



Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner Fire and Rescue Authority (PFCCFRA) for North Yorkshire

27th February 2024

Status: For Decision

Medium Term Financial Plan (MTFP) 2024/25 to 2027/28 and Capital Plans 2024/25 to 2027/28 - North Yorkshire Fire.

1. Executive Summary

1.1 Purpose of the Report

1.2 The report sets out the detailed Budget for 2024/25 and the Medium Term Financial Plan (MTFP) for 2024/25 – 2027/28 in line with the legal requirement to set a budget prior to the 1st March each year for the following financial year. It also asks the PFCC to agree the funding for the Capital Programme for 2024/25 and the indicative allocations for the period 2025/26 to 2027/28.

2. Recommendations

2.1 The PFCC is requested **to approve** the Revenue Budget as set out within this report and in doing so the delegation of an expenditure budget to the Chief Fire Officer of £45,180k in line with the plans set out within this report.

2.2 The PFCC is asked **to note** that the Budget for 2024/25 is being supported through the release of £414k from reserves although it is important to recognise that the release of these reserves are directly matched to non-recurring expenditure and are not being used to balance the budget.

2.3 The PFCC is asked **to note** that the Budget for 2024/25 **adds £75k into the General Fund** to maintain this Reserve at 3% of Net Budget Requirement in line with the Reserves Strategy.

2.4 The PFCC is asked **to approve** the Reserves Strategy that is attached at Appendix B.

2.5 The PFCC is asked **to note** that the 2024/25 budget is based on the approved £2.41, or 2.99%, increase in the level of Band D precept for 2024/25.

2.6 The PFCC is asked **to note** the Robustness of Estimates and Adequacy of Financial Reserves Advice from the PFCCs CFO that is included within this report.

- 2.7 The PFCC is asked **to approve** that additional External Borrowing of £6,970k can be taken out during the year, if required, to fund the Capital Programme.
- 2.8 The PFCC is asked **to approve** that the Capital Programme is initially set at £8,078k, as set out at Appendix A, for 2024/25 and within that programme approve that:
- Indicative approval of the 2025/26 Capital Programme budgets, as set out in Appendix A, and delegation of approval of any requests to pre-order against the 2025/26 budgets to the Commissioners Chief Finance Officer, up to 25% of each indicative budget. The 2025/26 Capital Programme will be submitted for formal approval at this time next year.
 - Delegation to the Commissioners Chief Finance Officer to approve, where needed and appropriate, for the carry forward of any slippage from the approved 2023/24 Capital Programme into 2024/25.
- 2.9 The PFCC is asked **to note** that the Capital Programme contains £100k to begin the Estates Replacement Programme during 2024/25. This is **not** included within the requested £8,078k Capital Programme as any approval of these schemes will need to be subject to a separate business case and/or decision of the PFCC before this money is made available to spend.
- 2.10 The PFCC is asked **to approve** that quarterly updates on performance against both the revenue and capital budgets are reported to the PFCC via the Executive Board.

3. Planning and Funding Assumptions

3.1 Local Government Finance Settlement 2024/25

- 3.2 On 18 December 2023, the Secretary of State for Levelling Up, Housing and Communities Michael Gove MP, set out the Provisional Local Government Finance Settlement for 2024-25 in the form of a Written Ministerial Statement. Alongside the statement, details of the provisional settlement have been published on the Gov.uk website. The Secretary of State stated that the proposals announced today "...will provide councils with the support they need. It ensures stability, delivers additional resources for social care, and maintains balance on council tax"
- 3.3 It is important to note that many smaller grants have not been announced as part of the Provisional Settlement and are announced separately. The Home Office is expected to announce a series of Fire and Rescue grants in January and February 2024.
- 3.4 Subsequent to this initial announcement and based on consultation feedback on the provisional settlement the Secretary of State provided a further Statement on the 24th January 2024 setting out the following:
- An additional £500 million of funding for local government to deliver social care
 - An increase to the Funding Guarantee to 4%, ensuring that all authorities

see a minimum increase in Core Spending Power of 4%, before local decisions on council tax - a key ask of district councils.

- Increased support for rural councils by increasing the Rural Service Delivery Grant by £15m

3.5 Headlines

3.6 Last year, in early December 2022, the Department for Levelling Up, Housing and Communities (DLUHC), published a policy statement which included some broad indications for the 2024-25 Settlement, but still left several unknowns. On 5 December 2023, DLUHC published a second "policy statement" which contained more indications of what the 2024-25 announcement would include. These statements are intended to assist local authorities with their planning, especially when Provisional Settlements are announced so late in the year

3.7 The Settlement and Updated Settlement went on to confirm much of the policy statement and provided the following headlines:

- Fire and Rescue Authorities' precept flexibility remains at 3%.
- Standalone FRAs see smallest Core Spending Power increase of all classes.
- Core Spending Power increases by an average of 7.5% across the board.
- Services Grant reduces by 84% to £77m. Social care grants rise by 20%.
- 4% Funding Guarantee continues in 2024-25 - ensures councils get at least 4% increase in Core Spending Power, before council tax or decisions on use of reserves.
- Rural Services Delivery Grant increased from £95m to £110m.
- Fire and Rescue Pensions Grant (£115m) now included within Core Spending Power

3.8 Fire Pensions Grant

3.9 Last year a total of four grants rolled into Revenue Support Grant (RSG) and this year the previously provided Fire Pensions Grant worth £115m is also rolled in. The distribution of the Fire Pensions grant is remaining the same and the funding is being transferred after the RSG inflationary uplift. This means that in future years this funding will also increase by the increase in the small business rate multiplier.

3.10 Funding Guarantee

3.11 In 2023-24, DLUHC used £25m of the legacy New Homes Bonus and the Lower Tier Services Grant (£111m in 22-23) to fund what was described at the time as a “one-off funding guarantee”. However, this has been extended to a second year.

3.12 The Funding Guarantee for 2024/25 now ensures that all Local Authority’s will see at least a 4% increase in Core Spending Power before ‘organisational efficiencies’ (i.e., internal savings), use of reserves and council tax precept increases (although taxbase growth will be included).

3.13 Over 75% of the 44 English fire and rescue authorities receive an allocation from the Funding Guarantee. This is because the guarantee applies before additional council tax income, and therefore authorities for which council tax makes up a significant portion of their Core Spending Power are more likely to hit the 4% threshold.

3.14 Services Grant (£77m)

3.15 Last year’s Services Grant was described as “one off” but is continuing in 2024/25. In 2022-23 the Services Grant was £822m and in 2023-24 it was £483m. The 2024-25 provisional settlement announcement indicates the grant is falling further to just £77m – a reduction of £406m.

3.16 Rural Services Delivery Grant

3.17 The Rural Services Delivery Grant has now increased by £15m to £110m in 2024-25, after increasing by £10m last year.

3.18 Business Rates

3.19 Up until April 2024, the Small Business Rate Multiplier (SBRM) and the Standard Multiplier have been linked (standard is 1.3p more than SBRM).

3.20 This has meant that either they both increase or are both frozen. However, earlier this year, the Government consulted on changes to Business Rates, which included decoupling the increase in the SBRM from the increase in the standard rate.

3.21 This means that, from April 2024, the two rates can be set independently. The 2023 Autumn Statement announced that the SBRM was to be frozen at 49.9p in the pound, whilst the Standard Multiplier is increasing by the CPI increase 6% to 54.6p. This decoupling affects under-indexing compensation payments as well as Baseline Funding Levels and Tariffs/Top-ups.

