

# 2024/25 and Later Years Budget Summary

## Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915 or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Purpose of Report

This report summarises the budgets that are proposed by the Strategy and Resources Committee. The results are put forward to the Fire Authority for approval as the basis for consultation, leading to a final decision at the Fire Authority meeting in February 2024.

### 2 Recommendations

The Fire Authority is recommended to:

- a) Note the report;
- b) Agree the recommendations on expenditure for 2024/25 and later years, set out in report 6 of the Appendix;
- c) Agree the recommendations on Reserves and Provisions, set out in report 7 of the Appendix, and
- d) Request the Strategy and Resources Committee to prepare a final budget package in January 2024, for final decision by the Fire Authority in February 2024.

### 3 Background

At Strategy and Resources Committee in November 2023, Members noted changes to the revenue budget for 2024/25 and future years, and that Officers were anticipating the Autumn Statement in November, followed by individual authority settlements in late December. Full details are set out in the reports which were agreed by the Committee and which are attached at the Appendix to this report.

The Committee reviewed expenditure budgets, and also received a report which detailed the Authority's reserves. The reserves currently total £12.2m.

## 4 Current Position

### **Autumn Statement 2024/25**

On 22 November 2023, the Chancellor of the Exchequer delivered a speech outlining the Autumn Statement for 2024/25 and future years, with the following headlines:

- No additional funding for local government although an inflationary increase based on September 2023 CPI (6.7%) is anticipated.
- Inflation expected to fall to 2% by 2025, then falling gradually towards year 3
- Council tax flexibilities for local authorities set at 2.99%, however no announcement has yet been made on limits for the Fire sector.

A provisional settlement has not yet been published but is expected prior to Christmas. As this is then final year of a multi-year spending review, settlements will be published for one year. Scenario planning has been carried out on a settlement based on the 2023/24 review with inflation, with modelling for later years assuming the same increase.

### **Fire Pension Scheme Revaluation**

As the budget was set for 2019/20, members of the Strategy & Resources Committee were informed about the impact of the 2016 revaluation of Fire pension schemes. For each financial year following, around ninety per cent of the increase in employer contributions has been covered by grant from the Treasury. It is anticipated that this will continue from 2024/25, with the likelihood that it will be rolled into the settlement from 2025/26.

The Treasury are now analysing the outcomes of the 2020 valuation; the largest element of the valuation is the change in SCAPE rate, and it has been agreed that this will also be covered by government funding in 2024/25 and rolled into the settlement from 2025/26. Authorities will be liable for the remaining element of the valuation, likely to be around 5% of the total valuation movement.

The Government's proposed Fair Funding mechanism for Local Government is delayed until 2025 at the earliest.

In order to test the Authority's financial resilience and ability to adapt to changing conditions, a number of scenarios have been developed which test the sensitivity to changes in planning assumptions. The numbers in the table represent the surplus or deficit in the revenue budget that will contribute to reserves or will require a contribution from reserves or the identification of further savings.

## Expenditure and Income

The table below shows the expenditure proposed by Strategy and Resources Committee and the projected surplus or deficit using current assumptions for income.

	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Expenditure budget proposed by the Committee	-27,247	-28,232	-29,040
Income	27,288	28,433	29,538
Surplus / - deficit on revenue budget	41	201	498

Income shown is based on current assumptions:

- Grant increased by 6.7% in 2024/25 and 2% thereafter; continuation of Services Grant, 2% increase in rates income from 2024/25
- Precept increase of 2.99% for 2024/25 and later years
- Council tax base increase of 1.87% from 2024/25
- Pay award of 5% from 2024/25, reducing to 4% then 3% in future years.

The Fire sector and Government departments have continued to lobby the Treasury for a precept increase of £5 or 2%, whichever is higher. This is in line with referendum limits that were set in 2023/24 for fire authorities.

## 5 Items for Consideration

The charges associated with the capital programme will be added to revenue expenditure following approval in February.

