



Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 16th February 2023

Cumbria Commissioner Fire and Rescue Authority (CCFRA) Budget 2023/24, Proposed Precept Level and Financial Forecasts 2023/24 to 2027/28

Report of the Joint Chief Finance Officer

Recommendation

The Commissioner is **RECOMMENDED** to approve :

- a. The proposal to set the first Fire 2023/24 Precept at a Band D Council Tax of **£90.54** This is an increase of £4.93 on the 2022/23 “alternative notional amount” level of £85.61 used to calculate precept excessiveness levels.

Note the information presented in this report, including:

- a. The statement of the Chief Finance Officer as required by section 25 of the Local Government Act 2003 regarding the robustness of the Budget, the Medium Term Financial Plan and the adequacy of financial reserves.(Appendix 1)
- b. The total 2023/24 net budget requirement of **£25.433m**, including:
 - i. The intention of the PFCC to set the first Council Tax Precept Requirement for Cumbria Commissioner Fire & Rescue Authority for 2023/34 of £15.939m as set out in detail in appendix 3.
 - ii. The future risks, challenges, uncertainties and opportunities included in the precept proposal, together with the financial and operational mitigations and additional considerations identified.
 - iii. That any changes required, either by Government grant alterations notified through the final settlement, amended council tax base and surplus/deficit notifications received from the collecting authorities, may be balanced by efficiency savings or through a transfer to or from Reserves.

- iv. The current MTFP and the anticipated efficiency savings required.
- v. The draft Capital Programme
- vi. The reserves strategy and proposed use of reserves.

Executive Summary

This report details the first budget and precept proposal for the Cumbria Commissioner Fire and Rescue Authority (CCFRA) which was established on a shadow basis on 1 January 2023 and comes into formal existence on 1 April 2023. It also sets out the Medium-Term Financial Plan (MTFP).

Key Changes

The budget and plan have been updated from that presented to the Police and Crime Panel on the 26th January to reflect: -

- The Final Local Government Funding Settlement
- Notification of the final council taxbases for 23/24 and a net deficit on collection funds from the new unitary authorities
- Notification of the actual shares expected of local business rates from the new unitaries.
- Inclusion of a provision to allow for the revised pay offer made by the NJC to firefighters for 2022/23 and 2023/24 – an additional 2% from July 2022 costing £0.299m. (The budget now allows for 7% and 5% respectively in line with the current pay offer)
- Some smaller technical changes where better information is now available.

The overall impact of all these changes is broadly neutral with the increased cost from the firefighters pay award offset by increases in business rates income.

Consultation

The draft budget was presented to the Police and Crime Panel on the 26th January. The panel unanimously supported the budget and a first precept for the new authority with a Band D Council Tax of £ 90.54.

A public consultation took place through the PCC website. There was a low number of responses. Of the answers received there was no firm conclusion either to support or not support.

The Budget

The table below sets out the forecast maximum resources available for the fire and rescue service. This essentially sets the expenditure “envelope” for the service without the use of any one-off measures, support from reserves or other income streams

	Budget 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Source	£'000	£'000	£'000	£'000	£'000
Government Funding (with grants inside settlement)	4,895	4,959	5,025	5,092	5,160
Retained Business Rates Including Top Up and Compensation	6,359	6,486	6,616	6,748	6,883
Fire Specific Grants	3,219	3,193	3,167	3,141	3,141
Other Income	169	169	169	169	169
Council Tax	15,872	16,581	17,249	17,945	18,668
TOTAL	30,514	31,389	32,226	33,094	34,021

This table is based upon an assumed Council Tax band D of 90.54 in 2023/24 and the following assumptions for future years:-

- Government ‘Grant’ increases at 2% per annum
- Business Rates increases at 2% per annum.
- Council Tax Band D increases at 3% per annum

- Council Taxbase growth at 1% per annum
- Firelink grant reducing by 20% p.a. Other Fire Specific grants continue.

To establish expenditure budgets the starting point has been the County Council Fire and Rescue Service specific budgets for 2022/23 of £19.133m with following elements added: -

- Inflationary pressures for 2022/23 and other small technical changes (£1.178m including latest firefighter pay offer)
- An assessment of the current cost of providing support services for Fire within the County Council (£5.339m).
- An assessment of the capital financing costs relating to fire that will be inherited from the County Council (£2.591m).

This gives an overall base budget for 2023/24 of £28.242m. To that base the pressures as set out in the table below have been added: -

	Budget 2023/24 £'m	Forecast 2024/25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m	Forecast 2027/28 £'m
Expenditure Budget					
Base Budget	28.242	28.242	28.242	28.242	28.242
Business as Usual pressures	0.525	0.350	0.350	0.350	0.350
Inflation	1.249	1.901	2.383	2.882	3.381
Technical Issues	0.078	0.533	1.330	1.785	2.240
Cost of Stand Alone Service	0.683	0.683	0.683	0.683	0.683
Efficiency Targets	-0.670	-0.670	-0.670	-0.670	-0.670
Total Expenditure Forecast	30.107	31.039	32.318	33.272	34.226

The table below summarises the forecast income and expenditure for the Authority.

	Budget 2023/24 £'m	Forecast 2024/25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m	Forecast 2027/28 £'m
Total Expenditure Forecast	30.107	31.039	32.318	33.272	34.226
Forecast Contribution to/(from) reserves	0.407	0.350			
Savings Yet to be Identified			-0.092	-0.178	-0.206
Forecast Total Income	- 30.514	- 31.389	- 32.226	- 33.094	- 34.021
Net Budget Position	- 0.000	0.000	0.000	0.000	- 0.000

Overall, the budget is balanced with a very small surplus projected for 2023/24 and 2024/25 which would allow a minor contribution to reserves as long as efficiency savings targets of £0.7m are delivered. Further efficiencies of around £0.206m are required by year 5 to balance the budget.

It is recognised by the PCC and the Chief Fire Officer that, inevitably in the first year of a new relatively small organisation there is a degree of risk, and it will take time to fully understand all the operational and service delivery pressures and costs. The overall budget position is tight and will require close management to deliver the balanced position.

Section E of the report identifies a range of risks within budget estimates including: -

- Inflation
- Major Incidents
- Major Litigation/ Insurance Claim
- Capital Investment and the Cost of Borrowing
- Pensions
- Government Funding & Council Tax Assumptions

The expected level of reserves to be transferred from the County Council is:-

		£'m
True Earmarked Reserves		
	PFI	1.914
	Insurance	0.437
		2.351
Available Reserves		2.214
		4.565

Both the PCC and the Chief Fire Officer believe that there is a need to aspire to improving the level of general reserves held. There is also a need to build earmarked reserves such as Insurance to meet Insurance excess levels and claims and operational reserves such as to meet industrial action, smooth ill health costs, fund transformational development and replace essential (non-capital operational equipment). However, it is recognised that these reserves will need to be balanced with operational requirements and built up over time.

The budget includes provision for capital financing costs of both:

- Historic investment of £24m (with related Debt of £7.6m)
- A new capital programme of £3m a year funded by prudential borrowing.

The Chief Finance Officer has concluded that the budget and MTFP are robust.