3.22 What does this mean for North Yorkshire Fire in 2024/25 in terms of Funding?

3.23 Based on the agreed precept, of £83.02 for a Band D property, then the overall impact on the Core Spending Power for the organisation is set to increase by 5.2%, or just under £2.0m, as set out in the table below:

Local and Government Funding	2024/25	2023/24	(Increase)/Reduction	Year on Year Change
	£000s	£000s	£000s	%age
Government Funding				
Total Settlement Funding	(11,028)	(9,284)	(1,744)	18.8%
Rural Services Grant	(699)	(604)	(95)	15.8%
Services Grant/Funding Guarantee	(763)	(249)	(515)	206.7%
Pensions Grant		(1,711)	1,711	-100.0%
Compensation for Underindexing of Business Rates	(1,315)	(1,088)	(228)	20.9%
Total Government Funding	(13,805)	(12,935)	(870)	6.7%
Impact of a £2.41 (2.99%) increase in Band D Precept				
Net Surplus on Collection Funds	(205)	(129)	(76)	
Council Tax Requirement	(26,160)	(25,123)	(1,037)	
Total Local Funding	(26,365)	(25,253)	(1,113)	4.4%
Total Government + Local Funding	(40,171)	(38,188)	(1,983)	5.2%

3.24 Funding beyond Core Spending Power

3.25 Firelink Grant

3.26 The Home Office had previously written to Fire Authorities during 2022/23 indicating that this grant will be phased out by 2026/27. Therefore the £230k that was received by North Yorkshire in 2021/22 will reduce by £45k per year. The grant is not included within the Core Spending Power analysis.

3.27 Fire Pensions Grant

3.28 The Home Office have announced that there will be a further 2024-25 Fire Pensions Grant of £85.3m, this is to compensate for an increase in the Employers Pension Contribution Rate into the Fire Pension Fund of 8.8%.

3.29 This separate grant has been calculated/allocated based on a four-year average of employer's contributions. The Grant for North Yorkshire has been confirmed as £1,336k – as with many other Fire Authorities our calculations would suggest this is insufficient to cover the additional costs of the 8.8% increase fully.

3.30 The initial estimate calculates that the grant will be too low by £120k in 2024/25.

3.31 In addition to this a Grant of £6m towards pension administration costs has been provided for 2024/25, North Yorkshire's share of this is £94k.

3.32 It is expected that the additional Pensions grant funding (as well as other specific grants for fire and rescue) will only be allocated on a one-year basis by the Home Office, with future years subject to Spending Review in the usual way.

Funding for 2025/26 and beyond

- 3.33 2024/25 is the final year of the current Spending Review period and therefore there is very little formal guidance for future plans.
- 3.34 The current plan has therefore assumed that Government Funding will continue to increase by CPI and that this will be 2%.
- 3.35 The current plan also assumes that Fire Authorities will continue to be afforded, at least, the same opportunity to consider a precept increase of up to 3% per year, and therefore this plan assumes a 2.99% increase each year.
- 3.36 The current plan does not consider any changes to funding that may occur as a result of the Fire Authority becoming part of the Mayoral Combined Authority in May 2024.
- 3.37 MTFP Assumptions
A review of the assumptions within the MTFP has been undertaken, these will remain under review and are updated with the best information available, the current assumptions incorporated into the MTFP for 2024/25 and beyond are as follows:
- Pay Awards: Pay Increase of 3% in 2024/25, followed by 2% increases thereafter
 - Precept: Increases of 2.99% per annum
 - Tax Base increases 1.2% in 2024/25 with increases of 1.4% thereafter,
 - Government Grants: 2024/25 – CPI increase of 2% per year
 - Nil impact from any Fair Funding/Funding Formula review
 - Nil impact from Business Rates Retention
 - Rural Service Delivery Grant continues at £699k per annum.
 - One-off Services Grant is added into the overall funding baseline.
 - Inflation: 2% for most non-pay areas from 25/26 onwards.
 - Any pensions changed are fully funded by the Government.
- 3.38 It is important to recognise that these are assumptions and as such could easily change. These will be kept under close scrutiny/review as the year progresses and updates provided as/when more information becomes available.
- 3.39 Precept
Almost 70% of the Net Budget Requirement for the North Yorkshire Fire and Rescue Service is funded by the local precept and therefore when this area is constrained to below inflationary increases this causes greater challenges in North Yorkshire than most other Fire Services.
- 3.57 Some areas only receive 45% of their funding from the Precept with the average nationally, across Fire and Rescue Services, about 60%.
- 3.58 In publishing the final council tax referendum principles for 2024/25 the Government provided Fire Authorities with the scope to increase Precept by up to 2.99% for a Band D property before triggering a local referendum.

- 3.59 Consultation was undertaken within North Yorkshire and the results published as part of the supporting information for the PFCC's decision to propose a 2.99% (or £2.41) increase in the Band D precept for 2024/25. This proposal was supported by the Police, Fire and Crime Panel and therefore this budget incorporates a Band D 'Fire' precept for 2024/25 for North Yorkshire of £83.02.
- 3.60 **Results from Public Consultation**
- 3.61 To further inform the decision around the proposed precept for 2024/25 consultation has been undertaken with the public to ascertain their feedback and thoughts on this subject.
- 3.62 The consultation was conducted via an online survey and by telephone, to ensure a representative sample of North Yorkshire and the City of York residents by age, gender and geography.
- 3.63 The public were asked the following:
- 3.64 North Yorkshire Fire and Rescue Service has a budget of £40 million – the majority of that, over 60 per cent, comes from the precept on your council tax.
- 3.65 To provide a similar level of service to now, they think they will need around an extra £2.5m – £3m due to salary increases and the rising cost of fuel, utilities and interest on loans.
- 3.66 The Government are expected to say that Commissioner Zoë can raise the fire precept by £5 from April – that would be an increase of 6.2%, an extra 10 pence per week for an average Band D property. Even this would only raise £1.6m of that extra demand
- 3.67 The following options are based on an average Band D property currently paying £80.61 each year for Fire and Rescue. How much more would you be prepared to pay per year, through your council tax for fire and rescue services?
- No more than I pay now – a precept freeze
This would mean a significant cut to the fire and rescue budget due to inflation and current service delivery could not be maintained.
 - Up to £2.41 a year more (20 pence per month), an increase of 2.99%
This would raise around £750k, however is significantly below inflation and would likely lead to reductions in current levels of service delivery.
 - Up to £5 a year more (42 pence per month), an increase of 6.2%
This would raise around £1.6m, is broadly in line with the organisation's inflationary pressures and would lead to no reductions in planned levels of service delivery.
 - Up to £7.50 a year more (63 pence per month), an increase of 9.3%
This would raise around £2.4m, is likely to be higher than the organisation's inflationary pressures and would allow some additional investment into fire and rescue service delivery.

3.68 In total 1,684 responses were received via the open online survey and a further 996 interviews over the telephone. The open survey was published on the PFCC website and promoted widely via social media.

3.69 A summary of the overall results is shown in the table below:

	Total (n=2,680)	Telephone (n=996)	Online (1,684)
No more than I pay now a precept freeze	31%	35%	28%
Up to £2.41 a year more (20 pence per month), an increase of 2.99%	15%	17%	15%
Up to £5 a year more (42 pence per month), an increase of 6.2%	31%	32%	31%
Up to £7.50 a year more (62 pence per month), an increase of 9.3%	23%	16%	27%
TOTAL who support an increase of at least 2.99%	69%	65%	72%

3.70 Combined results (online and telephone) from the consultation show a majority (69%) support an increase of at least 2.99% in the fire and rescue precept, which is the level proposed within this report.

3.71 Had there been the scope to increase the precept by £5, which was provided last year, then around 54% of those surveyed supported this option.

