

Medium-Term Financial Plan 2024/25 – 2028/29 Mid-year review

Executive Board: 4 September 2024
Report of: Chief Finance Officer

Making Cumbria a safer place for all



1.0 Introduction

- 1.1 The overarching policy guidelines of the Medium-Term Financial Plan (MTFP) are that resources will be directed in priority areas via the budget process within the overall caveats that:
- Redirection of resources towards areas of high priority will be contained within existing budgets, unless increases can be justified and funded through the budget process.
 - Council Tax increases will be limited to fair and reasonable levels, taking account of national guidance from Government and service requirements.
 - External grants and income will be maximised wherever possible to mitigate the effects of budget increases.
 - Partnership working and funding opportunities will be explored wherever feasible.
- 1.2 The Medium-Term Financial Plan provides the corporate financial planning framework to provide strategic direction for CFRS for the next five years and to ensure that the financial resources of CFRS are directed to achieving the Service's key priorities. The MTFP should closely align resources to the Community Risk Management Plan (CRMP) objectives and direction.
- 1.3 This document provides a mid-year review to the MTFP agreed in February 2024 and sets out the current assumptions as built into the MTFP that will require updating and consideration for 2025/26 onwards.

2.0 Financial Principles supporting the MTFP.

2.1 Four key principles will be applied to the MTFP as follows:

Financial Principle 1 – Revenue Budget Strategy

- Guide the integration of financial planning with the priorities set out in the Fire Plan and CRMP to ensure that spending decisions contribute to the achievement of priorities.
- Forecast a minimum five-year corporate and financial planning horizon, with longer periods developed where necessary.
- Manage performance management and decision-making procedures to help achieve the best use of available resources.
- Monitor and evaluate proposed and actual spending to ensure that value for money is obtained.
- Review the Reserves Strategy in line with CIPFA and other best practice guidance to ensure that all the reserves held are still applicable and relevant.
- Achieve and maintain a minimum level of General Fund Reserves of £4.3m over the life of the MTFP subject to an annual risk assessment (Appendix A).
- Consider the impact of any other Government Budget initiatives e.g., Fair Funding Review and any Comprehensive Spending Review implications.
- Develop and implement a robust savings and income plan to achieve any savings targets.
- Undertake and implement a full base budget review.
- Limit revenue budget growth to those which are unavoidable, and which cannot be accommodated within existing base budgets.

Financial Principle 2 – Council Tax & Business Rates Policy

- Determine Council Tax levels that are prudent and retain stability for the financial strength of the service.
- Assess of the impact of business rates retention including impact of receipt Section 31.

Financial Principle 3 – Treasury Management

- Annual review of the Treasury Management budget for forecasts on interest rates, expectations of average balances and the effects of capital spending decisions.
- Consider the appropriate levels of prudential borrowing that is affordable, sustainable and within acceptable council tax levels, that delivers objectives aligned to priorities.
- Undertake an annual review of the Service's Minimum Revenue Provision (MRP) policy (setting aside resource to repay debts) and its impact on the revenue budget.
- Have a Treasury Management Strategy, which is compliant with the Prudential Code and Treasury Management Code to achieve the optimum return on investments, with the security of the principal sum always being the primary consideration.

Financial Principle 4 – Capital Investment

- Details as set out in the Capital Investment Strategy.
- Review of capital financing decisions which will have a revenue budget impact due to lack of capital resources (E.g., through generation of capital receipts and borrowing).

2.2 Links to other Strategies

The Medium-Term Financial Plan takes account of other Strategies, which have a potential impact on the use of resources by the Service. Particularly consideration is given to the following key strategies: -

- Police, Fire and Crime Plan
- The Community Risk Management Plan
- The Capital Investment Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Estates Strategy, which provides forecasts of necessary investment in the estate's portfolio.
- The Fleet Strategy, which provides information on the investment, maintenance, and aspirations of the Service's fleet.
- The Asset Disposal Strategy.
- The Productivity and Efficiency Plan
- The Procurement and Commissioning Strategy.
- The ICT Strategy.
- The People Strategy and workforce plan
- Executive Boards – Fire and Working Together

3.0 Revenue Budget Forecasts

3.1 Current Budget Forecast

3.1.1 The 2024/25 budget was set with an aim of ensuring the service develops a discipline of ensuring the budget is affordable and delivers long term sustainability and resilience. The budget is built on the assumptions of forecasting resources and expenditure over a five-year planning period. Projections will inevitably change over the period of the plan and these forecasts are updated as part of the detailed budget process.