A) Background

In July 2021, the UK Government announced that Cumbria would be divided into two unitary local authorities, replacing the current arrangement of the six district councils and the overarching County Council.

One of the outcomes of this change is that the governance responsibility of Cumbria Fire and Rescue Service (CFRS) needed to move to a new organisation as it previously sat within Cumbria County Council which will no longer exist as of 1 April 2023.

Following this announcement, the Police and Crime Commissioner (PCC) developed a business case, utilising an independent consultancy company, to review which of the two viable options of governance transfer provides the best outcome for the residents and services of Cumbria:

- **A Police, Fire and Crime Commissioner for Cumbria (PFCC)** sees the governance of CFRS transferred to the Police and Crime Commissioner for Cumbria and they would hold the sole responsibility for governance decisions of CFRS.
- **A Combined Fire and Rescue Authority (CFRA)** sees elected members from the two new unitary local authorities form a panel which holds responsibility of the governance and governance decisions for CFRS.

This was subject to public consultation that ran for 8 weeks from January 2022 to 21 March 2022.

Having considered the business case, the results of the consultation and having commissioned an independent assessment of the business case by CIPFA, the Home Secretary decided that the governance of Cumbria Fire and Rescue Service would transfer to the PCC from April 2023 and the Cumbria Commissioner Fire and Rescue Authority would be created (CCFRA).

This report details the first precept proposal for the Cumbria Commissioner Fire and Rescue Authority (CCFRA) which was established on a shadow basis on 1 January 2023 to enable the Commissioner to fulfil this function and approve a budget for the Fire & Rescue Service. The Cumbria Commissioner Fire & Rescue Authority comes into formal existence on 1 April 2023.

B) Resources Available to Cumbria Commissioner Fire and Rescue Authority

Local Government Provisional Finance Settlement

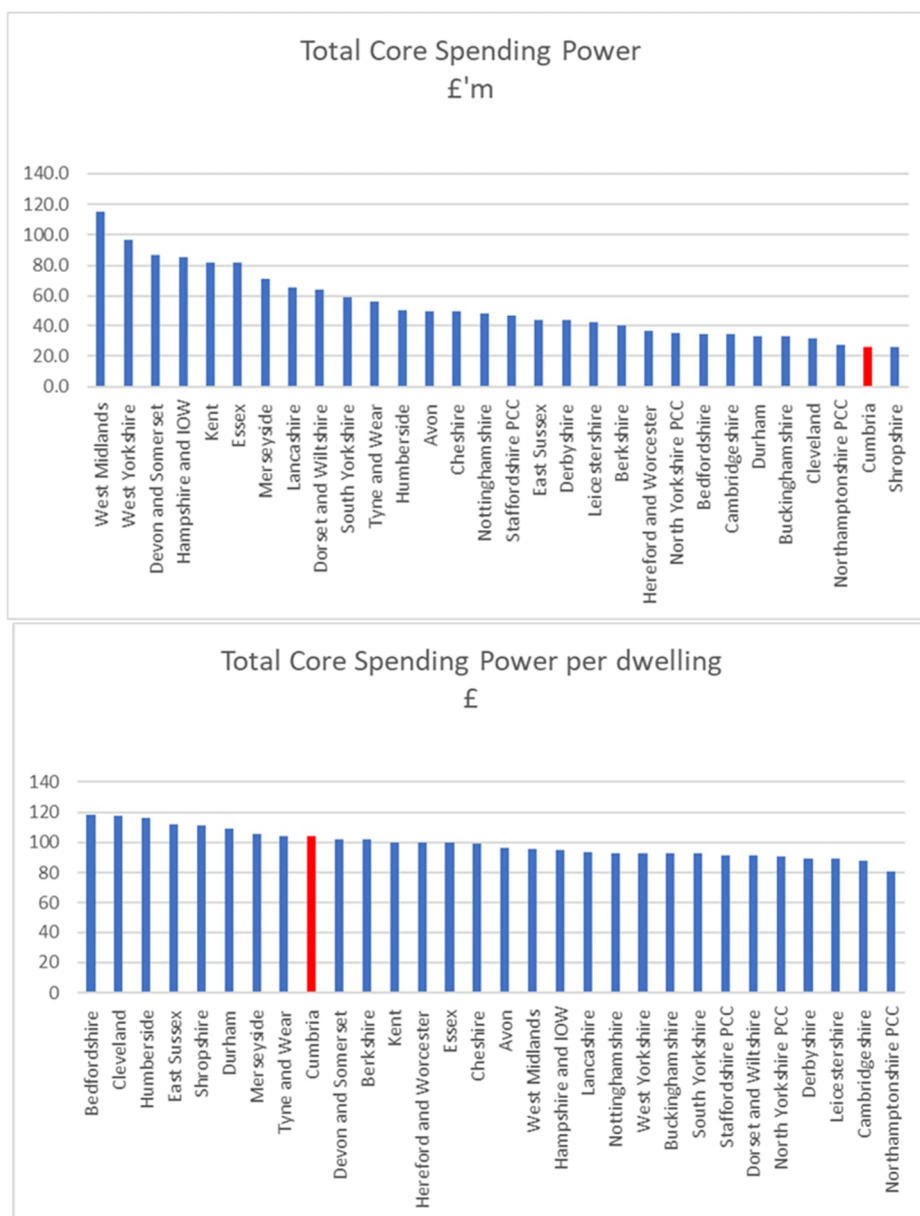
The Final Local Government Finance Settlement was announced by the Levelling Up Secretary Michael Gove on 6 February 2023. Full details of the Final Settlement can be found on the GOV.UK [Final local government finance settlement: England, 2023 to 2024 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/final-local-government-finance-settlement-england-2023-to-2024).

That report sets out allocations of funding for the new CCFRA which are summarised in the table below. The overall actual impact on forecasts is an improvement of £0.054m because of increases to Rural Services Delivery Grant and Services Grant.:-

	<i>Draft</i>	Final	Change
	<i>£'m</i>	£'m	£'m
Revenue Support Grant	3.211	3.211	0
Tariff/Top Up	3.937	3.937	0
"Expected" Share of Business rates **	1.923	1.923	0
Settlement funding assessment	9.071	9.071	0
Compensation for under-indexing the business rates multiplier	0.998	0.998	0
Rural Services Delivery grant	0.366	0.409	0.043
Services Grant	0.272	0.283	0.011
Total Grants in Core Spending Power	1.636	1.69	0.054
Total Government Funding	10.707	10.761	0.054
Assumed Council Tax Income **	15.447	15.874	0.427
Government Assessed "Core Spending Power"	26.154	26.635	0.481
** Those figures marked are replaced by the actual local share of business rates and council tax income based on actual precept and taxbase			

The bar charts overleaf show how Cumbria compares to other stand alone Fire and Rescue Authorities based upon (these graphs are based on the draft settlement):

- Core Spending Power overall.
- Core Spending Power per head of population.



Other Sources of Income

Outside of the local government finance settlement the Fire and Rescue service receives a number of specific grants totalling £3.219m as set out in the table below:-

Specific Grants	£'m
Fire PFI	1.654
Fire Revenue Grant – Firelink	0.078
Fire Revenue Grant – New Dimensions	0.101
Fire Pension Grant	1.255
Fire Protection Grant	0.131
Total Specific Grants	3.219

In addition, the Fire and Rescue Service generates small amounts of income from charges for services, secondments and other minor income streams that totals £0.169m.