Revenue implications of the capital programme will be added to the revenue budget, following consideration of the programme by the Strategy and Resources Committee in January 2024. Indicative figures are shown in the following table, although this is for illustration only.

<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
-254	-206	-71

Members will be considering the resource implications of the replacement command & control system elsewhere on the agenda. These costs have not yet been taken into account within the planning model.

## **Collection Fund and Council Tax Base**

The Authority does not currently account for a surplus or a deficit as part of its planning; information is currently being gathered from the constituent authorities on the potential balance on the collection funds at the end of 2023/24. This will be factored into the budget modelling process when available.

The planning assumption for council tax base is that the combined base will increase by 1.87% per year. Constituent authorities have also been asked for assumptions around base growth, and this will be included in scenario planning.

## **6 Financial Implications**

These are detailed in the main body of the report.

## **7 Legal Comment**

There are no direct legal implications arising from this report.

## **8 Initial Impact Assessment**

An Initial Impact Assessment has been completed.

## **9 Appendix**

Shropshire and Wrekin Fire and Rescue Authority  
Strategy and Resources Committee, 22 November 2023, Reports 6 and 7.

## **10 Background Papers**

The background papers associated with this report are attached as an appendix.

# 2024/25 and Later Years Revenue and Capital Budgets

## Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, or Joanne Coadey, Head of Finance, on 01743 260215.

## 1 Executive Summary

This report brings together the elements of an initial revenue budget, based on current planning assumptions, and seeks the Committee's approval for this outline to be recommended to the Fire Authority in December 2023.