3.1.2 The current forecast for the period 2024/25 to 2028/29 was approved in February 2024 and has not yet been updated for the 2023/24 outturn position and details are shown below together with the base estimate figures for 2028/29. ***This position does not yet reflect any changes to assumptions, changes to funding or new growth or savings that will be identified through the 2025/26 budget setting process.***

2024/25 Revised £000	Summary Net budget Requirement	2025/26 Proj £000	2026/27 Proj £000	2027/28 Proj £000	2028/29 Proj £000	2028/29 Proj £000
26,869	Total Net Recurring Expenditure	28,711	29,564	30,510	31,329	31,848
125	Total Non Recurring Revenue Expenditure	0	0	0	0	0
290	Carried Forward from 2023/24	0	0	0	0	0
27,284	Total Net Revenue Expenditure	28,711	29,564	30,510	31,329	31,848
	Less Contributions (from)/to Reserves					
955	Recurring Commitments	89	166	182	360	872
(125)	Non-Recurring Commitments	0	0	0	0	0
(290)	Carry Forwards from 2023/24	0	0	0	0	0
27,824	Total CFRS Budget Requirement for Council Tax purposes	28,800	29,730	30,692	31,689	32,720

3.1.3 The budget requirement is funded as follows:

2024/25 Revised £000	Total Funding and Council Tax Impact	2025/26 Proj £000	2026/27 Proj £000	2027/28 Proj £000	2028/29 Proj £000	2029/30 Proj £000
27,824	Projected Net Budget Requirement for Council Tax purposes	28,800	29,730	30,692	31,689	32,720
	Funded by:					
(16,737)	Council Tax Income	(17,411)	(18,114)	(18,844)	(19,603)	(20,393)
24	Estimated Council Tax Deficit	0	0	0	0	0
(6,432)	Retained Business Rates	(6,616)	(6,748)	(6,883)	(7,021)	(7,161)
(4,679)	Revenue Support Grant	(4,773)	(4,868)	(4,965)	(5,065)	(5,166)
(27,824)	Total Funding	(28,800)	(29,730)	(30,692)	(31,689)	(32,720)
179,509.47	Estimated Tax Base	181,304.56	183,117.61	184,948.79	186,798.27	188,666.26
£ 93.24	Band D Council Tax	£ 96.04	£ 98.92	£ 101.89	£ 104.94	£ 108.09
£ 2.70	Increase over previous year	£ 2.80	£ 2.88	£ 2.97	£ 3.06	£ 3.15
2.98%	%	3.00%	3.00%	3.00%	3.00%	3.00%

4.0 Assumptions & Issues Arising

The following assumptions are included in the MTFP that was approved in February 2024. The colour coding provides an indicative assessment as to whether the assumptions remain accurate or will need reviewing as part of the 24/25 MTFP process.

	2024/25 %	2025/26 %	2026/27 %	2027/28 %	2028/29 %	2029/30 %	1% Change £000
Firefighters Pay Award	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%	176.000
NJC Pay Award	2.50%	2.00%	2.00%	2.00%	2.00%	2.00%	35.000
Apprenticeship Budget	2.50%	7.50%	7.50%	7.50%	7.50%	7.50%	0.573
Building Cleaning / Maintenance	2.50%	2.80%	2.80%	2.80%	2.80%	2.80%	1.290
Electricity	4.00%	2.80%	2.80%	2.80%	2.80%	2.80%	4.701
Gas	4.00%	2.80%	2.80%	2.80%	2.80%	2.80%	3.209
Water	2.50%	2.80%	2.80%	2.80%	2.80%	2.80%	0.853
Rates	2.00%	2.80%	2.80%	2.80%	2.80%	2.80%	8.639
Refuse Collection	2.50%	2.80%	2.80%	2.80%	2.80%	2.80%	0.191
NW Fire Control	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	4.451
PFI Contract Indexation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	5.740
Fuel	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	1.768
Training Materials	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	0.457
Smoke Alarms	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	1.000
Income/Funding Assumptions							
Government Grant Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-32.110
Business Rate Increases	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-63.590
Council Tax Band D	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
Council Tax base	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	-159.389
Firelink Grant	-20.00%	-20.00%	0.00%	0.00%	0.00%	0.00%	
Assumption may be too high/could be reduced							
Assumption is reasonably accurate							
Assumption is too low/may need increased							

4.1 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 £174,000 per annum.
- Every £1 in Council Tax equates to £180,000 per annum.