Precept Strategy and 2023/24 Precept Proposal

The new unitaries have confirmed:-

- Local Taxbases and the surplus/deficit on the collection fund.
- The estimated local share of business rates for fire in their NNDR1 submissions

The table below sets out the final taxbases set by the new unitary authorities and the income levels from a Band D Council Tax of 90.54. This is an income of £15.939m which is £0.031m better than in the report to the panel because of a slightly higher taxbase. This is offset by the combined deficits on the collection fund of £0.067m – No balance on the collection fund was assumed in previous reports. The overall impact is and adverse variation of £0.036m.

Council Tax Income	Tax base 2023/24	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2023/24 £
Cumberland Council	88,328.60	90.54	7,997,271	(47,428)	7,949,843
Westmorland and Furness Council	87,714.75	90.54	7,941,693	(19,191)	7,922,502
Total	176,043.35	90.54	15,938,965	(66,619)	15,872,346

The 2023/24 Referendum Principles (and Council Tax: Local Referendums Briefing Paper) were issued alongside the Local Government Finance Settlement and these included referendum thresholds. These documents set out the principles for “excessiveness”, which, in 2023/24 is a £5 threshold for Fire and Rescue Authorities. Council tax increases beyond that level require the preceptor to hold a local referendum.

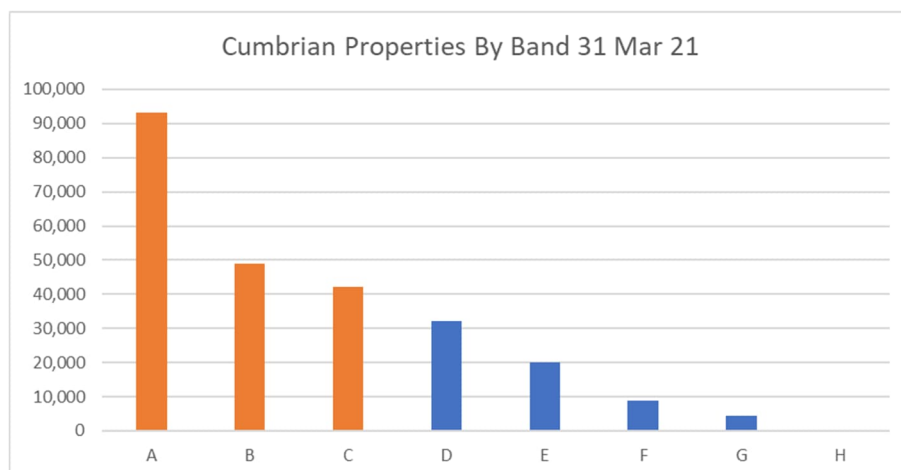
For Cumbria an “Alternative notional amount” of £85.61 has been set at a Band D council tax for 2022/23. The maximum allowable level of band D Council Tax for 2023/24 for CCFRA is therefore £90.61. (These figures will be reflected in reduction in council tax levels for the new unitary councils to reflect the principle of the reorganisation of local government being neutral on council tax overall).

As set out above the calculation of the local tax base by the Cumbrian local authorities is higher than that assumed by the Government in its calculation of ‘Core Spending Power’ at £176,043 (each £1 of Band D Council Tax generates this amount). In calculating core spending power the government assumes that the £5 flexibility has been used by Cumbria and that the 2023/24 council tax is £90.61.

To calculate the budget the indicative taxbase and an assumption of band D at £90.54 has been used. (This is marginally less than the absolute allowed limit for technical reasons of calculating council tax band levels). This forecasts income of £15.939m. The table below sets out council tax for other bands, the weekly equivalent cost and the notional increase:-

Notional 2022/23 £	2023/24 £	Weekly bill 2023/24 £	Property Band	Increase		Weekly increase £	
				£	%		
£57.07	£60.36	£1.16	For properties in Band	A	3.29	5.76	0.06
£66.59	£70.42	£1.35	For properties in Band	B	3.83	5.75	0.07
£76.10	£80.48	£1.55	For properties in Band	C	4.38	5.76	0.08
£85.61	£90.54	£1.74	For properties in Band	D	4.93	5.76	0.10
£104.63	£110.66	£2.13	For properties in Band	E	6.03	5.76	0.12
£123.66	£130.78	£2.52	For properties in Band	F	7.12	5.76	0.14
£142.68	£150.90	£2.90	For properties in Band	G	8.22	5.76	0.16
£171.22	£181.08	£3.48	For properties in Band	H	9.86	5.76	0.19

In Cumbria a large proportion of properties are below band D (74% below) as seen in the barchart:-



The Crime, Police and Fire Minister wrote to all Fire and Rescue Authorities on the 9 January about the £5 Referendum Principle saying “ I hope that this is welcome news and confirms our commitment to ensure that FRAs are appropriately funded and are being supported with the inflationary pressures that you are all facing, particularly in relation to utilities and fuel costs. However, we are also clear that precept rises should not be in place of sound financial management and we expect FRAs to exhaust all other options to reprioritise budgets, seek efficiencies and to maximise productivity of their existing resources before looking to local taxpayers for additional funding.”

Public Consultation on the Level of the Precept

The 2023/24 precept proposal will be the first precept proposed by Peter McCall during his term as Police, Fire and Crime Commissioner. The PFCC conducted a public consultation through a survey on his website which closed on the 6th February [PCC seeks public views on Cumbria Fire and Rescue Service budget - Cumbria Police and Crime Commissioner \(cumbria-pcc.gov.uk\)](http://cumbria-pcc.gov.uk) supported by articles in the media and on social media.

In total 243 responses were received (the adult population of Cumbria is around 424,000 and there are 250,000 council tax paying households so the sample size is not large enough to give a confidence level of 95% i.e. to be statistically significant).Of the answers received there was no firm conclusion either to support or not support.

Local Business Rates

The actual share of local business rates (including section 31 grant compensation) is estimated at £2.422m for the districts which is higher than the government estimated share of £1.923m by £0.499m.

Fire has not received any of the deficit on the collection fund for business rates. The districts have confirmed this methodology with the CIPFA Finance Advisory Network.