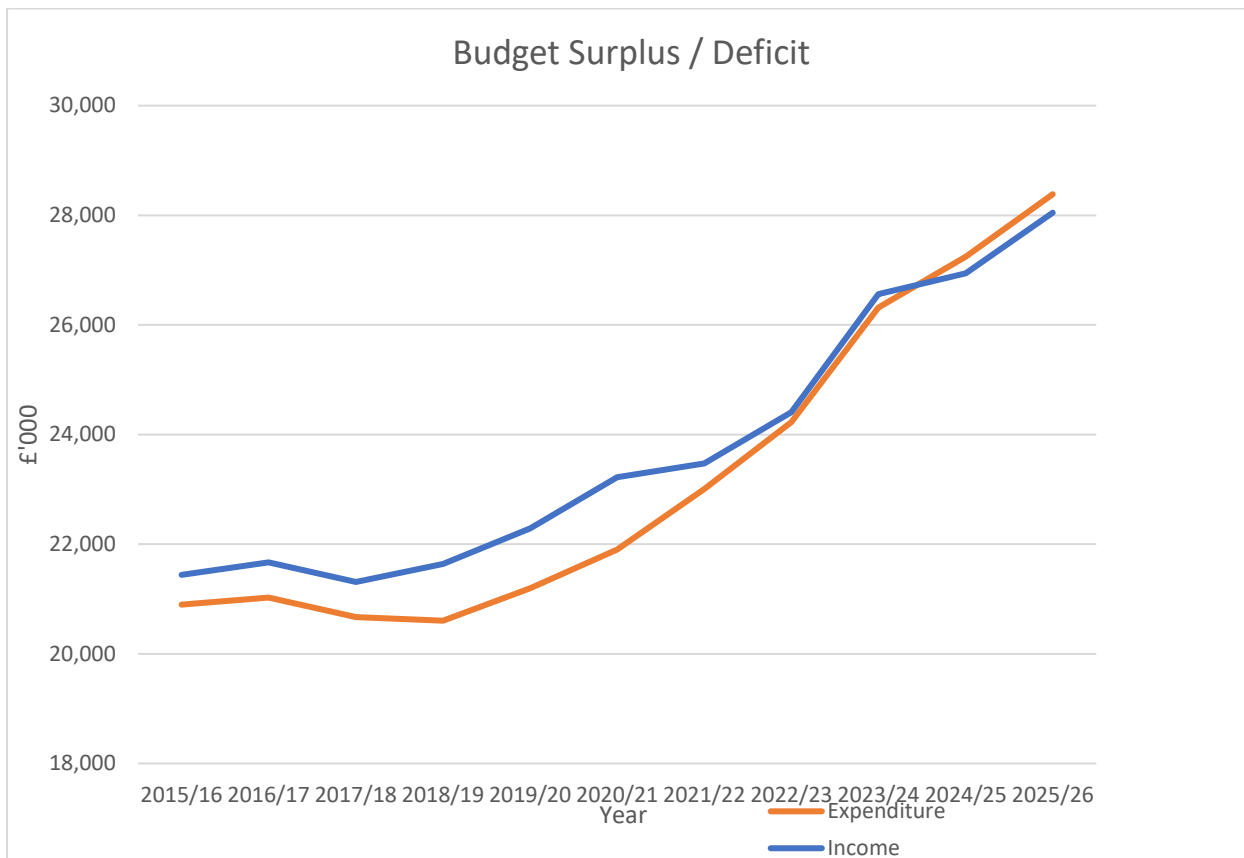
## 2 Recommendations

The Committee is asked to recommend that the Fire Authority:

- a) Notes the revisions and the committed changes to the base budget, as shown in section 4;
- b) Notes the efficiencies identified within the base budget as shown in section 5;
- c) Bases its pay and price contingency in the revenue budget on the calculations set out in section 6;
- d) Notes the process for the approval of the capital programme, and
- e) Approves the expenditure figures associated with those approved assumptions as a basis for developing the budget at the meeting of the Fire Authority on 13 December 2023.

## 3 Background

At its meeting in February 2023, the Fire Authority approved a revenue budget of £26.562m for 2023/24, which included a budgeted surplus of £0.246m. Revenue budgets to 2025/26 were also projected, although Members were advised that, due to the uncertainty about future funding, these were purely estimates. This noted position is shown in the following graph:



The following assumptions, upon which the budget was set, were approved by the Fire Authority:

- Precept increase of 4.6% in 2023/24, 3% thereafter
- 5% pay award for 2023/24, 4% thereafter, for operational staff
- 6% pay award for 2023/24, 4% thereafter, for support staff
- Revenue Support Grant increased by 10.1% in 2023/24, 5% in 2024/25, 2% thereafter
- Council tax base growth at 2.31% in 2023/24, 1.87% thereafter
- Business rates received from Shropshire Council and Borough of Telford & Wrekin, increased by 10.4%
- Business rates top-up grant received from Government, increased by 4.5%

This report deals with the revenue budget and proposes changes in revenue expenditure. The stages in the budget process, and the proposed updates to assumptions during, and as a result of, the review are laid out in the following sections. The Committee is asked to consider each element and approve the associated recommendations at the beginning of the report.

Although funding estimates can only be completed once final information becomes available for Council Tax Band D Base and Collection Fund balances, planning will continue, based on the assumptions adopted by the Authority.

## **Efficiency Plan and Spending Round**

The Chancellor of the Exchequer announced the Government's Spending Review for 2022/23 and future years on 27 October 2021 and a one-year settlement was received for 2022/23.

Single year figures were provided for 2023/24, and a policy statement was released which provided clarity on some aspects of the settlement for 2024/25.

A spending review is expected on 22 November 2023; settlements for individual authorities are expected before Christmas.

In line with the Fire Authority's Efficiency and Productivity Plan, which was submitted to the Home Office in March 2023, Officers have begun an exercise to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity. Reductions in budget areas can be reinvested into new areas or those that require improvement. They can also be utilised to meet cost pressures such as increases in pay and inflation, anticipated over the next two years.

For future spending reviews, the Treasury will expect to see evidence of efficiency and productivity improvements from Fire and Rescue Services. Work is currently being undertaken by the Home Office, Local Government Association and National Fire Chiefs Council to ensure that this is measurable and available for the next Spending Review submission.