3.72 The Tax Base

The two local Councils have notified the PFCC of their tax bases for 2024/25 as set out in the table below:

Tax Base	2024/25	2023/24
	Net Tax Base	Net Tax Base
North Yorkshire County Council	246,010	243,034
York City Council	69,098	68,633
Total	315,107	311,667
Annual Increase/(Decrease)	3,441	
Percentage Increase/(Decrease)	1.10%	

- 3.73 The tax base is expressed in terms of Band D equivalent properties. Actual properties are converted to Band D equivalent by allowing for the relevant value of their tax bands as set down in legislation (ranging from 2/3rds for Band A to double for Band H; discounts for single person occupation, vacant properties, people with disabilities etc;) and a percentage is deducted for non-collection. Allowance is also made for anticipated changes in the number of properties.
- 3.74 The tax base calculated by the billing authorities differ from the figures used by the Government (which assumes 100% collection) in calculating Grant Formula entitlements.
- 3.75 As can be seen from the table above the number of Band D equivalent properties across North Yorkshire has increased in 2024-25, in comparison to 2023-24, by 3,441 – this equates to an increase of 1.10%
- 3.76 The 2024/25 tax base is therefore 315,107.29 Band D Equivalent properties
- 3.77 Setting the Council Tax
- 3.78 The precept calculation needs to take account of any net surplus or deficit on the billing authority collection funds. Projected surplus/deficits on the individual funds are shown in the table below.

Collection Funds Surplus/ (Deficit)	
	£
North Yorkshire County Council	241,366
York City Council	(36,163)
Net Surplus/(Deficit) on Collection Fund	205,203

- 3.79 The surpluses/deficit that have arisen need to be returned through the precept. The final precept to be levied will reflect the position on each council's collection fund.
- 3.80 Business Rates
- 3.81 While the Fire Authority's income is heavily reliant on income from Council Tax payers there is also another element of the income that is generated from local taxation and this is from Business Rates.
- 3.82 The Fire Authority receives 1% of the Business Rates collected within North Yorkshire which usually equates to around £3m per annum, and similar to Council Tax this is collected by the local councils and paid to the Fire Authority.
- 3.83 As with Council Tax there are variations between the amounts expected to be paid and those actually received/paid. The Fire proportion of the Business Rates collection fund **deficit** across North Yorkshire as a whole was £48k for 2023/24, down from £56k in 2022/23. This will be paid to the councils during 2024/25
- 3.84 The assumptions for both Council Tax and Business Rates will all be kept under review as details for future years become available and projections amended accordingly.

3.85 S31 NNDR Grants and Specific Grants

The overall budget in this area has increased from £4.8m in 2023/24 to a forecast of £5.6m in 2024/25.

3.86 The main areas within this area of the budget are:

- Pensions Grant - £1,336k
- PFI Grant - £649k – this Grant will continue, at the same level, until the PFI contract comes to an end during 2026/27.
- Business Rates Grant - £2,379k – these are 'normal' reliefs and under-indexation adjustments.
- Funding Guarantee - £669k
- Protection Uplift Grant - £242k

3.87 General Income

3.88 This area reflects income from secondments, fees and service income, recharges and interest receivable. This area is forecast to generate around £500k more income in 2024/25 than 2023/24 predominantly as a result of higher interest rates leading to higher interest receivable (£324k) being generated on the cash balances that we hold, also a change to accounting for the income from sales of vehicles being recorded as revenue expenditure, instead of capital (£175k)

3.89 The entire funding therefore expected to be available to the PFCCFRA for the next 4 years, in comparison to 2023/24, is as follows:

	Actual Budget 2023/24 £'000	Forecast Budget 2024/25 £'000	Forecasts		
			2025/26	2026/27	2027/28
			£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,918)	(11,028)	(11,248)	(11,473)	(11,703)
Rural Services Grant	(604)	(699)	(699)	(699)	(699)
Council Tax Precept	(25,123)	(26,160)	(27,320)	(28,530)	(29,795)
Council Surplus/Deficit	(129)	(205)	(160)	(160)	(160)
NNDR Surplus/Deficit	56	48	0	0	0
Funding for the Net Budget Requirement	(34,719)	(38,044)	(39,427)	(40,862)	(42,357)
%age change in Net Budget Requirement	10.6%	9.6%	3.6%	3.6%	3.7%
S31 NDR Grants and Specific Grants	(4,833)	(5,599)	(5,274)	(5,290)	(4,814)
General Income	(718)	(1,197)	(1,061)	(1,078)	(1,096)
TOTAL FUNDING	(40,269)	(44,840)	(45,762)	(47,231)	(48,267)
%age change in Total Funding	7.8%	11.4%	2.1%	3.2%	2.2%

3.90 Once all funding sources have been factored in then we currently forecast that Total Funding will increase by **just under £4.6m**, or 11.4% in 2024/25.

3.43 It is important to reflect that while total income is expected to be around £2.6m higher than the increase in Core Spending Power, much of this £2.6m doesn't provide any real net benefit to the Authority, for the following reasons:

- £1.3m is a result of a new pensions grant that is required to fund higher pension contribution rates for firefighters
- £0.3m is a result of higher interest rates –which is offset by higher external interest payments.

- £0.2m is expected to be the level of Specific Grant relating to Protection Uplift which is matched to additional expenditure
- £0.1m is additional secondment income – which is offset by higher costs to cover for those people on secondment.
- £0.2m is a reclassification of income for the sale of vehicles between Capital and Revenue and therefore provides no net benefit to the Service.

4 Expenditure Plans

4.1 **Pay Increases and Inflation Pressures**

- 4.2 While the overall increases in Total Funding seem reasonable across the life of the plan, and very good in 2024/25, it is important to reflect on the additional costs that need to be funded from these increases.
- 4.3 The 2023/24 pay budgets had forecast that pay awards would be 5% during 2023/24. While this was agreed for Firefighters prior to the budget being set the increase for staff was not agreed.
- 4.4 Given the significant increases in inflation that occurred during 2023/24 the increase for staff was agreed at a rate higher than the 5% budgeted, that being an increase of £1,925 for those earning up to £49,950 and 3.88% for higher earners. This settlement equated to an overall increase of just over 6%, and an additional cost of £42k which has a recurring impact within the financial plans
- 4.5 In addition to the current year position on pay the MTFP now forecasts that the pay award for Firefighters will be 3% and for Staff it will be 2.5% for 2024/25.
- 4.6 Each 0.5% higher than these assumption would add a further £145k to the position in this report.
- 4.7 As mentioned previously in the report there will be a significant increase in the Employer Pension Contribute Rate into the Firefighter Pension Scheme from 28.8% to 37.6% - this 8.8% increase is expected to cost around £1,455k in 2024/25.

4.8 The impact of these assumptions are additional costs of around £2.2m in 2024/25, in comparison to the 2023/24 position. The costs make up the majority of the £2.7m increase in the forecast pay budget, with the other items included within the table below:

Forecast additional Pay Costs			
	2024/25	2025/26	2026/27
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Impact of 23/24 Support Staff Pay Award	45	45	45
Increase in FF Pension Contribution Rate	1,455	1,485	1,515
Assume 3%/2.5% Pay Awards in 24/25	705	855	875
Additional costs of secondments and Grant Funded Posts	170	120	120
Staff Growth	285	145	145
Other sundry movement	80	250	340
Total Forecast Additional Pay Costs	2,740	2,900	3,040

4.9 In addition to pay pressures, there are a significant number of non-pay pressures in 2024/25 arising mostly from inflation.