	Cumberland NDR1 (£)	Westmorland NDR1 (£)	Total Fire (£)
Fixed Elements:			
Share of NDR Income	1,060,332	825,504	1,885,836
Share of estimated collection fund surplus/(deficit) for PY	-	-	-
'Fixed' element of NDR income	1,060,332	825,504	1,885,836
Variable Elements:			
Section 31 grant	224,447	312,029	536,476
Variable element of NDR income	224,447	312,029	536,476
Total Fixed & Variable Elements	1,284,779	1,137,533	2,422,312

Future Assumptions about Income

In order to forecast resources available for future years the following assumptions have been made:-

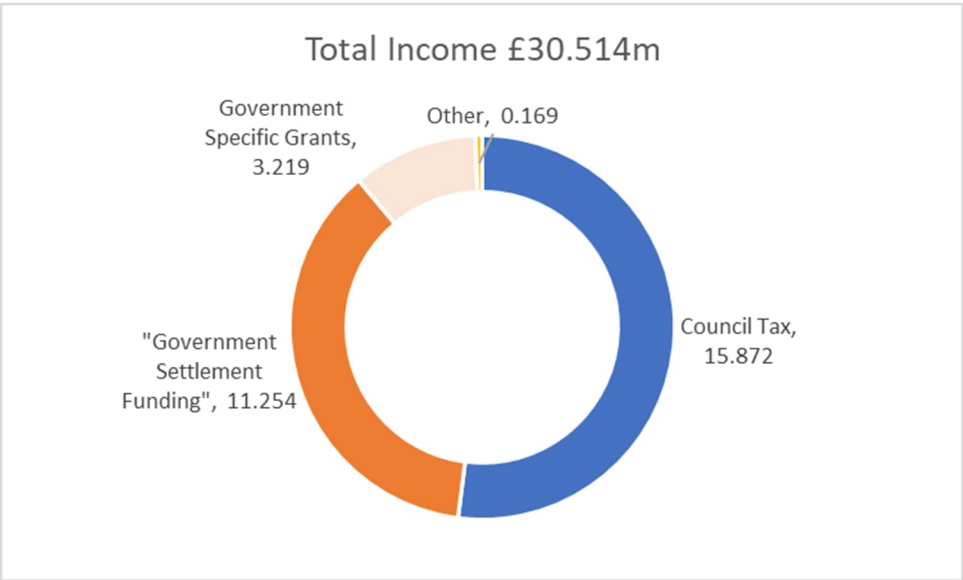
- Government 'Grant' increases at 2% per annum
- Business Rates increases at 2% per annum
- Council Tax Band D increases at 3% per annum
- Council Taxbase growth at 1% per annum
- Firelink grant reducing by 20% p.a. Other Fire Specific grants continue.

Summary Resources Available

The table below sets out the forecast maximum resources available for the Fire and Rescue service. This essentially sets the expenditure "envelope" for the service without the use of any one-off measures, support from reserves or other income streams.

	Budget 2023/24	Forecast 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
Source	£'000	£'000	£'000	£'000	£'000
Government Funding (with grants inside settlement)	4,895	4,959	5,025	5,092	5,160
Retained Business Rates Including Top Up and Compensation	6,359	6,486	6,616	6,748	6,883
Fire Specific Grants	3,219	3,193	3,167	3,141	3,141
Other Income	169	169	169	169	169
Council Tax	15,872	16,581	17,249	17,945	18,668
TOTAL	30,514	31,389	32,226	33,094	34,021

The forecast total income for all sources is 2023/24 is £30.514m.



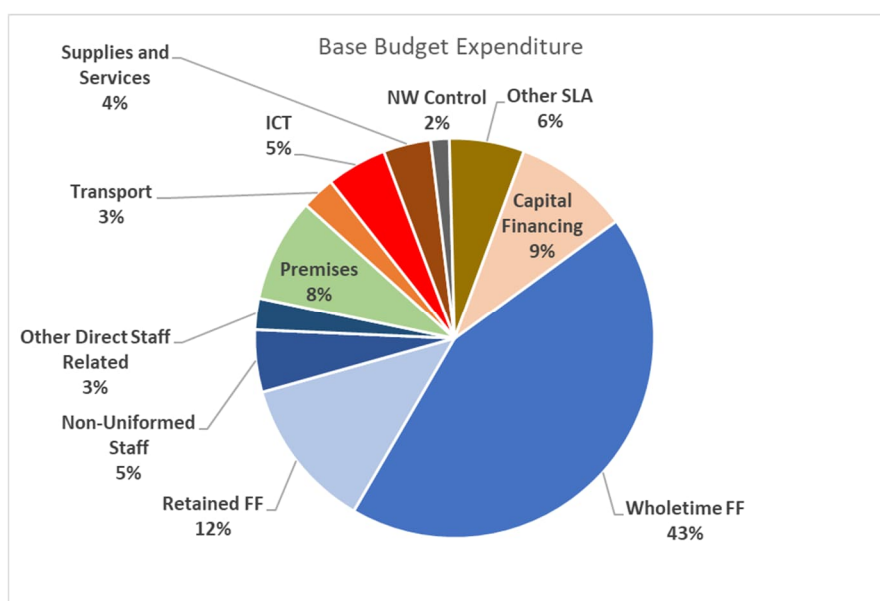
C) 2023/24 – Base Expenditure Budget preparation, approach and scrutiny

In order to construct a base budget for the new organisation the following approach has been taken:-

The starting point has been the County Council Fire and Rescue Service specific budgets for 2022/23 of £19.133m. To that base the following elements have been added:-

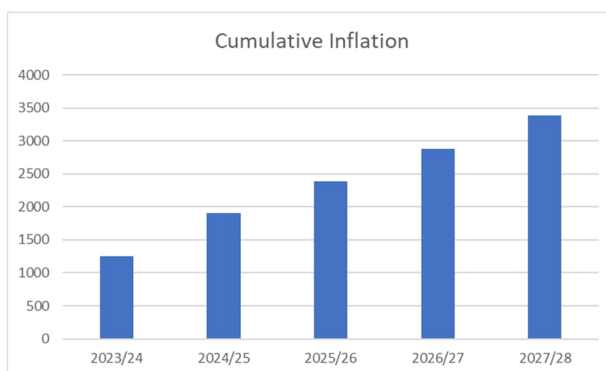
- Inflationary pressures for 2022/23 (£1.178m). It should be noted that in particular the provision has been adjusted to take account of the most recent pay offer to firefighters of 7% from July 22 and a further 5% from July 23. That has added £0.299m additional expenditure compared to the base budget presented to the Police and Crime Panel. [National Employers offer letter – 8 February 2023 | Local Government Association](#). The fire Brigades Union have recommended acceptance of the offer to their members.
- The opportunity has been taken to realign property budgets based on the latest information available and the overall allocations for inflation have also been updated.
- An assessment of the current cost of providing support services for Fire within the County Council (£5.339m). These are not included in the direct Fire budget.
- An assessment of the capital financing costs relating to fire that will be inherited from the County Council (More detail of the capital financing costs are shown in section G. (£2.591m based on late 2021 county council estimate).

This gives an overall base budget for 2023/24 of £28.242m. The pie chart below gives an indicative breakdown of that base budget. Appendix 4 shows a subjective analysis of the base budget.



To that base budget of £28.2m the following further adjustments have been made:-

- Any known budget pressures on the fire service budget (adding £500k for 23/24 and £350k for future years). These largely related to staffing and vehicle costs.
- Assumptions for inflationary pressures for 2023/24 and future years. These add £1.249m in 2023/24 rising to a cumulative £3.381m by 2027/28. The assumptions for inflation are set out in Appendix 2.



- Technical adjustments for
 - the costs of a capital investment programme for the new Fire Authority and associated borrowing costs. This will see investment of £3m a year leading to capital financing costs of £1.9m by 2027/28. (See capital programme section of report below).
 - an assumption that (because of current cost pressures) the firefighters pensions scheme will become more expensive but that all additional costs will be levied on the fire and rescue authority by variations to the employer contribution rate following a revaluation in 2025/26.