Officers will continue to work with budget holders to identify, record and report efficiencies and improvements in productivity.

### **4 Stage One – Base Budget Review and Committed Changes**

As the first step in the budget setting process, revenue budgets have been reviewed; this has taken into account both changes that have been made to date to the 2023/24 revenue budget, and anticipated changes for 2024/25 and future years.

It is important at this stage in the process to review where efficiencies can be identified, following new ways of working or as a result of technological improvements.

Officers will continue to review their budgets with the Finance Team, with the opportunity to make changes within the total provided where necessary.

Work on the base budget review is ongoing, and adjustments will be made throughout the budget setting process and reported to Members.

Note	2024/25 £'000	2025/26 £'000	2026/27 £'000
<b>2023/24 Budget</b>	<b>26,317</b>	<b>26,317</b>	<b>26,317</b>
<b>Committed Changes</b>			
Removal of growth added 2023/24	-150	-150	-150
Reverses contribution to capital 2023/24	-208	-208	-208
Capital charges – 23/24 schemes	187	187	187
1 Operational Support Technician	40	40	40
2 Pensions Officer	50	50	50
3 New/amended contracts	51	51	51
<b>Base Budget Review</b>			
4 Vehicle parts	30	30	30
Investment income	-100	-100	-100
5 Development courses	15	15	15
6 Development assessment processes - see Efficiencies	30	30	30
7 Laundry decontamination costs – see Efficiencies	10	10	10
Equality & Diversity – conferences and reasonable adjustments	7	7	7
<b>Total</b>	<b>26,279</b>	<b>26,279</b>	<b>26,279</b>
<b>Total movement in base budget</b>	<b>-38</b>	<b>-38</b>	<b>-38</b>

**Note 1 - Operational Support Technician** – this post is being introduced to ensure legal compliance around vehicle maintenance and was approved by the Authority in October 2023

**Note 2 - Pensions Officer** – this post is being introduced to the Service to ensure compliance with pensions regulations and to provide essential in-house pensions knowledge to work alongside the administrator. Subject to Fire Authority approval on 22 November 2023.

### **Note 3 - New / amended contracts**

	£'000
Clinical governance	10
Confidential reporting line	5
Software – reasonable adjustments	5
Enhanced DBS checks	3
Enhanced recruitment software	6
Renewed occupational health contract	22

**Note 4 - Vehicle parts** –the increased useful lives of special appliances have led to more expensive and technological repairs and servicing.

**Note 5 – Development courses** – formal development of candidates successfully completing assessments have increased.



**Note 6 – Development assessment processes** – changes in the way that the Service assesses potential promotions has resulted in an efficiency – see section 5. The saving identified is now funding additional assessments elsewhere in the Service, additional qualifications for staff and management development programmes.

**Note 7 – Laundry-** the cost and frequency of decontaminating fire kit has increased.

Please see recommendation a).

## 5 Stage Two – Efficiencies

In line with the Authority’s Efficiency and Productivity Plan, which was submitted to the Home Office in March 2023, Officers have begun an exercise to recognise where efficiencies have been made across the Service, in terms of cash reductions and productivity.

The table below shows areas where efficiencies have been identified and can be removed from the budget. In some instances, the funds have been used elsewhere, and this is shown in the base budget review above.

<b>Efficiencies</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>
<b>Debt charges</b> – further contributions of surplus and underspend into the Major Projects Reserve have resulted in a reduction in debt charges for the Telford project	-130	-130	-130
<b>Mileage</b> – travel has reduced due to more meetings and conferences being done virtually	-30	-30	-30
<b>Development</b> - changes in the way that the Service assesses potential promotions has resulted in an efficiency	-30	-30	-30
<b>Laundry</b> – less repairs are being carried out following the replacement of fire kit	-10	-10	-10
<b>Vehicle servicing</b> – the frequency between aspects of appliance servicing has been extended, reducing annual costs	-10	-10	-10
<b>Total</b>	-210	-210	-210

Please see recommendation b).