Impact of Inflation and Pressures/Growth on Non-pay Budgets:			
	2024/25	2025/26	2026/27
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Indirect Staff Costs	150	80	110
Premises	235	300	355
Transport	70	116	140
Supplies and Services	495	531	540
External Agreements	105	10	10
PFI	195	240	300
Capital Financing	155	719	1,250
Pensions	150	80	80
Total Forecast Additional Non-Pay Costs	1,555	2,075	2,785

4.10 The areas of significant increase are as follows:

4.11 **Indirect Staff Costs** are forecast to increase by £150k, before savings, predominantly as a result of increased need for operational training.

4.12 **Premises Costs** are forecast to increase by £235k before savings, mostly as a result of higher business rates (£160k) and then wider general inflation.

4.13 **Transport Costs** are forecast to increase by £70k, before savings, this is being driven by higher insurance costs and higher use of fuel due to increased prevention and protection work.

4.14 **Supplies and Services Costs** are forecast to increase by £495k, before savings, predominantly as a result of:

- Breathing Apparatus contract costs as the Service switches to new equipment with improved functionality- £100k,
- Higher operational equipment costs - £70k,
- Higher Uniform and Work wear costs - £85k
- Higher ICT costs due to inflation - £185k

- 4.15 **External Agreements** are forecast to increase by £105k, mainly resulting for the additional funding from the Home Office to provide additional support/resource into Pension Administration.
- 4.16 **PFI Costs** are forecast to increase by £195k as the contract price is linked to RPI increases.
- 4.17 **Capital Financing Costs** are forecast to increase by £120k in 2024/25. Most of this relates to increases in interest payable on the loans required to fund the Capital Programme.
- 4.18 Putting together all of the cost increases, along with movements on reserves, results in potential additional costs and pressures of just over £5.1m as set out within the table below:

Forecast additional Pay Costs			
	2024/25	2025/26	2026/27
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Impact of 23/24 Support Staff Pay Award	45	45	45
Increase in FF Pension Contribution Rate	1,455	1,485	1,515
Assume 3%/2.5% Pay Awards in 24/25	705	855	875
Additional costs of secondments and Grant Funded Posts	170	120	120
Staff Growth	285	145	145
Other sundry movement	80	250	340
Total Forecast Additional Pay Costs	2,740	2,900	3,040
Impact of Inflation and Pressures/Growth on Non-pay Budgets:			
	2024/25	2025/26	2026/27
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Indirect Staff Costs	150	80	110
Premises	235	300	355
Transport	70	116	140
Supplies and Services	495	531	540
External Agreements	105	10	10
PFI	195	240	300
Capital Financing	155	719	1,250
Pensions	150	80	80
Total Forecast Additional Non-Pay Costs	1,555	2,075	2,785
Changes to Reserve Movements	820	1,050	1,200
Potential Additional Costs and Pressures	5,115	6,025	7,025

- 4.19 As set out above the vast majority of these increases are unavoidable costs.
- 4.20 These costs absorb all of the forecast increase in income in 2024/25 of £4,570k, leaving savings of £545k to be delivered to balance the budget in 2024/25.
- 4.21 Projected increases in income in future years are expected to be absorbed by increases in both Pay and Non-Pay inflation. This will therefore require the Service to become either more efficient and/or change its future operating model to be able to invest further in the future beyond the currently agreed RRM proposals.

4.22 **'Normal' Savings Plans**

4.23 The search for savings and efficiencies continues to receive a lot of focus and a further **£545k of non-pay savings/reductions** (equivalent to around 5% of our Indirect staff and non-staff costs) have been factored into the 2024/25 MTFP, these are summarised below:

- Supplies and Services - £345k
- Indirect Staff Costs - £90k
- Premises Costs - £70k
- PFI - £20k
- Transport - £15k
- Other - £5k

4.24 **Combining all of these elements allows the Service to set and demonstrate a balanced budget for both 2024/25 and beyond.**

4.25 By balancing the budget at this level the Service can continue to concentrate on the following areas that are vital in developing, transforming and improving the Service.

4.26 **Risk and Resource Model**

4.27 On the 27th September 2022 the Commissioner [approved](#) the new North Yorkshire Fire and Rescue Service Risk and Resource Model 2022-25, subject to stipulations placed on some proposals.

4.28 The changes that have the most impact in terms of cashable efficiencies were as follows:

- That the proposal to change Huntington to an On-call fire station be approved. – **this was implemented in 2023/24**
- That the proposal to replace the Tactical Response fire engine at Harrogate with an Emergency Rescue fire engine which will be crewed only during peak demand hours be approved –planned implementation in 24/25 saving £210k.
- That the proposal to replace the Tactical Response fire engine at Scarborough with an Emergency Rescue fire engine which will be crewed only during peak demand hours be approved, subject to certain stipulations. - planned implementation in 2025/26 saving £215k

4.29 The financial plans for 2024/25 and beyond assume that all of the remaining proposals set out within this decision are implemented including the investment in On-Call availability and investment in Prevention and Protection removing the need to staff an Operational Staffing Reserve – saving £375k from 2025/26.

4.30 The timing of the actual delivery of these changes will be tracked through the year to inform financial forecasts and to ensure future plans align with their delivery.

4.31 **Transformation and Investment**

4.32 As well as the above efficiencies the new RRM approved a number of investments as part of the transformation of the service.

4.33 Those investments covered the following areas:

- That the proposal to enhance prevention and protection services and increase resources with additional firefighter and non-firefighter roles be approved and adopted – **phase 1 of this investment was agreed during 2023/24 with recruitment in roles to take place.** Phase 2 remains planned from 2025/26.
- That the introduction of a swift water rescue capability at Skipton be expedited – **this was implemented during 2023/24**
- That plans to reform, improve and enhance the On-call service in North Yorkshire be progressed to full business case.

4.34 A number of the plans in this area will continue to be developed and firmed up however for financial planning purposes there is an assumed phased implementation in line with the below:

- Prevention and Protection – phase 2 + £107k, 2.5 FTEs from April-25
- On-Call Investment
 - 24/25 - £332k
 - 25/26 - £788k

4.35 As set out within the RRM consultation and subsequent decision making all of the efficiencies from the RRM work are planned for re-investment into the Service and have not been used to balance the budget.

4.36 To ensure financial balance the implementation of all aspects of the RRM will need to align to ensure that the investments are not undertaken in advance of the delivery of the efficiencies.

4.37 Where the efficiencies can be delivered sooner than assumed this will allow for some elements of the Transformation and Investment programme to be brought forward too.

5 Overall Revenue Budget Summary

5.1 Sections 3 and 4 of this report set out the details of the Income and Expenditure for both the coming financial year and the assumptions about future years. This results in the following summary revenue budget and MTFP.