- An allowance for growth in costs because of being a stand-alone fire and rescue authority of £0.683m. This included allowance for insurance costs (£0.2m), improving support services (£0.2m), audit and inspection costs (£0.2m) and a contribution towards the cost of Office of the Police, Fire and Crime Commissioner of (£0.1m).

- Inclusion of efficiency targets (Total £0.7m) agreed between the PCC and Chief Fire Officer of:-
 - £0.3m in staff budgets by efficiently managing staffing provisions closely/natural turnover (this is around 1.5% of budget).
 - £0.120m from effectively managing non-pay budgets.
 - £0.250m target for savings in treasury management costs in both income and savings in capital financing costs provision.

The table below summarises the budgeted expenditure for the fire and rescue authority

	Budget 2023/24 £'m	Forecast 2024/25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m	Forecast 2027/28 £'m
Expenditure Budget					
Base Budget	28.242	28.242	28.242	28.242	28.242
Business as Usual pressures	0.525	0.350	0.350	0.350	0.350
Inflation	1.249	1.901	2.383	2.882	3.381
Technical Issues	0.078	0.533	1.330	1.785	2.240
Cost of Stand Alone Service	0.683	0.683	0.683	0.683	0.683
Efficiency Targets	-0.670	-0.670	-0.670	-0.670	-0.670
Total Expenditure Forecast	30.107	31.039	32.318	33.272	34.226

D) Overall Revenue Budget

The table below summarises the forecast income and expenditure for the Authority:

	Budget 2023/24 £'m	Forecast 2024/25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m	Forecast 2027/28 £'m
Total Expenditure Forecast	30.107	31.039	32.318	33.272	34.226
Forecast Contribution to/(from) reserves	0.407	0.350			
Savings Yet to be Identified			-0.092	-0.178	-0.206
Forecast Total Income	- 30.514	- 31.389	- 32.226	- 33.094	- 34.021
Net Budget Position	- 0.000	0.000	0.000	0.000	- 0.000

Overall, the budget is balanced with a very small surplus projected for 2023/24 and 2024/25 which would allow a minor contribution to reserves as long as efficiency savings targets of £0.7m are delivered. Further efficiencies of around £0.206m are required by year 5 to balance the budget.

It is recognised by the PCC and the Chief Fire Officer that, inevitably in the first year of a new relatively small organisation there is a degree of risk and it will take time to fully understand all the operational and service delivery pressures and costs. The overall budget position is tight and will require close management to deliver the balanced position.

Recognising the need to make further budget savings in the medium term in order to - deliver a balanced budget, contribute to reserves, support investment to deliver efficiency and finance a capital programme - the Commissioner and Chief Fire Officer have begun considering areas of the budget that will be targeted for reductions in expenditure. It is expected that these might be delivered by effective joint working with the OPCC and Constabulary or by effectively establishing Fire-Fire collaborations. Whilst no firm decisions have been made, initiatives, which will continue to be explored as part of the emerging IRMP will be adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other fire services and public sector bodies and realising benefits from investment in new technology.

E) The Financial Challenge – Future Risks, Challenges and Uncertainties

Economic Risks- Assumption Risks

The impact of a different inflation assumptions to that estimated in the MTFP are as follows:

- Every 1% in Council Tax equates to circa £159K per annum
- Every £1 in Council Tax equates to £172K per annum
- Every 1% in Pay equates to circa £190K in a full year
- Every 1% non-pay inflation equates to £9k per annum

Prudent forecasts have been included where information which has not yet been finalised. Any variations between the provisional and final local government settlements, business rates, council tax or the collection fund will be balanced with reserves.

Stand Alone Service Risks

As it is the first year for a new stand alone fire authority both the PCC and the Chief Fire Officer recognise that it will take time to gain a better understanding of operational and budgetary pressures facing CCFRA. These pressures are likely to require investment to ensure resources, premises and equipment is at an appropriate level.

A number of the larger support services such as ICT, Finance and Payroll are going to be provided by the new unitaries in the first instance. Whilst there is an aspiration to control costs to current levels there are risks associated with pricing for the SLA's , service standards in the new arrangements and the long term appetite for the unitaries to continue to provide services in future years. Whilst opportunities may arise with the PCC/Constabulary or an Fire-Fire basis to improve that is likely to require additional investment in systems, people and processes.

Major Incidents

Around 50% of operational cover is provided by the retained firefighting service. Costs can be significantly affected by major incidents with recent cost surges being caused by flooding and wildfire incidents. Costs pressures can be as much as £0.5m in a single year.

Litigation and Insurance Claims

The service is establishing insurance cover for the first time and the profile of insurance, excesses , self insured elements and any limitations on cover are not known. The nature of the service provided by fire and rescue means that there is always the potential for insurance claims and unexpected litigation costs .

Capital Programme

Whilst a limited capital programme has been developed and included in the budget assumptions:

- a) Information regarding vehicle fleet is more comprehensive and there has been significant investment in new vehicles in recent years.
- b) There has been little investment in fire service buildings for a significant period of time and many stations are not equipped for the needs of a modern service. The provision may not be adequate.
- c) There may be an increased need to invest in ICT and provision may be under pressure. Both in replacement systems for the NW regional control centre and in systems to support new more efficient ways of working.

Pensions

The Government introduced reforms to public service pensions in 2015 which resulted in most public sector workers being moved into new pension schemes. In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members gave rise to unlawful discrimination on the basis of age. In July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment will need to be removed across all those schemes for members with relevant service.

It is expected that the on-going cost of higher pension benefits will arise from two main areas:

- Costs arising from the above case, and;
- The as yet unknown results of the next actuarial valuations for unfunded schemes such as Firefighters and Police which will be built into the scheme valuation process and reflected in the 2025/26 employer and employee contribution rates.

We have assumed that these issues could lead to employer contribution rates increasing by up to net 3% from 2025/26. The government has provided additional grant funding for pension increases in the past for both Fire and Police but there is a risk that authorities may need to meet some or all of this increase.

Industrial Action

Any potential for industrial action requires contingency arrangements which have previously been managed within County budgets for the year or from reserves. That position remains and any alternative options would need to be costed, determined and funding set aside.

F) Reserves

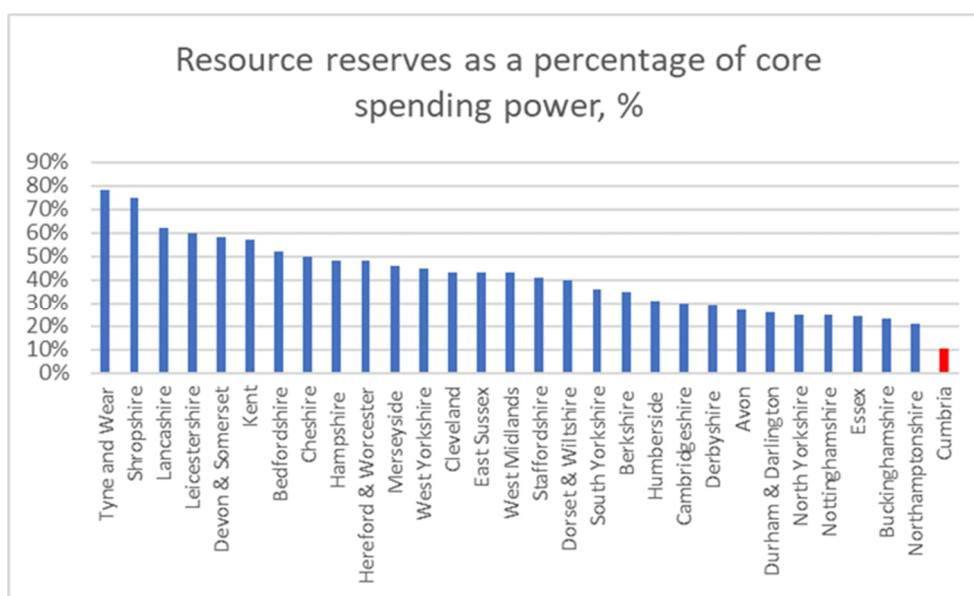
In considering the budget, the MTFP and level of precept options, it is important to look closely at the size, level and type of reserves to ensure that they are adequate to cover the purposes for which they are held and to provide some safeguards against the future risks identified within the budget.