An announcement will likely be made in the Comprehensive Spending Review/Budget announcement in October/November for capping limits for Council Tax increases in 2025/26. At present the assumption is for a **3% increase** for 2025/26. An increase to the previous cap limit of £5 would equate to an increase of 5.36% and would provide additional

funding for the service of approx. £400,000 p.a, however, this would need to be justifiable with it resulting in appropriate investment in the Service.

Inflation has continued to fall since the budget was approved, with the current headline rates for CPI inflation being 2.3% in July 2024. Falls in utility prices and fuel prices have positively impacted on the Services budget during 2023/24 and the early part of 2024/25, but there remains a risk that prices could once again increase.

The increase in the taxbase (the number of properties liable for Council Tax) is currently assumed at 1% per year. For 2024/25, a 2% increase was reported by the unitary authorities, and expectations around housebuilding nationally would suggest increased growth in the taxbase. **Increasing the taxbase growth assumptions in the MTFP by 1% (to 2% p.a) would yield an additional £172,000 in Council Tax each year. This will be considered during the budget setting process.**

4.2 Establishment

Two thirds of the gross expenditure budget of the service is in relation to staffing costs. The current establishment as costed in the MTFP is as follows:

Grey Book (Operational)	FTE	HEADCOUNT
Chief Fire Officer	1.00	1.00
Deputy Chief Fire Officer	1.00	1.00
Assistant Chief Fire Officer	1.00	1.00
Area Managers	3.00	3.00
Group Managers	6.00	6.00
Station Managers	15.00	15.00
Watch Managers	24.13	24.00
Crew Managers	35.00	35.00
Firefighters	125.20	126.00
Total Wholetime	211.34	213.00
On-Call	368.50	447.00
Green Book (Corporate)	FTE	HEADCOUNT
Corporate Staff	69.95	77.00
Total Service Establishment	649.79	737.00

4.3 Emerging Pressures

The following pressures have emerged during the early part of 2024/25 that will need to be considered as part of the 2025/26 budget process:

- **Insurance Premiums - £86,000**

Provision was made in the budget for inflationary increases in insurance premiums. However, upon renewal in April 2024, the premiums have increased by approximately £86,000; primarily because of increased vehicle insurance premiums and increases for employers' liability cover following disaggregation and creation of in-house teams.

- **North-West Fire Control - £72,000**

Provision was included in the original 2024/25 budget for an increase in contribution to NW Fire Control from 8% to 8.8%, however, when the overall budget was received in late February, base costs had increased meaning the contribution from Cumbria based on 8.8% increased from £610,000 to £682,000.

- **Pensions Administration - £56,000**

The increased administration of pensions from Local Pensions Partnership Administration (LPPA) has seen the costs to the service increase by £56,000 for 2024/25.

- **Repairs and Maintenance - £200,000**

Routine planned and reactive repairs and maintenance (revenue costs) were dealt with centrally under the County Council. No specific budget was therefore identified under disaggregation, and it has taken a significant amount of time to identify the potential volume of work and value of work that is undertaken on the fire estate. For 2023/24 the value of work was received in late March 2024 and amounted to just under £200,000. Therefore, a budget will be required in the future and will need to be fully funded.

- **Occupational Health - £80,000**

Occupational Health costs pressure arose during 2023/24 and provision was made for an additional £150,000 budget to be created from 2024/25 onwards and was to be found from within the service increasing the savings requirement (see above). The actual cost of the service during 2023/24 was close to £230,000. Therefore, if this cost were to continue at the 2023/24 level there would be an additional pressure of £80,000 that would need to be found from existing budgets.

- **On-Call Firefighter Pay Award 2024/25 – up to £600,000**

Provision was made in the budget for a 4% increase in firefighter pay. The proposed pay award published in April is for 4% increase, however it also proposes to change the rates payable to on-call firefighters and introducing a tiered system for availability. As Cumbria has a high reliance on on-call crewing, the financial impact of this change would be significant for the Service. The proposals would be implemented from 1 January 2025.