	Actual Budget 2023/24 £'000	Forecast Budget 2024/25 £'000	Forecasts		
			2025/26	2026/27	2027/28
			£'000	£'000	£'000
Funding					
Total Settlement Funding	(8,918)	(11,028)	(11,248)	(11,473)	(11,703)
Rural Services Grant	(604)	(699)	(699)	(699)	(699)
Council Tax Precept	(25,123)	(26,160)	(27,320)	(28,530)	(29,795)
Council Surplus/Deficit	(129)	(205)	(160)	(160)	(160)
NNDR Surplus/Deficit	56	48	0	0	0
Funding for the Net Budget Requirement	(34,719)	(38,044)	(39,427)	(40,862)	(42,357)
%age change in Net Budget Requirement	10.6%	9.6%	3.6%	3.6%	3.7%
S31 NDR Grants and Specific Grants	(4,833)	(5,599)	(5,274)	(5,290)	(4,814)
General Income	(718)	(1,197)	(1,061)	(1,078)	(1,096)
TOTAL FUNDING	(40,269)	(44,840)	(45,762)	(47,231)	(48,267)
%age change in Total Funding	7.8%	11.4%	2.1%	3.2%	2.2%
Expenditure					
Wholetime Firefighters	19,205	20,757	20,424	20,832	21,309
On Call Firefighters	4,000	4,487	5,036	5,137	5,239
Support Staff - Fire	1,596	2,615	2,578	2,585	2,698
Support Staff - Enable	2,830	2,458	2,442	2,507	2,628
Control Room Staff	891	946	942	966	988
Direct Staff Costs	28,523	31,262	31,422	32,027	32,862
Indirect Staff Costs	590	651	579	607	583
PFCC Staff Costs	83	83	85	87	88
Premises	2,395	2,563	2,629	2,684	2,736
Transport	1,052	1,108	1,153	1,176	1,200
Supplies and Services	3,936	4,033	4,070	4,078	4,135
Operating Leases	2	2	2	2	2
External Service Agreements	263	362	274	279	285
PFI (inc. capital element)	1,709	1,883	1,928	1,991	1,260
TLB allocation		50	50	50	50
Total Indirect Staff and Non Staff Costs	10,031	10,734	10,770	10,955	10,339
PENSIONS	892	1,044	975	976	962
TOTAL EXPENDITURE BEFORE CAPITAL CHARG	39,446	43,040	43,166	43,958	44,164
Provision for Debt Repayment	1,044	1,141	1,414	1,766	1,918
External Interest	675	713	1,108	1,342	1,519
Revenue Contribution to Capital	265	286	182	125	420
Total Capital Charges	1,984	2,140	2,704	3,233	3,857
TOTAL EXPENDITURE BUDGET	41,430	45,180	45,870	47,191	48,021
(Surplus)/Deficit before Reserves	1,161	339	108	(40)	(245)
Planned Transfers to/(from) Earmarked Reserves:					
New Developments Reserve	(334)	(318)			
RRM	(400)				200
ESMCP/Local Transition Resource Reserve	(57)				
Home Office Protection Uplift Grant Reserve	(321)	(74)	(148)		
Collection Fund reserve	(22)	(22)			
Planned Transfers to/(from) General Fund	0	75	40	40	45
(Surplus)/Deficit After Reserves	0	0	0	0	0

5.2 The Service is projecting a balanced MTFP after the net use of Reserves in 2024/25 of £339k, with smaller use of Reserves in 2025/26. However the Service will generate a surplus in 2026/27 and 2027/28 to repay the ESMCP Reserve that the Home Office have given authorisation to use to accelerate the investment in the on-call service and also to add to General Reserves to maintain this at the minimum level.

5.3 The main assumptions that underpin the plan are as follows:

	Actual	Forecast	Forecasts		
	Budget	Budget			
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
General Reserves	£'000	£'000	£'000	£'000	£'000
General Fund Balance b/f	1,075	1,075	1,150	1,190	1,230
Proposed (use of)/contribution to General Fund	0	75	40	40	45
Current Year Forecast	0	0	0	0	0
General Fund Balance c/f	1,075	1,150	1,190	1,230	1,275
Employee Numbers (Budgeted as at 1st April)	FTEs	FTEs	FTEs	FTEs	FTEs
Wholetime Firefighters	308.0	286.0	272.0	272.0	272.0
On Call Firefighters	342.0	342.0	342.0	342.0	342.0
Support Staff - Fire	32.0	63.0	58.0	58.0	58.0
Support Staff - Enable	61.5	51.0	51.0	51.0	51.0
Control Staff	17.5	18.5	18.5	18.5	18.5
Assumptions					
Firefighter/Staff Pay Increase	5.0%	3%/2.5%	2.0%	2.0%	2.0%
Non Pay Inflation	calculated	calculated	2.0%	2.0%	2.0%
Precept Increase	6.6%	2.99%	2.99%	2.99%	2.99%
Council Tax Base Increase	1.2%	1.1%	1.4%	1.4%	1.4%

5.4 While the budget is exceptionally tight and there are a number of risks for the future years, all of the known plans that the Service has are incorporated within the financial plans and provide a stable platform from which the Service can continue to deliver the Risk and Resource Model, the Transformation Programme and therefore ultimately deliver against the Fire and Rescue Plan.

6 Capital Financing and Expenditure

- 6.1 The funding of the capital programme continues to be one of the most significant challenges facing the Authority. The significant need for investment has been highlighted for a number of years now, however the financial position has been a recurring barrier to the investment given the challenge of the affordability of the revenue consequences of the investment.
- 6.2 To try to better manage these conflicting needs the financing of the Capital Programme was reviewed during 2022/23 and updated along with a review of Reserves and the creation of a much larger Capital Reserve.
- 6.3 This reserve is forecast to be around £2m at the start of 2024/25.
- 6.4 As previously mentioned there is a need for some significant investment within the Estate from which the Fire Service operates. Some of this required immediate attention to ensure that the buildings were both more accessible to a more diverse workforce and the public, and funds were set aside to address these, with the work expected to be completed in 2023/24.
- 6.5 Estates
- 6.6 The Estates Capital budget for 2024/25 includes £400k, slipped from 2023/24 for the completion of the work on Ripon Fire Station that is already underway.
- 6.7 The budget also includes £2.5m across the plan (£500k per year) for the on-going capital works required to maintain the Estate, a further £800k across the plan in relation to Training Towers and £200k for works on the Transport and Logistics Hub.
- 6.8 It has also been mentioned previously that there is a need to assess entire buildings and determine whether they are suitable for the delivery of modern day services. While affordability will remain a key challenge, plans to refresh the estate are being developed and based on current financial projections it is expected that options to start this programme of work could begin in 2024/25, **subject to affordable business cases and approval.**
- 6.9 The current Capital plans include capacity for an Estates Replacement programme to begin with the development of a business for one station in 2024/25, with the potential for a further station to begin in 2025/26 and then another in 2026/27.
- 6.10 In total almost £11m has been included within the Capital Programme to fund this work should business cases be developed that are value for money and are approved.

6.11 Fleet

6.12 In addition to the need, and want, to invest in the Estate it has also been a challenge to replace some elements of the Fire Fleet over the last couple of years primarily due to the pandemic. The Service has placed orders for 16 new Fire Appliances, 12 for delivery in 2024/25 and a further 4 in 2025/26. In total these 16 new Fire Appliances will cost around £5.3m.

6.13 In addition to this the plan also includes the funding to purchase 15 additional Appliances that will be between 6 and 7 years old, to replace Appliances that are currently within the Fleet but are much older than this.

6.14 The replacement of 31 Appliances, which is around 75%, of the Appliance Fleet will significantly reduce the age of the Fleet, which should increase both its overall reliability and therefore reduce repair, maintenance and parts costs.

6.15 Further details on the Fleet Capital Programme are included as Appendix A. It is worth noting that if the Capital Plans are fully delivered for 2023/24, 2024/25 and 2025/26 then 155 vehicles/assets are due to be replaced.

6.16 While some of this is growth, the Fleet Strategy set out in October 2022 that there were 194 vehicles/assets within the Fleet overall and therefore this is a considerable replacement programme over just a 3-year period.

6.17 Logistics

6.18 Work will also conclude in 2024/25 towards the replacement of the Breathing Apparatus used within the Service. This will be a significant investment by the Service with options to bring this vital piece of equipment fully up to date. £1.9m has been estimated, and included within the 2024/25 Capital Programme, for the costs of this investment, however the actual costs will be firmed up through once the procurement exercise has concluded and contracts awarded.