Whilst ensuring that reserves are adequate, there is also a need to ensure they are not excessive.

The expected level of reserves to be transferred from the County Council is

		£'m
True Earmarked Reserves		
	PFI	1.914
	Insurance	0.437
		2.351
Available Reserves		
		2.214
		4.565

The Home Office has recently conducted a survey of Fire and Rescue reserves and that suggests that the starting point for Cumbria is significantly lower than the level of reserves most Fire and Rescue Authorities have as set out in the bar chart below (comparing as a percentage of “spending power”).



Both the PCC and the Chief Fire Officer believe that there is a need to improve the level of general reserves held. There is also a need to build earmarked reserves such as Insurance to meet Insurance excess levels and claims and operational reserves such as to meet industrial action, smooth ill health costs, fund transformational development and replace essential (non-capital operational equipment). However, it is recognised that these reserves will need to be balanced with operational requirements and built up over time.

Reserves Strategy

Types of reserves and planning assumptions are detailed below. The PFCC and Chief Fire Officer will refine the reserves strategy as more financial information on the final transfer details emerges closer to 'day one' :

a. General Reserve

A guideline level for a general reserve is 3% of net revenue expenditure which would be around £0.9m in 2023/24. An external audit requirement is often regarded as a minimum of 2% (with other appropriate levels of earmarked reserves to support.) Whilst Fire is above that level based on county forecasts it has only two very specific earmarked reserves for PFI and insurance.

b. Insurance Reserve

This is an essential reserve earmarked to meet the excess costs of insurance claims of £0.437. The exact requirements for this reserve will be finalised for the end of 2022/23 and reviewed in light of the Insurance policies set in place for the new organisation.

c. Earmarked Reserves

Fire has one specific Earmarked reserve in relation to PFI costs. It is used to smooth differences between scheme costs and grant payments. The following areas are considered for future earmarked reserves once the general and insurance reserves are at an acceptable level.

- Fire do not currently have any industrial action contingency arrangements as previously costs have been met from revenue budgets and it is recommended that, in time an operational reserve is created for this purpose.
- Fire also do not have any reserves to smooth the impact of large operational equipment purchases which would either have to be purchased from revenue or if they do meet the audit capitalisation requirements, from capital. It is recommended that such a reserve is worked towards.
- Fire do not have any transformational or invest to save initiative reserves, this means that funding such activities would fall on the revenue budget, which is not ideal. In line with the Financial Management Code, all parties have to clearly show their investment in collaborative activities so it is recommended that Fire work towards a transformation/investment reserve as a minimum.
- At some stage it would be appropriate to work towards an ill health pension reserve to smooth the impact of ill health retirements on the revenue budget.

Reserves are forecast to be moderate at 1 April 2023 and will give some resilience to meet challenges, smooth costs or invest in transformation or other opportunities. The Chief Finance Officer has advised that it would be prudent over time to try and work towards total reserves of nearer 20% at least.

G) Capital Programme

a) Historic

The County Council has undertaken a review of historic capital expenditure in the County to share the overall capital financing requirement between the successor authorities. The Capital Financing requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It measures the underlying need to borrow for a capital purpose, although this borrowing may not necessarily take place externally.

The table below summarises the estimated Capital Financing requirement (£24.5m) to be transferred at the end of 2022/23 to fire.

	Historic CFR	MRP
	£'m	MRP 2023/24
	£'m	£'m
Vehicles	7.483	0.723
Lazonby /Bootle	1.041	0.020
Kendal FS & PFI preparatory works	0.214	0.006
Other	0.000	-
Ulverston	2.322	0.040
PFI Fire Stations	13.467	0.453
	24.528	1.242

There are tight governmental controls over local government borrowing that prescribe the money a local authority must set aside for repayment of debt – the Minimum Revenue Provision or MRP. As set out in the table above the Authority must set aside £1.242m in its revenue budgets each year in relation to that CFR based on the current policy adopted by the county council.

In addition the Authority must pay interest on outstanding debt .

- In relation to PFI that cost is estimated to be £1.2m. In addition for PFI the Authority pays an ongoing unitary charge for services of £0.641m and receives an ongoing revenue grant of £1.654m to offset costs).
- In relation to the other assets transferring the outstanding debt in relation to those assets (which is lower than the CFR) is £7.6m. Currently it is anticipated that one specific loan from the county portfolio will be allocated to Fire with an fixed interest rate of 2.64%. Interest of £0.2m will be payable .

The total inherited capital charges are therefore summarised (including unitary charge and PFI grant)

	MRP £'m	Interest £'m	Unitary Charge £'m	Grant £'m	Net £'m
PFI	0.453	1.210	0.641	(1.654)	0.650
Other	0.789	0.201			0.989
Total	1.242	1.411	0.641	(1.654)	1.639

b) New Capital Programme

The PFCC and the Chief Fire Officer have prepared the first Fire specific draft capital programme, unique for Fire to invest, develop and provide the infrastructure to support the delivery of future Fire services.

The Chief Fire Officer and CFO reviewed the Initial Capital Programme requirements list for Fire. These will be reviewed and more detailed proposals prepared during 2023/24 to reflect joint estates and capital priorities and opportunities with Policing.

To ensure effective MTFP and capital planning some new expenditure has been included in the capital programme and the revenue costs built in to the MTFP. However, it can be seen that these costs are significant and so need to be considered with the operational, PFCC and reserve requirements.

The draft Capital Programme is summarised below. It is expected to be fully funded by borrowing:

Cumbria Capital Programme						
Type of Capital Expenditure	Total Cost £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Vehicles	5,574	1115	1115	1115	1115	1115
Buildings	5000	1000	1000	1000	1000	1000
ICT & Equipment	5000	1000	1000	1000	1000	1000
	15,574	3,115	3,115	3,115	3,115	3,115
Funded By						
Prudential Borrowing	- 15,574	- 3,115	- 3,115	- 3,115	- 3,115	- 3,115

Whilst the draft capital programme provides an estimate of expenditure for planning purposes, the Chief Fire Officer is reviewing the requirements and plans and the Chief Finance Officer has recommended that strategies are provided to support the capital programme for the following:

- Fleet Strategy
- Estates Strategy
- ICT Strategy
- Operational Equipment.