- **On Call Firefighters – Employers Pensions Contributions - £450,000**
The budget for on-call firefighters has never included a budget for employers' pension contributions even though it is pensionable. Therefore, consideration will be required to include a budget for this cost.
- **Pay Award**
The MTFP assumes pay award increases of 2% p.a. The final grey book pay award for 2024/25 was 4% and the green book pay award offer is approximately 3%. Consideration will need to be given to whether the assumptions for 2025/26 are reflective of the potential increases that could be awarded and will need to take into consideration any national guidance and assumptions being made by other Fire Authorities.

4.4 Funding

CFRS receives core funding from Government each year as part of the Settlement Funding Assessment which comprises of the Business Rates baseline funding level and information on tariffs and top ups. Although the Government set the Business Rates Baseline, the actual funding is received via the Non-Domestic Rates income the Unitary Council's collect.

As well as the core funding as agreed in the Settlement Funding Assessment, the Service is also the recipient of other support from central government in the form of specific grants. These are included in the budget as income rather than funding and are linked to specific schemes or services.

The MTFP includes an inflationary increase for Council Tax and an estimate for Business Rates Baseline. However, the MTFP does not include any provision for any surplus/deficit on the Collection Fund for either Council Tax or Business Rates. Any deficit's declared by the Unitary Authorities would reduce the level of funding the Service would receive in the future. Small deficits were declared by both unitary councils at the end of 2023/24.

4.5 Stand Alone Service Risks

The PFCC and the Chief Fire Officer recognise that it takes time to gain a better understanding of operational and budgetary pressures facing the service. These pressures are likely to require investment to ensure resources, premises and equipment is at an appropriate level.

Several of the larger support services such as ICT, and Fleet are being provided by the new unitaries. 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 PFCC/Constabulary or a Fire-Fire basis to improve that is likely to require additional investment in systems, people, and processes.

4.6 SPATE Conditions (e.g. Widespread flooding)

Around 50% of operational cover is provided by the On-call firefighting service. Costs can be significantly affected by 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.

4.7 Litigation and Insurance Claims

The service is responsible for its own insurance cover and the profile of insurance, excesses, self-insured elements, and any limitations on cover will not be known until claims experience is built. The nature of the service provided by fire and rescue means that there is always the potential for insurance claims and unexpected litigation costs. Although there is a self-insurance reserve, this will need to be maintained at a suitable level for any potential future claims that are not covered by the insurance excesses in place.

4.8 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 based on 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 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.

These issues could lead to employer contribution rates increasing in the future. 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 this increase. Grant funding for the pension rate increase in 2024/25 was provided centrally, however, this was not guaranteed for future years. The amount of this grant was £965,000.

The MTFP currently includes provision for an increase in pension remedy costs of £350,000 from 2025/26. It is also unknown what, if any, additional funding from Government will be provided to compensate for this additional cost.

4.9 Industrial Action

Any potential for industrial action requires contingency arrangements which were previously 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.

4.10 Capital Programme

A capital programme has been developed and included in the budget assumptions, it is predominantly funded from borrowing requirement. Consideration needs to be given to the following areas:

- Ensuring the capital programme for fleet replacement aligns to the Fleet Strategy and which will require undertaking a full review of vehicle aspirations, current fleet stock condition and undertaking a full option appraisal around the most appropriate financing options. This will also include assessing surplus vehicles and potential capital receipt generation for reinvestment.
- There has been little investment in the fire service estate for a significant period and many stations are not equipped for the needs of a modern service. The capital programme will therefore need to reflect a level of investment in the estate that will address these issues. Home Office Grant received in 2023/24 will significantly help to finance this investment.
- A detailed equipment and PPE replacement programme will need to be developed taking into account future service needs, technological advancements, funding opportunities and current equipment condition.
- There will be an increased need to invest in ICT. The MTFP includes provision for investment in NW Fire Control systems, however, ICT disaggregation from the Unitary Council may require increased investment in this area.

Further in-depth consideration of capital investment opportunities is given in the Capital Investment Strategy.

4.11 Treasury Management

The MTFP approved in February 2024 included assumptions for Treasury Management around Minimum Revenue Provision, borrowing costs and investment income.

The MTFP includes the following assumptions for Treasury Management:

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000
MTFP Assumed Capital Financing Requirement	23,266	24,813	26,324	27,960	28,968	28,852
MTFP Assumed in-year Borrowing	2,709	2,683	3,146	2,928	2,065	2,051
MTFP Assumed Minimum Revenue Provision	(1,162)	(1,172)	(1,510)	(1,920)	(2,181)	(2,371)
MTFP Assumed Borrowing Rate	4.60%	3.95%	3.60%	3.50%	3.50%	3.50%

The capital programme for 2024/25 is currently agreed at £4.673million (after carry forwards from 2023/24). Once the final opening Capital Financing Requirement (CFR) is known for 2023/24, the Minimum Revenue Provision (MRP) charges can be recalculated and compared to the estimates included in the budget.

