E	45,000		45,000	
4 Departmental Vehicles	10	V	100,000	91,400		8,600
2 Climate Change - Site Decarbonisation	30	P	200,000	200,000		
10 Standard Lifting Bags	10	E	6,000	6,000		
4 Ladders	18	E	11,220	11,220		
24 Hydraulic Hose	10	E	18,880	18,880		
Wildfire Vehicle	10	V	100,000	100,000		
Drill Tower Replacements and Ladders (Coulby)	30	P	154,000	154,000		
Prime Mover x1	20	V	280,000	280,000		
Removal of the balconies (3) Fire House		P	77,000		77,000	
Bodyworn Cameras (80)	5	E	48,000	48,000		
Clean Cab 20 appliances	15	V	200,000	200,000		
Decontaminants 7 WT Stations	40	P	350,000	350,000		
Decontaminants 6 oncall Stations	40	P	180,000	180,000		
<b>TOTALS</b>			<b>3,585,041</b>	<b>2,089,441</b>	<b>1,487,000</b>	<b>8,600</b>

Description	Financed Over Years		Estimate 2026/27 £	Prudential Borrowing £	Capital Investment Programme Reserve £	Inflation Allocation £
1000 Personal Protective Equipment (Fire Kit)	9	E	690,000	190,000	500,000	
4 Departmental Vehicles	10	V	114,000	114,000		
14 Tyre Compressor	20	E	11,500	11,500		
50 Life Jackets	10	E	7,150	7,150		
52 Gas Tight Suits	10	E	42,900	3,900	39,000	
Yarm Refurbishment	40	P	341,000	341,000		
2 Climate Change - Site Decarbonisation	30	P	200,000	200,000		
A0 Plotter	9	E	13,200	13,200		
135 Fireground Radios & BA Comms	10	E	89,100	89,100		
<b>TOTALS</b>			<b>1,508,850</b>	<b>969,850</b>	<b>539,000</b>	



Description	Financed Over Years		Estimate 2027/28 £	Prudential Borrowing £	Capital Investment Programme Reserve £	Inflation Allocation £
2 Climate Change - Site Decarbonisation	30	P	200,000	200,000		
Appliance Bay Doors	25	P	122,000	122,000		
Community Defibrillator Replacement	5	E	15,000	15,000		
Hartlepool Station Roof Refurbishment	30	P	77,000	77,000		
Unimog (C4) Replacement	20	V	217,030	217,030		
Small Fire Units	12	V	145,200	145,200		
Technical Hub Van	9	V	22,500	22,500		
Inflatable Boat	10	V	9,900	9,900		
Outboard Engine	10	V	5,170	5,170		
Heavy Duty Lifting Bags	15	E	34,230	34,230		
Roof Ladder Harnesses & Lanyards	10	E	8,250	8,250		
<b>TOTALS</b>			<b>856,280</b>	<b>856,280</b>	<b>0</b>	

Description	Financed Over Years		Estimate 2028/29 £	Prudential Borrowing £	Capital Investment Programme Reserve £	Inflation Allocation £
Mobile Working Devices	5	E	60,000	60,000		
Mobile Data Terminals	5	E	162,000	162,000		
Station Roof Replacements (D,G)	30	P	154,000	154,000		
Station Yard Resurfacing (L,N)	20	P	48,000	48,000		
Climate Change - Site Decarbonisation	30	P	200,000	200,000		
4 Water Tenders	15	V	1,385,813	1,385,813		
Water Tender (CARP Replacement M1)	15	V	350,000	350,000		
Water Tender (CARP Replacement B4)	15	V	350,000	350,000		
<b>TOTALS</b>			<b>2,709,813</b>	<b>2,709,813</b>	<b>0</b>	<b>0</b>

Description	Financed Over Years		Estimate 2029/30 £	Prudential Borrowing £	Capital Investment Programme Reserve £	Inflation Allocation £
Fire Appliance CCTV	8	E	168,000	168,000	0	
Fire & Intruder Alarm Systems (J, M, N)	15	E	45,000	45,000	0	
Drill Tower Replacements (C, K, O)	30	P	462,000	462,000	0	
Climate Change - Site Decarbonisation	30	P	200,000	200,000	0	
2 Land Rovers	15	V	80,000	80,000	0	
1 Water Bowser	15	V	20,000	20,000	0	
24 Ladders	18	E	67,000	67,000	0	
<b>TOTALS</b>			<b>1,042,000</b>	<b>1,042,000</b>	<b>0</b>	<b>0</b>

<b>GRAND TOTAL CAPITAL</b>			<b>15,074,265</b>	<b>10,915,452</b>	<b>4,025,813</b>	<b>133,000</b>
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**EXTRACT FROM HOME OFFICE – FIRE AND RESCUE NATIONAL  
FRAMEWORK FOR ENGLAND**

**Reserves**

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.

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.

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).

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.

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).