6.19 ICT

6.20 A detailed assessment of the IT requirement for the Service have been undertaken which sets out plans to invest around £2.3m over the next 5 years maintaining, replacing and investing in the IT for the Service.

6.21 The Capital Programme also includes a placeholder for the review, upgrade or replacement of the Control System IT/infrastructure in 2027/28 and 2028/29.

6.22 All of these Capital plans will be refreshed, refined, prioritised and kept under close review to ensure that they are both affordable and necessary as the Service develops.

6.23 The Capital Programme included within this MTFP and summarised below, is based on a programme of expenditure of just over £28m across the next 4 years if all of the schemes, including the Estates replacement programme are approved/delivered. This is being predominantly funded through borrowing which could total just over £25m during the 4 year period from 2024/25 to 2027/28.

	Estimated 2023/24 £000	Estimated 2024/25 £000	Estimated 2025/26 £000	Estimated 2026/27 £000	Estimated 2027/28 £000
FUNDING					
Reserve Brought Forward	2,995	2,063	1,141	832	593
Revenue Contribution to Capital	253	286	182	125	420
Capital Receipts	52				
Borrowing	3,116	6,870	5,417	3,082	2,520
Estates Replacement Borrowing		100	1,573	2,608	3,340
TOTAL FUNDING	3,421	7,256	7,172	5,815	6,280
EXPENDITURE					
Transport excluding Cars	2,007	3,922	4,617	2,382	120
Transport - Cars	829	301	148	118	0
Estates	1,109	1,048	800	700	700
ICT	408	908	342	246	510
Control System					1,700
Logistics	0	1,900	0	0	0
TOTAL APPROVED CAPITAL PROGRAMME	4,353	8,078	5,907	3,447	3,030
ESTATES REPLACEMENT PROGRAMME	0	100	1,573	2,608	3,340
TOTAL CAPITAL PROGRAMME	4,353	8,178	7,480	6,055	6,370
Reserve Carried Forward	2,063	1,141	832	593	503

- 6.24 It is important to recognise that borrowing at this level is unsustainable and therefore when considering future service delivery options there needs to be a recognition that one of the outcomes from this will be to deliver and sustainably support the capital investments/needs of the Service.
- 6.25 The longer term Building replacement plans have been reflected upon and phased into the plans to coincide with the end of the PFI scheme. This is expected to provide the capacity within the Revenue budget to pay for the additional interest and debt repayment costs that will result from increasing investment and borrowing.
- 6.26 The CIPFA Prudential Code of Practice is a key element in the system of capital finance. Under this system individual PFCCFRA's are responsible for deciding the level of their affordable borrowing having regard to the prudential code. The associated paper 'Treasury Mgmt Strategy 24-25' will provide the PFCC with reasonable assurance that the proposed Capital Plan and its financing are within prudential limits.

7. Reserves

- 7.1 The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it has been recognised that there is a need for greater transparency around reserves. This is being achieved through the publication of a Reserves Strategy which for North Yorkshire is attached at Appendix B.
- 7.2 The Strategy includes a summary of the use of Reserves included within this MTFP with some further context provided below.
- 7.3 It was agreed that the New Development Reserve would fund the Transformation Team to the end of 2024/25. It was then expected that these roles would cease unless savings/efficiencies could be found to make them permanent.
- 7.4 The 2024/25 MTFP has incorporated these roles into the revised and agreed Business Design and Assurance Team with these resources permanently funded from 2025/26 in line with previous planning assumptions.
- 7.5 The Home Office wrote to the Service to provide authorisation to use £400k of the funding that was set within Earmarked Reserves, for ESMCP, to accelerate the investment in the On-Call Service. This funding was released during 2023/24 in line with this agreement.
- 7.6 The release of the £400k was subject to repayment and there are plans in place to start this in the final year of this MTFP.
- 7.7 The Home Office have previously provided funding to enable the Service to invest in Protection services and 'Uplift' the resources in that area. This funding has specific terms that mean it can only be used for certain areas of work. The Grant is being released from Reserves to meet the costs of undertaking this specific work.
- 7.8 It was previously expected that if the grant funding stopped that these roles would also come to an end and therefore the use of these reserves did not support core work.
- 7.9 The proposed investment in the Prevention and Protection area, aligned with the continued delivery of savings and efficiencies means that it is now forecast that these roles will be incorporated into the permanent structures of the service when/if the additional funding from the Home Office comes to an end.
- 7.10 The use of Reserves in the manner set out is therefore not a concern for the Service, the Reserves are funding additional expenditure that could be removed if financially necessary however the current financial plans forecast that this won't be needed.

7.11 Based on current projections **overall** reserves are forecast as follows:

- End of 2023/24 - £5.2m (14% of Net Budget Requirement)
- End of 2024/25 - £3.9m (10% of Net Budget Requirement)
- End of 2025/26 - £3.5m (8.5% of Net Budget Requirement)
- End of 2026/27 - £3.3m (7.7% of Net Budget Requirement)

8. Risks

8.1 The major risks and unknowns surrounding the figures presented here are set out below and have been discussed in the above report:

- Pay Awards are higher than the assumptions within the plan
- Any differences between the future years' actual Government Grant settlements, and the estimated figures.
- Business Rates Retention and Fair Funding Review
- Variations in future years between the estimated tax base used and the actual declared tax base.
- That the public does not support the precept increases that are factored into the current plans.
- Increasing costs of the employers Pension Contribution into the Fire Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.

9 Robustness Advice

- 9.1 The Local Government Act 2003 introduced a formal requirement on authorities to consider the advice of the Treasurer/s151 Officer on the robustness of the budget proposals, including the level of reserves. If the PFCC ignores this advice the Act also requires them to record this position. This latter provision is designed to recognise the statutory responsibilities of Treasurers/Chief Finance Officers.
- 9.2 For the reasons set out in this report and from my own review of the estimates process I am satisfied that the proposed spending plan for 2024/25 is sound and robust. There are however a number of areas of savings that will need to be delivered from a revenue perspective in 2024/25 to deliver the proposed budget. The likely risk from a financial perspective, however, in terms of revenue spending in 2024/25 is likely to be in relation to the levels of pay awards agreed during the year as well as significant levels of non-pay inflation that are clearly feeding through into the costs for the Service.
- 9.3 It will be vital to continue to closely monitor the financial position throughout 2024/25 to ensure that the efficiency and savings plans, that are required to provide the capacity for the transformation work, are delivered in a timely manner.
- 9.4 The reliance on borrowing to fund the Capital plans of the organisation is an area of on-going concern and something that will need to be considered especially given what appears to be a need for significant investment in the asset base of the Fire Service.
- 9.5 The plans are however robust and the focus will continue to be on delivering the schemes and the benefits that are expected from those schemes.
- 9.6 A review has been undertaken of Fire's reserves and general balances. The general balances and reserves are an important part of the PFCC's risk management strategy giving the financial flexibility to deal with unforeseen costs or liabilities. Assuming the approval of the plan set out in the budget report, I am satisfied that the PFCC would have adequate levels of financial reserves and general balances through 2024/25 provided that service restructuring is delivered and future growth, if any, is managed and funded from sustainable savings.
- 9.7 The medium term projection on reserves is one that will need to be closely monitored. Funding will be added to the General Reserve to ensure that it remains at 3% of Net Budget Requirement, however beyond this the Authority has very little in other reserves to draw on should pay awards be higher than planned, costs increase higher than assumptions and/or funding assumptions prove to be too optimistic.