## 6 Stage Three – Pay and Price Contingency

Officers have used the following methodology for establishing pay and prices contingencies:

- Analyse base budget (2023/24) into the spending areas, where pay or price changes can be significant;
- Make pay assumptions for firefighters, based on a realistic expectation for the outcome of the nationally negotiated settlement;
- Make pay assumptions for other pay, based on a realistic expectation of the outcome of any outstanding negotiations;
- Take account of known issues, such as increments; Continuing Professional Development, National Insurance and tax changes; and
- Analyse the non-pay and income budgets into key elements, including those to which no inflation applies, and create an appropriate contingency.

## Current Developments

Protracted negotiations have taken place in 2022/23 and 2023/24, whilst settling the pay awards for both operational and support staff.

For operational staff conditioned to the Grey Book, a pay settlement was reached which confirmed awards for 2022/23 and 2023/24, at 7% and 5% respectively.

Support staff conditioned to the Green Book received an award in 2022/23 which saw the majority of staff receive a flat cash sum, and this has been repeated for 2023/24. The total cost of the increases equated to around 6% of pay.

In light of these pay awards, and the current position on cost of living pressures, it is prudent to continue to budget for higher pay awards of around 5% for 2024/25, reducing into the medium term; therefore, a pay award of 5% is proposed.

In terms of prices, non-pay increases in recent years have been based on the Office of Budget Responsibility's (OBR) forecasts for Consumer Price Index (CPI) inflation. The figure for 2024/25 has been increased slightly to allow for the Service's unusual 'basket of goods', as some areas of the budget may experience higher than normal inflationary pressures.

The OBR will produce updated forecasts following the Spending Review in November 2023; therefore, it is proposed that assumptions are updated following the announcement.

## Conclusions

It is proposed that the figures for pay and price assumptions over the planning period will be budgeted as follows:

	Pay		Prices	
	%	£'000	%	£'000
<b>2024/25</b>	5.0%	983	3.5	195
<b>2025/26</b>	4.0%	870	2.0	115
<b>2026/27</b>	3.0%	690	2.0	118

**Please see recommendation c).**

## **7 Stage Four – Capital Programme 2024/25 to 2027/28**

The Authority has already agreed capital programmes for 2023/24 and earlier years. It has also agreed how these schemes are funded and the revenue consequences for future years.

This stage deals with the options available for new schemes, starting next year.

### **The Capital Programme from 2024/25**

The schemes under consideration include appliances, operational equipment, building and technological improvements, and are currently being reviewed by Officers. The Earmarked Capital Reserve has been fully utilised in funding existing schemes that have already been approved, and new schemes within this planning period will be funded from borrowing, in line with the Authority's Capital Strategy. Decisions around the need to borrow funds will be discussed with Treasury Services and borrowing costs have been factored into the revenue budget.

Funding for the major capital scheme at Telford is also being reviewed; the Major Projects Reserve has been built up in readiness for this development. However, due to the expected life of the Telford building, it is more efficient to provide for this building's replacement rather than some of the assets with a shorter life. Therefore, funds within the Major Projects Reserve may be used to fund schemes within the programme, other than Telford.

Borrowing decisions will be made at the most financially optimal time, in line with the needs of the Authority's Capital Financing Requirement. The associated borrowing costs are currently included in the Authority's scenario planning.

It should be noted that revenue consequences are limited to financing costs – any other costs need to be included as part of the project appraisals. Also, the Authority is presently only committing itself to schemes that start in 2024/25. The majority of schemes are currently shown as being spent in the start year. However, experience shows that payments often slip into later years, thereby slowing the build-up of costs and resulting in revenue underspend.

The proposed capital programme will be brought to the Committee in January 2024 for consideration; it will then go forward to the Fire Authority for approval.