The assumed investment interest returns and borrowing rates currently included in the MTFP will need to be re-examined as part of the 2025/26 budget process and any changes to assumptions will be included in a revised Treasury Management budget forecast. Any forecast increases in borrowing rates will potentially increase pressure on the revenue budget.

Borrowing costs for the capital programme are required to be affordable within the revenue budget and this may limit the amount of capital expenditure that can be funded by borrowing requirement.

4.12 Savings and Efficiencies

The Medium-Term Financial Plan agreed in February 2024 included target savings to be met during the period 2024/25 to 2028/29. The majority of this savings requirement was met for 1 April 2024, however a small amount is still required to be achieved. If these aren't achieved a further pressure will arise on the budget

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Staffing Savings	(744)	(744)	(744)	(744)	(744)	(744)
Savings Achieved	(672)	(672)	(672)	(672)	(672)	(672)
Savings Shortfall	72	72	72	72	72	72

Savings required for future years will be recalculated as part of the 2024/25 budget process.

Further savings requirements will be dependent upon future funding settlements, Council Tax increases, changes to income and expenditure levels (pressures and savings) that are out with the current Medium-Term Financial Plan.

To continue to increase the minimum levels of reserves to those identified in Section 5 over the life of the MTFP, **additional** savings are likely to be required. These savings can be mitigated if under spends generated in year can be identified and allocated to reserves.

Savings will be profiled in the most effective way to ensure that they are achievable, timely and ensure reserves are not adversely affected.

The Productivity and Efficiency Plan sets out the approach to making savings and improving efficiency.

4.13 Environmental and Climate

The Service will need to consider new and existing Environmental regulations and the need to meet sustainability targets. This could require investment in new sustainable technologies, for example, EV charging points, solar panels, sustainable fuels and other investment to meet national and organisational targets.

The Wildfire fleet is currently well positioned, but with increases in extreme weather conditions, between this and flooding the risk model for the Service will change and may need continued investment.

4.14 Technology and Infrastructure

The Service will need to invest in infrastructure and technology to enable it to maintain and improve on an efficient and productive service. As it moves away from hosted services with the Unitary authorities, investment in new systems and new infrastructure will be required. These will need to be considered in the Capital Investment Strategy, with any revenue implications included in the MTFP.

4.15 Other Considerations

There will need to be consideration in the MTFP to the impact of the Spotlight report and investment in organisational development, changing culture, and leadership.

The MTFP will also need to address how the Service can work collaboratively with the Constabulary and other agencies to achieve efficiencies.

The Service will need to look at how it can generate external grants and contributions and other sources of income to support both its capital and revenue expenditure.

5.0 Community Risk Management Plan (CRMP)

The Medium-Term Financial Plan needs to align with the CRMP for 2024 – 2028. Resources will need to be directed towards the areas which are identified in the CRMP as being key deliverables. The budget planning cycle for 2025/26 onwards will address these key deliverables and how and where they are supported by the resource allocations in the MTFP.

People:

- Ensure that we have the right people in the right posts at the right time
- Review and develop cultural values and behaviours that makes CFRS a great place to work
- Review our employee offer
- Ensure the service is an inclusive organisation where all employees and potential employees have fair and equal access to opportunity
- Maximise the wellbeing of our staff
- Ensure leaders and managers are equipped with the right skills, tools and guidance to promote compassion, accountability, support and trust
- Review the hosted arrangements to ensure services reflect the needs of the Service

Prevention:

- Introduce new software to allow the right interventions to be delivered dependent on vulnerability and risk
- Use electronic tablet devices to record data from Home Fire Safety visits
- Develop a new Prevention Strategy that ensures we continue to support the most vulnerable in our communities
- Work with Partner agencies and the community to ensure the CFRS Youth offering is fit for purpose
- Develop a bespoke road safety training package, using innovative technology to target ASB driving activity

Protection:

- Introduce new software to inform our risk-based inspection programme
- Use electronic tablet devices to record data from Fire Safety visits
- Develop a new Protection Strategy that reflects new legislation and demands placed on CFRS
- Adopt new guidance for fire safety interventions
- Implement a Protection Response Team who can provide Fire Safety advice and always carry out Enforcement activities
- Embed Fire Investigation into the Protection Department

Response:

- Explore innovative means of communication to ensure that pertinent information is understood and acted upon by all stations
- Carry out a review of Operational fire cover for the county including a review of turn in times for On-call staff
- Explore changes in shift systems to ensure best value and promoting flexible working arrangements
- Work with North West Fire Control to procure and implement a new Computer Aided Dispatch system
- Work with neighbouring services to increase our understanding of cross border risk

Fleet and Estate:

- Develop a capital investment strategy that maximises the best use of available funding to improve the delivery of services across CFRS
- Provide the workforce with a fit for purpose working environment
- A sustainability strategy to help improve our negative impact on the environment
- Continue to explore Bluelight collaboration opportunities around the estate

Learning and Development:

- Invest in a new BA Hot fire training facility at Headquarters
- Champion the process that ensures that National Operational Learning and National Guidance are embedded in the latest training package

Other:

- Review the training needs and support given to On-call staff to ensure it is delivered in the most effective manner
- Constantly review the disposition of firefighters, fleet and equipment to ensure that Service provision constantly meets the demand profile of Cumbria in the most efficient and effective manner
- Review our response time performance measures to ensure they accurately reflect the level at which we operate, commensurate with current risk and service delivery requirements
- Ensure that the NFCC Code of Ethics is embedded within the work of the Service and shapes the delivery of our activities within Cumbria
- As a result of disaggregation identify the most effective and efficient solutions for CFRS and explore areas for collaboration with other blue light agencies and partners on key areas such as ICT

6.0 Provisions, Reserves and Balances

6.1 CFRS holds balances to meet future commitments. The policy on the use of reserves is as follows:

- Reserves will not be used to fund recurring items of expenditure, but where it does steps will be need taken to replenish to minimum levels (i.e. through recurring savings).
- Reserves will not become overcommitted.

6.2 General Fund

6.2.1 Having undertaken a risk assessment considering the risks and working balances required, the balance on the General Fund reserve indicates that this should broadly equal **£4.3m** as a minimum prudent level. The risk-based assessment of the appropriate level of this reserve is conducted as part of the budget process and the current assessment is shown at **Appendix A**. This will be updated during the budget process. The prudent level of reserves may need to be revised in the medium term to take account of any amounts that can be set aside in earmarked reserves to mitigate specific risks identified in the risk assessment (See 5.4).

6.2.2 Although the risk assessment of the minimum level of general fund reserve highlights potential requirements for the reserve, any unexpected requirement to utilise the General Fund Reserve will need to include a plan as to how the reserve will be replenished over the life of the Medium Term Financial Plan.

6.3 Earmarked Reserves

6.3.1 Earmarked reserves will not be used for recurring items of expenditure, nor become over-committed.

6.3.2 For each earmarked reserve there will be a clear protocol in place setting out:

- The purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve.
- Processes for the review of the use of the reserve to ensure that it continues to have an adequate level of funds and remains relevant to the business of the Service.

6.3.3 The revenue reserves the held are as follows (these will need to be updated once the 2023/24 outturn position is resolved):

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000	£000
Opening Balance - General Fund Reserve (Estimated)	3,196	4,080	4,247	4,519	4,834	5,357
In Year Contribution to/(from) GF Reserves (MTFP)	884	167	272	315	523	1,065
Closing Balance - General Fund Reserve (Estimated)	4,080	4,247	4,519	4,834	5,357	6,422
Estimated Prudent Minimum Level of Reserves	4,312	4,312	4,312	4,312	4,312	4,312
Excess / (Shortfall)	(232)	(65)	207	522	1,045	2,110
<u>Earmarked Reserves</u>						
PFI	1,862	1,783	1,677	1,544	1,381	1,188
Insurance	437	219	0	0	0	0
Donations	113	113	113	113	113	113
Estates	46	46	46	46	46	46
Local Tax Guarantee Grants	45	45	45	45	45	45
ESMCP	127	127	127	127	127	127
Fire COVID Grant	41	41	41	41	41	41
Total Earmarked Reserves	2,671	2,374	2,049	1,916	1,753	1,560
Total Reserves	6,751	6,621	6,568	6,750	7,110	7,982

The risk assessment of minimum levels of reserves indicates there could be some immediate financial pressures on the service, e.g., Pension Remedies, NW Fire Control and SLA's. Therefore, allocating any underspends immediately to reserves will increase resilience and will also minimise the requirement to make additional further savings on a recurring basis as set out in 4.11.