10 Conclusion

- 10.1 The impact of the financial settlement, the agreed precept, and the savings and efficiency plans, has enabled the Service to meet the significant financial pressures from both pay and non-pay inflation. As well as this the Service has incorporated into its balanced MTFP its continued plans for investing and transforming the Service and has also set out a recurring balanced MTFP that is projected to show a surplus in years 3 and 4 of the plan, to replace an Earmarked Reserve that is being used in 2023/24 and also maintain the General Reserve at the minimum level.
- 10.2 The financial plan is aligned to the agreed Risk and Resource Model, it incorporates a phased delivery of the Transformation Programme and the investment into Prevention and Protection as well as the on-call service.
- 10.3 From a Capital perspective, the proposals from all areas of the business are incorporated into the 2024/25 proposals allowing for significant investment in both Fleet and Estates, with plans for also for investment into Breathing Apparatus.
- 10.4 The Service should therefore have everything that it needs from a financial perspective to deliver against the Fire and Rescue Plan during 2024/25.

APPENDIX A

CAPITAL PROGRAMME 2023/24 TO 2027/28					
	Estimated	Estimated	Estimated	Estimated	Estimated
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
FUNDING					
Reserve Brought Forward	2,995	2,063	1,141	832	593
Revenue Contribution to Capital	253	286	182	125	420
Capital Receipts	52				
Borrowing	3,116	6,870	5,417	3,082	2,520
Estates Replacement Borrowing		100	1,573	2,608	3,340
TOTAL FUNDING	3,421	7,256	7,172	5,815	6,280
EXPENDITURE					
Transport excluding Cars	2,007	3,922	4,617	2,382	120
Transport - Cars	829	301	148	118	0
Estates	1,109	1,048	800	700	700
ICT	408	908	342	246	510
Control System					1,700
Logistics	0	1,900	0	0	0
TOTAL APPROVED CAPITAL PROGRAMME	4,353	8,078	5,907	3,447	3,030
ESTATES REPLACEMENT PROGRAMME	0	100	1,573	2,608	3,340
TOTAL CAPITAL PROGRAMME	4,353	8,178	7,480	6,055	6,370
Reserve Carried Forward	2,063	1,141	832	593	503

NYPFCFRA Capital Programme (Pending Approval) 2023/24 - 2027/28		Forecast 2023/24		2024/25		2025/26		2026/27		2027/28	
		No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
Transport	Rescue Pumps	-	1,108	12	2,866	4	1,351	-	-	-	-
Transport	Rescue Pumps (WYFRS)	-	-	15	255	-	-	-	-	-	-
Transport	Vans and Support Vehicles	25	780	6	101	8	148	5	112	5	82
Transport	4x4 Vehicles (Landrover or equivalent)	-	-	5	425	6	510	-	-	-	-
Transport	Aerial Appliances	-	-	-	-	1	1,000	1	1,000	-	-
Transport	Off Road Tracked	-	-	-	-	2	104	-	-	-	-
Transport	Pool Cars	-	-	3	49	2	32	-	-	-	-
Transport	Response Cars	23	829	8	301	4	148	3	118	-	-
Transport	Emergency First Responder Cars	-	-	-	-	-	-	-	-	-	-
Transport	P&P investment	3	34	11	134	3	36	-	-	-	-
Transport	ICUx1	1	60	-	-	-	-	-	-	-	-
Transport	Trailers	-	-	1	2	6	25	-	-	9	38
Transport	Water Rescue Boats	1	25	1	60	-	-	-	-	-	-
Transport	Water Tankers/Bowsers	-	-	-	-	-	-	2	1,000	-	-
Transport	Welfare Vehicle	-	-	-	-	1	55	-	-	-	-
Transport	Telematics	-	-	-	30	-	-	-	-	-	-
TOTAL TRANSPORT		53	2,836	62	4,222	40	4,765	12	2,501	14	120
Logistics	Breathing Aparatus (new sets EOL replacement)	-	-	-	1,900	-	-	-	-	-	-
TOTAL LOGISTICS		-	-	-	1,900	-	-	-	-	-	-
Estates	Capital Works (Based on SCS Information)	-	309	-	500	-	500	-	500	-	500
Estates	Training Towers Renewal Programme	-	-	-	-	-	200	-	200	-	200
Estates	Ripon Alterations	-	200	-	400	-	-	-	-	-	-
Estates	Inclusivity Programme	-	600	-	-	-	-	-	-	-	-
Estates	T&L Hub	-	-	-	100	-	100	-	-	-	-
TOTAL ESTATES RENEWAL		-	1,109	-	1,048	-	800	-	700	-	700
Estates	Inclusivity Programme	-	-	-	-	-	-	-	-	-	-
TOTAL ESTATES REPLACEMENT		-	-	-	100	-	1,573	-	2,608	-	3,340
TOTAL ESTATES		-	1,109	-	1,148	-	2,373	-	3,308	-	4,040
Mobilising, Telephony and Bearers:	Network Replacement and Upgrade Programme	-	29	-	81	-	101	-	84	-	142
Mobilising, Telephony and Bearers:	Telephony Equipment Replacements and Upgrades	-	-	-	50	-	-	-	-	-	-
Mobilising, Telephony and Bearers:	Station End Equipment Replacements and Upgrades	-	166	-	-	-	-	-	-	-	208
Mobilising, Telephony and Bearers:	ESN Transition	-	-	-	-	-	-	50	-	-	-
Mobilising, Telephony and Bearers:	Session Initiated Protocol (SIP) Trunking	-	-	-	60	-	-	-	-	-	-
Mobilising, Telephony and Bearers:	Fireground Radios	-	-	-	45	-	-	-	-	-	-
Mobilising, Telephony and Bearers:	WAN	-	-	-	38	-	-	-	-	-	-
Major IT Systems and Schemes:	CFRMIS Upgrade	-	60	-	20	-	-	-	-	-	-
Major IT Systems and Schemes:	Website Redevelopment	-	-	-	-	-	40	-	-	-	-
Major IT Systems and Schemes:	Teams Conferencing	-	-	-	-	-	28	-	-	-	-
Ancillary Hardware and software:	Meeting Room Technology	-	31	-	-	-	-	-	-	-	-
Ancillary Hardware and software:	MDT Replacement	-	-	-	300	-	-	-	-	-	-
Ancillary Hardware and software:	Incident Command Training ICT Replacement	-	-	-	40	-	-	-	-	-	-
Ancillary Hardware and software:	PC replacement / expansion programme (½ per year over 5 years)	-	108	-	113	-	41	-	110	-	160
Ancillary Hardware and software:	Server replacement / expansion programme (½ per year over 5 years)	-	7	-	161	-	108	-	-	-	-
	ICT Hardware - As per P&P change Proposal	-	8	-	-	-	1	-	2	-	1
	UPS Installs at RET Stations	-	-	-	-	-	24	-	-	-	-
	Control System	-	-	-	-	-	-	-	-	-	1,700
TOTAL IT		-	408	-	908	-	342	-	246	-	2,210
OVERALL TOTAL		-	4,353	-	8,178	-	7,480	-	6,055	-	6,370

North Yorkshire Police Fire and Crime Commissioner Fire and Rescue Authority

Reserves Strategy

The level of usable reserves of fire and rescue authorities is of particular interest at a national level and it is recognised that there is a need for greater transparency around reserves.

The National Framework

The National Framework which was published in May 2018 includes a section on reserves, the main components of which are:

- General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. These 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. The 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 provide information for at least two years ahead.
- Sufficient information should be provided to enable understanding of the purpose for which each reserve is held and how holding each reserve supports the fire and rescue authority's Medium Term Financial Plan (MTFP).
- Information should be set out in a way that is clear and understandable for members of the public and should include:
 - How the level of general reserve has been set.
 - Justification for holding a general reserve larger than five percent of budget.
 - Whether the funds in each earmarked reserve are legally or contractually committed, and if so, what amount is committed and,
 - A summary of what activities or items will be funded by each earmarked reserve and how these support the fire and rescue authority's strategy to deliver good quality services to the public.