**EXTRACT FROM HOME OFFICE – FIRE AND RESCUE NATIONAL  
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# APPENDIX D

**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 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to) £'000	Forecast Balance at 31/3/2025 £'000	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
<b>Earmarked Capital Reserves</b>										
<b>Capital Investment Programme</b> 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.	3,952	(1,853)	70	2,139	(1,487)	(539)	0	0	0	113
<b>Asset Management Plan inflation risk reserve</b> 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 £1.024m has been identified within the MTFS, leaving a potential shortfall of £0.166m which is not forecast to arise until 2028/29. This majority of the shortfall can potentially be funded from the uncommitted Capital Investment Programme reserve.	409	491	0	900	(416)	(170)	(110)	(370)	0	(166)
<b>Total Earmarked Capital Reserves</b>	<b>4,361</b>	<b>(1,392)</b>	<b>70</b>	<b>3,039</b>	<b>(1,903)</b>	<b>(709)</b>	<b>(110)</b>	<b>(370)</b>	<b>0</b>	<b>(53)</b>

Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to)	Forecast Balance at 31/3/2025 £'000	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
<b>Earmarked Revenue Reserves</b>										
<b>Budget Support Fund</b>	2,857	(9)	0	2,848	(376)	(897)	(402)	0	0	1,173
As detailed in the MTFS report the 2025/26 Local Government Finance Settlement only covers one financial year. Funding for 2026/27 and future years will be determined by the next Spending Review. This position, alongside current inflation and uncertainty regarding 2025 national pay awards makes financial planning extremely challenging. This reserve helps manage these risks and uncertainties.										
The 2025/26 use of this reserve reflects the recommendations in the current MTFS report. This use may increase if 2025 pay awards exceed forecasts to provide a slightly longer lead time to implement permanent budget reductions. The forecast used to support the revenue budget over the period 2025/26 to 2026/27 reflects the worst case MTFS scenario (i.e. scenario 4). 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 permanent savings is developed and then implemented before the end of 2027/28. This strategy would avoid deferring a budget deficit beyond the current MTFS period.										
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.	501	249		750	(250)	(250)	(250)	0	0	0
<b>Budget Support Fund - Interest Income</b>										
This reserve has been established from temporary investment income and provides support of £0.250m per year towards the MTFS until 2027/28, a year longer than initially anticipated.										
<b>Budget Support Fund</b>	3,358	240	0	3,598	(626)	(1,147)	(652)	0	0	1,173



Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to)	Forecast Balance at 31/3/2025 £'000	Planned Use of Reserves					Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
<b>Innovation Fund</b> 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
<b>Commissioned Services</b> 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.	253	0	0	253	0	0	0	0	0	253
<b>Total Earmarked Revenue Reserves</b>	706	0	0	706	(153)	(150)	(150)	0	0	253
<b>Total Earmarked Capital and Revenue Reserves</b>	8,425	(1,152)	70	7,343	(2,682)	(2,006)	(912)	(370)	0	1,373
<b>Balance 31 March</b>					4,661	2,655	1,743	1,373	1,373	

## APPENDIX D

### 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 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to) £'000	Forecast Balance at 31/3/2025 £'000	Planned Contribution / (Use)					Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
<b>Capital Phasing Reserve</b> 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 2033/34 the reserve will have been fully used.	1,643	995	0	2,638	26	(259)	(350)	(392)	(582)	1,081
<b>Grenfell Action Plan</b> This reserves will support our implementation of the Grenfell Tower Inquiry recommendations and improve resilience to major incidents.	113	(24)	0	89	(30)	(30)	(29)	0	0	0
<b>Invest to Save Reserve</b> This will support the Digital Transformation programme, Fire Hydrant maintenance and property issues etc.	848	-532	0	316	(251)	(62)	(3)	0	0	0



Description and how reserve supports the authority's strategy to deliver good quality services	Balance at 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to) £'000	Forecast Balance at 31/3/2025 £'000	Planned Contribution / (Use)					Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	
<b>Ring-fenced Grants</b> This reserve is earmarked for specific commitments in accordance with the Emergency Services Mobile Communications Project grant	390	0	(70)	320	(100)	(100)	(80)	(40)	0	0
<b>Non-Statutory Community Projects</b> This will support non-statutory projects relating to secured grant funding from the CFBCIC (Volunteers) and will be used to manage differences in the phasing of expenditure and funding. Use is estimated as timing is uncertain.	9	31	0	40	(10)	(10)	(10)	(10)	0	0
<b>Total</b>	<b>3,003</b>	<b>470</b>	<b>(70)</b>	<b>3,403</b>	<b>(365)</b>	<b>(461)</b>	<b>(472)</b>	<b>(442)</b>	<b>(582)</b>	<b>1,081</b>
<b>Balance 31 March</b>					<b>3,038</b>	<b>2,577</b>	<b>2,105</b>	<b>1,663</b>	<b>1,081</b>	

## APPENDIX D

### 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 31/3/2024 £'000	2024/25 Contributions / (Use) £'000	2024/25 Transfer between reserves from / (to) £'000	Forecast Balance at 31/3/2025 £'000	Planned Use of Reserves				Balance Allocated to Manage Ongoing Risk £'000
					2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	
<b>Insurance Fund</b>	643	0	0	643	0	0	0	0	643
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.									
<b>Total</b>	<b>643</b>	<b>0</b>	<b>0</b>	<b>643</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>643</b>

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

Category 1	8,425	(1,152)	70	7,343	(2,682)	(2,006)	(912)	(370)	0	1,373
Category 2	3,003	470	(70)	3,403	(365)	(461)	(472)	(442)	(582)	1,081
Category 3	643	0	0	643	0	0	0	0	0	643
Total Earmarked Reserves	12,071	(682)	0	11,389	(3,047)	(2,467)	(1,384)	(812)	(582)	3,097

Balance 31 March	8,342	5,875	4,491	3,679	3,097
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