PFI Reserve

The PFI reserve will be used over the remaining length of the PFI contract to meet the differences in the annual service charges and the PFI grant received. The PFI contract will be regularly reviewed to ensure it remains consistent with the Service's needs.

Insurance Reserve

The insurance reserve will be used to meet those uninsured and below excess costs for any insurance liabilities. The MTFP agreed in February 2024 assumed this reserve would be fully utilised within two years. However, no use of the reserve has yet been required so this will need to be reviewed and a plan will be required to ensure this reserve is maintained at an adequate level to meet potential future liabilities put in place.

Donations

This reserve holds the balance of amounts received in donations. ***Plans should be drawn up on how this reserve can be utilised in line with any conditions of the original donations received.***

Estates

This reserve holds a share of a disaggregated balance from the County Council that has been allocated for estates work.

Local Tax Guarantee Grant – Council Tax and Business Rates

This reserve holds the balance of grants provided to Cumbria County Council during COVID for smoothing out the exceptional Collection Fund Deficits that arose in 2020/21. ***This reserve should be released to General Fund as part of the 2025/26 budget process.***

ESMCP

This reserve holds the balance of the amount set aside for Emergency Services Communication Project (ESMCP).

Fire COVID Grant

This reserve holds the balance of COVID grants received by the service. ***This reserve should be released to General Fund as part of the 2025/26 budget process.***

6.4 Earmarked Reserves Strategy

6.4.1 The following areas are considered for future earmarked reserves once the General Fund and Insurance Reserves are at an acceptable level.

- Industrial action contingency reserve
- Large operational equipment purchases.
- Transformation or invest to save reserve.
- Ill health pension reserve.
- Pension remedies reserve.

6.5 Capital Reserves

6.5.1 CFRS hold a small balance of capital receipts of £171,000. This will be utilised to finance the capital programme in 2024/25 in order to reduce the borrowing requirement.

6.6 The Responsibilities of the Chief Finance Officer (s.151)

6.6.1 The Chief Finance Officer (s.151) will review each reserve and its use annually and produce a report as part of the annual budget process detailing: -

- Compliance with the use of reserves,

- Movements in the level of reserves, including the purposes for which reserves were used during the previous financial year,
- The adequacy of the level of reserves and the effects on the budget requirement,
- Any reserves which are no longer required,
- Proposals to set up new reserves, including purposes, protocols, funding sources and potential impact on the Medium-Term Financial Plan.

6.6.2 The Chief Finance Officer (s.151) will review this policy at least annually and will obtain the approval of the PFCC for any change required to either the policy or protocols associated with specific reserves.

7.0 Timeline

The following is the proposed summary timeline for setting the MTFP and budget setting process for 2025/26.

Target Date	Policy Document	Task	Action
04/09/2024	MTFP	Mid-Year Review	Chief Finance Officer / Executive Board Fire
04/09/2024	Capital Investment Strategy	Mid-Year Review	Chief Finance Officer / Executive Board Fire
30/09/2024	Estates Strategy Fleet Strategy Workforce Strategy ICT Strategy	Strategy Documents Provided to inform budget process	CFRS
30/09/2024		Draft budget Assumptions including pay award, inflation	Executive Board - Fire
30/09/2024		Reconciliation of Base Budget (MTFP in ledger reconciled)	Financial Accountant / Finance Officers
30/09/2024		Reconciliation of Staffing Establishment	Financial Accountant / Finance Officers / Operational Leads
30/09/2024		Risk Assessment of Minimum Level of Reserves calculated for 2025/26	Chief Finance Officer
23/10/2024		Identification of areas of growth / saving 2025/26 onwards	CFRS
23/10/2024		Options for costed assumptions presented	Chief Finance Officer / SLT / Executive Board - Fire
23/10/2024		Challenge and scrutiny of proposed growth/savings areas	SLT / Executive Board - Fire
19/11/2024		Draft budget with proposed growth/savings Budget Gap identified	Chief Finance Officer / SLT / Executive Board - Fire
04/12/2024		Budget Consultation	Comms
31/12/2024		Draft Finance Settlement	Financial Accountant / Finance Officers / Chief Finance Officer