The information on each reserve should make clear how much of the funding falls into the following three categories:

- As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance).
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
- Funding for specific projects and programmes beyond the current planning period.

There is not a recognised formula for determining the level of reserves that a fire authority should maintain. It is up to each authority to consider the local circumstances and the potential issues/risks that may occur across the medium term. In determining the level of reserves for the Authority the risks and issues that need to be taken into account will include the following:

- The possibility of savings not being delivered; as levels of funding continue to be constrained, the need for annual reductions in spending is likely. This is likely to mean the identification of savings proposals carry a potentially greater risk of not being delivered.
- To provide cover for extraordinary or unforeseen events occurring: given the purpose of the fire and rescue service is to respond to emergency situations, there is always the potential for additional, unexpected and unbudgeted expenditure to occur.
- The commitments falling on future years as a result of capital plans and proposals to improve the asset base. Having reserves mitigates the impact on the revenue budget of borrowing and/or revenue contributions to capital and would support projects/programmes that will support revenue efficiencies.
- The risk on inflation, especially pay. There remains continued pressure on pay inflation to be in excess of those provided for in the MTFP.

Reserves Policy

The PFCC considers Reserves annually as part of the Budget Setting Process. The principles that underpin this area are as follows:

Reserves are maintained to:-

- (a) Create a contingency to help cushion the impact of unexpected events or emergencies - the General Reserve.
- (b) Build up funds (often referred to as earmarked reserves) to meet specific future requirements, including the smoothing out of peaks in costs and the effect of loss of external funding.

The level of reserves is taken into account when calculating the council tax requirement. This ensures a balanced budget position is maintained and enables regard to be given to affordability when considering future revenue requirements and capital programmes.

The reserves must be reported to the PFCC on a regular basis as part of budget and financial monitoring. Part of this exercise is to ensure continuing relevance and adequacy and to enable the Medium Term Financial Plan to be up-dated.

The actual level of reserves, earmarking and utilisation are considered when up-dating the MTFP and as part of its on-going review.

General Reserve

In setting the level of the General Reserve, consideration is given to the adequacy of financial control, the overall financial position, medium-term plans and strategic, operational and financial risks facing the PFCC. The level of the General Reserve is reviewed by the Police and Crime Commissioner on the advice of the PFCC's Chief Finance Officer having regard to these matters.

Key Principles are:-

- (a) The General Reserve will not be used to meet on-going revenue items.
- (b) The General Reserve may be used, on an exceptional basis, as a short-term option to balance the budget, particularly where major operations are experienced.
- (c) The PFCC will aim to maintain the level of General Reserves at not less than 3% of the net revenue budget.
- (d) The level of the General Reserve is re-assessed annually as part of the annual budget-setting process.

Reserves Forecast

The following schedule sets out the forecast movements on reserves over the life of the current medium term financial plan, it is important to recognise that whilst the schedule sets out the expected use of the current reserves, circumstances will change and all reserves will be reviewed at least annually. It is also important to recognise that there will undoubtedly be a need to create new reserves, in future years, to deal with risks that are currently unknown; the likelihood is that they will not reduce in overall financial terms as exactly planned and that while current reserves are spent, new reserves are likely to be needed to manage future risks.

	Balance	Transfers	Balance	Transfers	Balance	Transfers	Balance	Transfers	Balance	Transfers	Balance
	March	In/Out	March	In/Out	March	In/Out	March	In/Out	March	In/Out	March
	2023	2023/24	2024	2024/25	2025	2025/26	2026	2026/27	2027	2027/28	2028
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Pensions, Pay & Price	1,021	-531	490	0	490	0	490	0	490	0	490
New Developments	884	-334	550	-318	232	0	232	0	232	0	232
Insurance	80	0	80	0	80	0	80	0	80	0	80
Recruitment	175	0	175	0	175	0	175	0	175	0	175
Hydrants	100	0	100	0	100	0	100	0	100	0	100
Collection Fund	44	-22	22	-22	0	0	0	0	0	0	0
RRM	400	-200	200	0	200	0	200	0	200	200	400
HO Grant - ESMCP/LTR	129	37	166	0	166	0	166	0	166	0	166
HO Grant - Protection Uplift	456	-225	231	-74	157	-148	9	0	9	0	9
Total Earmarked Reserves	3,289	-1,275	2,014	-414	1,600	-148	1,452	0	1,452	200	1,652
Earmarked Capital Reserve	2,995	-932	2,063	-922	1,141	-309	832	-239	593	-90	503
General Reserves	1,075	0	1,075	70	1,145	40	1,185	40	1,225	45	1,270
% of Net Budget Requirement	3.4%		3.1%		3.0%		3.0%		3.0%		3.0%
Total Usable Reserves	7,359	-2,207	5,152	-1,266	3,886	-417	3,469	-199	3,270	155	3,425

Why have these Reserves been established and what will they be used for?

General Contingency Reserves:

Pay, Price and Pensions Reserve

The reserve is forecast to have just under £0.5m in at the start of 2024/25, which provides scope to fund, in the short term, pay award in excess of those included within the budget. Each 1% equates to circa £290k. In addition to this the reserves provides some allowance for injury/medical pensions that are over and above the budgeted position and also mitigates the risk during the current period of higher inflation that some prices may be higher than estimated.

New Developments Reserve

This reserve has been predominantly committed to deliver the Fire Transformation Programme to the end of March 2025.

Insurance Reserve

The Police, Fire and Crime Commissioner operates on a self-insurance basis determined by the level of excess on the cover provided by external policies. This reserve is ring-fenced for insurance requirements only and cannot be used for other purposes, the level being calculated on the basis of historic budget impact of past claims.

Recruitment Reserve

This reserve has been established to fund the costs of Trainee Firefighters while in training and therefore unavailable for service delivery. This will help ensure that gaps in service are not required while training takes place.

Hydrant Reserve

While the work to repair, maintain and replace Fire Hydrants is the responsibility of Yorkshire Water the costs are the responsibility of the Fire Service. This leaves little control over the amount of work done, the timing of the work and the visibility and timeliness of charging. This reserve has therefore been established to deal with the variable nature of this area of cost.

Funding for Planned Expenditure over MTFP Reserves:

Collection Fund Reserve

£22k per year, for the next year, will be released to support the Road Safety Partnership.

Home Office Grant Funding – Protection

This specific funding reserves will be spent in line with the Grant terms and conditions from the Home Office. Should funds remain at the end then it is likely they would need to be returned to the Home Office.

Home Office Grant Funding – ESMCP

The Home Office have written to the Service to provide authorisation to use £400k of the funding that is currently sat within this Earmarked Reserves to accelerate the investment in the On-Call Service. This funding is therefore being released in line with this agreement. The Home Office provided the ESMCP funding in part to fund a Local Transition Resource also and therefore these reserves are being used to meet the costs of this specifically funded work.

The release of the £400k is subject to repayment and there are plans in place to ensure this happens in the final 2 years of this MTFP

Capital Reserve

The service has recognised the significant level of investment that it needs to make in terms of Estates, Equipment and Fleet, however constantly borrowing to do so is not sustainable and therefore a Capital Reserve has been established to help support the vital investment that is needed in these areas, and in shorter term Information Technology assets, while helping to manage borrowing and the costs associated with borrowing.