This provides an opportunity to ensure that strategic planning in both Fire and Policing are undertaken in a consistent manner which could contribute to better integrated working across the services to realise governance benefits.

Once these strategies have been produced, the Capital Programme and the MTFP will be updated. At this stage it is recognised that:

- a) Information regarding vehicle fleet is more comprehensive and there has been significant investment in new vehicles in recent years.
- b) There has been little investment in fire service buildings for a significant period of time and many stations are not equipped for the needs of a modern service. The provision may not be adequate.

- c) There may be an increased need to invest in ICT and provision may be under pressure. Both in replacement systems for the NW regional control centre and in systems to support new more efficient ways of working.

The Treasury Management Strategy, Capital Strategy and efficiency plans will be finalised and available on the PFCC website by April 2023.

Robustness of the Budget –Statement of the S151 Chief Finance Officer

Section 25 of the Local Government Act 2003, places a duty on the S151 to make a report to the authority on:

- The robustness of the estimates included within the budget.
- The adequacy of the reserves and balances/

The PFCC must have regard to this when considering the budget and the report must be shared with the Police, Fire and Crime Panel.

In his considerations, the S151 Officer is mindful of other associated statutory safeguards designed to support the authority:

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the chief financial officer has personal responsibility for such administration.
- Sections 32, 43 & 93 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget.
- The Prudential Code introduced as part of the Local Government Act 2003 which sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates.
- The external auditor's duty to assess the adequacy of the authority's proper arrangements to secure economy, efficiency and effectiveness ('value for money').

To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the S151 Officer to report in consultation with the Monitoring Officer if there is or is likely to be unlawful expenditure or an unbalanced budget.

This report has set out the detailed budget setting process that has taken place and the work undertaken to ensure the budget is as realistic, deliverable and achievable as possible.

The Joint Chief Finance Officer (supported by a specialist resource recommended by the Home Office) has worked closely with the County Council staff, the Fire Executive team, budget holders and the finance team to deliver the draft budget and savings plan, ensuring that effective scrutiny and challenge has taken place throughout. The PFCC has undertaken scrutiny and strategic review of the proposals regularly and held a specific budget strategy day on the 13th January.

The estimates and assumptions are based on the best information available at the time of formulating the budget in line with the fundamental accounting concepts and are reasonable and prudent.

The Section 25 Statement of the S151 Joint Chief Finance Officer for the PFCC is included at Appendix 1.

Acknowledgements

The budget is recommended to the Commissioner with recognition for the hard work and support of all the finance officers involved and the Fire and Rescue Service who provide detailed income and expenditure forecasts and for the work of the Police and Crime Panel in providing challenge and scrutiny to the budget proposal.

Roger Marshall

Joint Chief Finance Officer

16 February 2023

Human Rights Implications

None identified

Race Equality / Diversity Implications

The budget will be subject to a detailed Equality Impact Assessment.

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning.

Financial Implications

The main financial impacts are described in the paper

Personnel Implications

As identified in the report

Contact points for additional information

Roger Marshall – Joint Chief Finance Officer

Tel: 0300 124 0113 Ext: 48591, email: Roger.Marshall@cumbria.police.uk

Kieran Timmins – Consultant

Tel: 07855 207571 , email: kieran.timmins458@btinternet.com

Appendix 1 . Robustness of the Budget –Statement of the PFCC Chief Finance Officer

The Local Government Act 2003, Part 2, Section 25, as amended by the Police Reform and Social Responsibility Act 2011, requires the PFCC's Chief Finance Officer to report on the robustness of the estimates used for the budget and the adequacy of the proposed financial reserves. The PFCC is required to have regard to the report of the Chief Finance Officer and the report must be given to the Police, Fire and Crime Panel.

The CFO statement is as follows:

" I have attended regular meetings across 2021/22 with the PFCC and the Senior Fire team, I attended as the Chief Finance Officer, but also the operational finance lead for Fire to provide assurance that these factors have been considered. At those meetings , dialogue, scrutiny and challenge has continued where new factors or information have been highlighted and discussed.

Working with colleagues, and in particular with the appointment and support of a specialist consultant recommended by the Home Office , I have developed the budget model and have made the assumptions based on professional estimates, peer knowledge and advice and using where appropriate assumptions included in the business case. Where possible I have aligned these with national Fire and technical colleagues.

In developing the model, Cumbria County Council and Local Government colleagues have supported me and provided me with information and responses to queries and/or points of clarification and I am grateful for their support and assistance in doing so.

As the process for the CCFRA Governance and the budget is new for 2023/24, I will continue to work with Fire colleagues during 2023/24 to further understand and refine the budget model and process to ensure it supports the strategic and operational priorities for future years. I will also look to develop finance system and processes for Fire so it can support improved budget processes in future years.

Given the need to ensure and build stability and resilience, minimal operational pressures have been built into the budget model and any growth or changes will need to be accommodated from within the cash limited budget set for the year.

The budget includes efficiency targets totalling £0.75m that, whilst challenging, are deliverable based upon current understanding of the compilation of the base budget.

I am assured by the commitment to the collaboration and enabling services work to assist in identifying future savings.

Together with the OPFCC, I have reviewed the establishment of the Fire Service and support the need for the PFCC to receive regular staff resource information moving forwards.

I have reviewed the detailed calculations in arriving at the budget requirement and council tax precept and options and find these to be robust. I also have, sought and received authorisations from billing authorities in relation to taxbase and council tax surplus/deficits and I am grateful to all partners for their support in doing so. (Final Figures are awaited at the time of writing).

I have highlighted uncertainty and timing challenges with some of the locally calculated business rates growth in the funding assumptions as these will not be available until February 2023, after the budget discussions have concluded. Whilst the estimates are consistent with the business case, these are subject to local volatility and the PFCC is aware of this uncertainty and potential impact.

The Chief Fire Officer and his team have been fully involved in the budget discussions and whilst there is some minimal flexibility within the revenue budget, and there are some general or earmarked reserves available should operational demands require access to these I believe these should be increased if possible over the forthcoming years. The PFCC and the Chief Fire Officer and his team recognise this position and are fully committed to building a stable and sustainable position in building the adequate level of reserves as soon as possible. In coming to my conclusion on the robustness of the budget I have also reviewed the Capital Programme and Reserves Strategy.

The sections in this report on “Future Risks, Challenges and Uncertainties” and the “MTFP” highlight significant unknown issues moving forwards in the medium term. The impact of future funding formula and the any future spending reviews is unknown as is the potential impact of pensions costs.

Whilst a balanced budget has been managed for 2023/24, after that time, the landscape is less certain and it is reasonable to assume that the operational and financial challenges will continue and these are reflected as best estimates in the MTFP.

I conclude, therefore, that the budget for 2023/24:

Has been prepared on a robust basis, and

In 2023/24, the budget is balanced with a set of efficiency saving targets based on reasonable assumptions.

Reserves are reasonable but I am concerned to see improved financial resilience within Fire to manage any unforeseen issues or to invest in and optimise opportunities in the medium term.