Target Date	Policy Document	Task	Action
15/01/2025		Confirmation of Council Tax position from Unitary Authorities	Financial Accountant / Finance Officers / Chief Finance Officer
31/01/2025	<ul style="list-style-type: none"> • 2025/26 MTFP • 2025/26 Proposed Council tax Precept • 2025/26 Capital Investment Strategy • 2025/26 Treasury Management Strategy Statement • 2025/26 Reserves Strategy 		Police, Fire and Crime Panel
15/02/2025		<ul style="list-style-type: none"> • Confirmation of Council Tax Precept • Confirmation of Business Rates income 	PAC
16/02/2025	PFCC Issues Precept		Chief Finance Officer
31/03/2025		Issue budget to budget holders	Financial Accountant



Risk Assessment of Minimum Level of unallocated Reserves

2024/25 Estimates

Potential Risk	Basis (£000)	Exposure %	Financial Exposure (£000)	Financial Impact	Probability	Weighting	Risk Score	Balance Required (£000)	Comment (Basis of Financial Exposure)
Pressure on Utility & Fuel Costs (over and above allowance in budget)	1,002	4%	40	1	1	25%	1	10	4% of Utility & Fuel Budget. (4% increases included in 2024/25 budget)
Pay Award is different to budget assumptions	20,244	3%	607	4	2	75%	8	455	4% included for 24/25 for Grey Book, 2.5% for Green Book - Retained changes will present significant pressure from January 2025
Overspending of budget / Not achieving income targets	26,994	2%	540	4	2	75%	8	405	2% of net revenue budget (historically well managed budget overall - additional pressures being realised in 24/25)
Underachievement of Investment Income	11,000	3%	330	1	0	0%	0	0	Change in anticipated average investment balance (TMSS) and change in investment rates - Forecast to overachieve in 2024/25
Increases in capital financing costs	3,145	2%	63	2	1	25%	2	16	MTFP includes financing costs based on TM Advisors estimates. Interest rates starting to fall and utilisation of government grants
Insurance Excesses/self insurance claims	437	50%	219	3	1	25%	3	55	MTFP assumes self-insurance reserve depleted after three years. Currently low level of claims and all covered by insurance provision
Savings Targets not achieved	744	50%	372	3	1	25%	3	93	50% of efficiency targets included in budget. Savings target will require updating as part of 25/26 budget
Loss of grant income funding	4,877	10%	488	3	1	25%	3	122	Based on total specific grants
Uncertainty around future SLA provisions	5,340	10%	534	4	2	75%	8	401	Based on current cost of SLA's
Volatility of Business Rates Income / Collection Fund Deficits	5,386	5%	269	3	1	25%	3	67	5% of Safety Net Threshold for Business Rates Retention Scheme (92.5% of baseline funding)
NW Fire Control	610	25%	153	3	1	25%	3	38	Forecast contribution of £680k (8.8%) - Contribution could increase if partners withdraw or costs increase
Pensions remedies / unfunded increases in pensions rates	1,150	100%	1,150	4	4	100%	16	1,150	Based on current estimates of impact on CCFRS (£350k included in MTFE from 25/26)
Emergency Contingency	1,500	100%	1,500	4		100%		1,500	Emergency contingency fund - allocate £1m for any unforeseen emergencies
TOTALS			6,264					4,312	
Level Reserves as % of Net budget Requirement								16%	
Maximum Risk Based Reserve Balances								6,264	
Minimum Risk Based Reserve Balances (Emergency Contingency + 25% of maximum excluding Emergency Contingency)								2,691	
Current Level of Reserves (Projected as at 31/03/24) (Unallocated General Fund)								3,196	Currently estimated free reserves (per budget)
Current Levels of Reserves as % of Net budget Requirement								12%	
Projected (Shortfall)/Excess of Current Reserve Balance over Risk Based Reserves								(1,116)	

Financial Impact	0	0%	0%	0%	0%	0%
	1	0%	25%	25%	50%	50%
	2	0%	25%	50%	50%	75%
	3	0%	25%	50%	75%	100%
	4	0%	50%	75%	100%	100%
		0	1	2	3	4
Probability						

Financial Impact (£)	
0	1
50,000	2
150,000	3
500,000	4

Prepared by:	S Tickner
Date:	08/08/2024
Reviewed and Agreed by:	Executive Board
Date:	04/11/2024