The financial landscape after 2023/24 is less certain and the MTFP identifies a need for further savings and the MTFP will be under regular review as savings plans progress. “

Appendix 2 - Assumptions – Pay Award and Inflation

	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	2026/27	2026/27
	%	£'m	%	£'m	%	£'m	%	£'m
Firefighters Pay Award	5%	0.619	3%	0.390	2%	0.268	2%	0.273
NJC Pay Award	5%	0.246	3%	0.155	2%	0.106	2%	0.108
Total Pay Award Increase		0.865		0.545		0.374		0.381
Apprenticeship Budget	7.5%	0.004	7.5%	0.004	7.5%	0.005	7.5%	0.005
Building Cleaning / Maintenance	12.2%	0.036	2.8%	0.009	2.8%	0.009	2.9%	0.012
Electricity	12.2%	0.090	2.8%	0.023	2.8%	0.023	2.9%	0.025
Gas	12.2%	0.040	2.8%	0.010	2.8%	0.010	2.9%	0.011
Water	12.2%	0.009	2.8%	0.002	2.8%	0.003	2.9%	0.003
Rates	12.2%	0.076	2.8%	0.020	2.8%	0.020	2.9%	0.022
Refuse Collection	12.2%	0.001	2.8%	0.001	2.8%	0.001	2.9%	0.001
NW Fire Control	7%	0.030	5%	0.023	5%	0.023	5%	0.024
PFI Contract Indexation	2.5%	0.014	2.5%	0.015	2.5%	0.015	2.5%	0.016
Fuel	40.8%	0.051						
Training Materials	174%	0.029						
Smoke Alarms	81.8%	0.045						
Total Inflationary Increases		0.425		0.107		0.108		0.118

Appendix 3 Legal Resolution

The PCCFRA has to set a legal budget by and decide its level of precept before 1st March 2023.

The is report sets out for approval

- the medium term financial plan as set out in the report
- including the net budget requirement of £.....for 2023/2024 as set out below
- to note that the Authority’s council tax base for 2023/2024 is £176,043.35, being the aggregate of the tax bases calculated by the new unitaries
- following amounts calculated in accordance with Sections 42a to 49 of the Local Government Finance Act 1992:-

Calculation of Aggregate Amounts Under Section 42a (2) and (3) of the Local Government Act 1992 (Updated in the Localism Act 2011)			
			Estimate 2023/2024
			£'000
(A)	sec 42 (2) (a)	Service Budget	30,108
(B)	sec 42 (3) (a)	Income	-5,072
Reserves Movement:			
(A)	sec 42 (2) (c)	Contribution to reserves	407
(B)	sec 42A (3) (a)	Contribution from reserves	
Budget Requirement			25,443
(B)	sec 42A (3) (a)	Spending Funding Assessment	-9,072
(B)	sec 42A (3) (a)	Local NNDR Estimate Adjustment	-499
(B)	sec 42A (3) (a)	Collection Fund Deficit / (Suplus)	67
Non-Precept Income			-9,504
(C)	In accordance with Sec 42A (4), aggregate of (A) over (B)		15,938.965
Precept Requirement			15,938.965
Tax Base			176,043.35
Precept Requirement / Tax Base:			£15,938.965
Basic Tax Amount At Band 'D'			£90.54

The valuation bands calculated by the Authority in accordance with Section 47 (1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands:

Valuation Band	Precept 2023/24 Amount £.pp	Proportion
Band A	60.36	6/9 ths
Band B	70.42	7/9 ths
Band C	80.48	8/9 ths
Band D	90.54	9/9 ths
Band E	110.66	11/9 ths
Band F	130.78	13/9 ths
Band G	150.90	15/9 ths
Band H	181.08	18/9 ths

The Authority calculates the precept amounts payable by each constituent district council pursuant to Section 48 of the Act as follows :-

Billing Authority	Tax Base 2023/24	Precept (Band D) £	Amount Payable £
Cumberland Council	88,328.60	90.54	7,997,271
Westmorland and Furness Council	87,714.75	90.54	7,941,693
Total	176,043.35	90.54	15,938,965

The precept payments are to be made by 12 equal instalments

Appendix 4 Draft Budget

	Forecast Budget
Cumbria Fire Draft Base Budget 23-24	2023/24
	£'000
Employee Costs	
W/T Firefighters	9,326
P/T Firefighters	2,872
NI Firefighters (W/T and Retained)	1,075
Firefighters Pension (W/T and Retained)	3,771
Local Govt Staff	1,171
Local Govt Staff NI	105
Local Govt Pension	223
Other employee Costs	49
Recruitment and Relocation	7
Subsistence	7
L&D	340
Injury pensions	273
LPA Pensions administration	31
	19,250
Premises	
Building Cleaning / Maintenance	129
Electricity	470
Gas	321
Water	85
Rates	864
Refuse Collection	19
PFI Charge	714
Lease income	- 105
	2,497
Transport	
Vehicle Maint & Repair	600
Vehicle Fuel	126
Public Transport	54
Vehicle Insurance	26
Car Mileage	15
Car leasing	76
	897
Supplies & Services	
Equipment & Furniture	577
Medical & Cleaning	14
Books & Media	-
Clothing, Uniform & Laundry	419
Catering & Staff Subsistence	6
Smoke Alarms	55
Printing, Stationery, Purchase Cards, Educ Visits	38
Professional Fees, Hired Services and Licence Fees	95
Computer Hardware & Software	-
Telephone and Home Calls	-
Advertising & Publicity	-
Postage & Carriage	-
Non Staff Expenses	21
Subscriptions	33
Other insurances	30
Other	22
	1,310

	Forecast Budget
Cumbria Fire Draft Base Budget 23-24	2023/24
	£'000
Agency & Contracted Services	
Payments to Other Local Authorities - NW Control	446
Private Contractors	-
Recharge Within Service	-
	446
County Support Services	
ICT	1,345
Learning & Development	356
HR	281
Insurance	417
Business Support	168
Accountancy Services	116
Service Centre	113
Performance & Risk	71
Communication	64
Legal Services	58
PA Support	49
Health & Safety	44
Transformation	43
Internal Audit	37
Carbon	21
Senior Leadership	19
DBS Checks	13
Capital Programme Team	9
Childcare Vouchers	1
Provision for In House Support services	200
Internal Audit	40
External Audit	75
Valuations	25
Cost of PCC and Strategic Functions	143
Inflation 22/23	-
Savings targets	- 670
	-
	3,039
Capital Financing & RCCO	
MRP Interest	928
PFI Rental	1,663
Cost of New Capital Programme	78
	2,669
GROSS EXPENDITURE	30,108
Income	
Specific grants	
Fire PFI	- 1,654
Fire Revenue Grant – Firelink	- 78
Fire Revenue Grant – New Dimensions	- 101
Fire Pension Grant	- 1,255
Fire Protection Grant	- 131
Services Grant	- 283
Rural Delivery Grant	- 409
Compensation for not uplifting business rates multiplier	- 992
Other Income	
Salary Costs Recovered	- 102
Provided Car contributions	- 27
Income and Charges	- 40
Rents and Leases	
TOTAL INCOME	- 5,072
CONTRIBUTIONS TO/FROM RESERVES	
PFI RESERVE	
OTHER	407
TOTAL CHANGE IN RESERVES	407
NET BUDGET REQUIREMENT	25,443