Appraisals for each scheme will confirm their service value, the capital cost, phasing of expenditure and revenue consequences. There is, therefore, scope for these figures to change, especially if there are any associated revenue consequences, such as running costs of property or systems.

### **Prudential Guidelines**

In addition to the merits of the individual schemes within the final capital programme presented in February, the Authority will need to evaluate the programme in the light of its Capital Strategy, which includes Prudential and Treasury Management Guidelines.

Compliance with these indicators will demonstrate the affordability, sustainability and prudence of the proposed programme of schemes.

### **Future Capital Schemes**

The forward capital programme is being thoroughly reviewed by officers and any future requests for schemes will be considered as part of the ongoing strategic planning process. Projects for consideration will be tested to ensure that, as far as possible, they are both realistically costed and resourced; will start when scheduled; and that, where possible, they have long-term revenue saving potential.

**Please see recommendation d).**

## **8 Revised Budget Summary**

The changes to revenue expenditure, covered in the previous sections, can be summarised as follows:

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Previous Year's Budget	26,317	27,247	28,232
Committed Change	-38	0	0
Efficiencies	-210	0	0
Pay and Prices	1,178	985	808
	<b>27,247</b>	<b>28,232</b>	<b>29,040</b>

## **9 Funding Assumptions**

Officers have continued to use the Service's budget planning model, which is estimating budgets and income to 2026/27. Financial planning will forecast the position of the revenue budget to 2026/27, but with emphasis on the medium term, i.e. 2024/25 to 2025/26.

The Authority's scenario planning shows that changes in assumptions can significantly alter the financial position of the Authority. Officers will continue to update the planning model as more information becomes available.

Revenue surpluses, which accumulated following the process, have been used to fund capital schemes, therefore maintaining stable capital reserves, but these reserves will be reduced to nil as current schemes are completed.

Forecasts for the longer term are provided within the table above as an indication of the financial position, based on a number of uncertain assumptions. Officers and Members should note this longer-term position and have plans and options available to meet a range of possible outcomes.

## **10 Financial Implications**

The financial implications are as outlined in the main body of the report.

## **11 Legal Comment**

There are no direct legal implications arising from this report.

## **12 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An e-EQIA is not, therefore, required.

## **13 Appendices**

There are no appendices to this report.

## **14 Background Papers**

There are no background papers associated with this report.

# Reserves and Funds

## Report of the Treasurer

For further information about this report please contact James Walton, Treasurer, on 01743 258915, or Joanne Coadey, Head of Finance, on 01743 260215.

### 1 Executive Summary

This report sets out the issues, which the Fire Authority will need to consider as part of its annual review of reserves and funds.

### 2

#### Recommendations

The Committee is recommended to propose to the Fire Authority that it confirms the current position of its reserves and funds.

### 3 Background

The current position on the Authority's provisions, reserves and funds is as follows:

	<b>£000</b>
<b>Reserves</b>	
General Reserve	456
Extreme Incidents Reserve	219
Pension Liabilities and Other Staff Issues	678
Capital – Earmarked	0
– Major Projects	7,788
Information and Communications Technology Reserve	798
Income Volatility Reserve	687
Service Transformation Programme Staff Reserve	742
Service Delivery Reserve	108
Operational Equipment Reserve	257
Training Reserve	132
Building Maintenance Reserve	300
<b>Reserves Total</b>	<b><u>12,165</u></b>

The Authority's policy is to:

- Make provision for known and quantifiable future expenditure;
- Establish reserves for specific known and potentially significant future expenditure, which cannot be precisely quantified or scheduled;
- Establish a general reserve for known risks, which cannot be easily quantified or scheduled but could be pooled;
- Review the provisions and reserves during the budget process (the purpose of this report) and on closing the accounts;
- Consider the opportunity cost of holding reserves and balances against the opportunity cost of either lower tax demands or alternative service delivery, and consequently also hold no monies in the General Fund, unless agreed to enhance future budgets.

## **4 Establishment of Reserves**

The level of reserves that the Authority holds has been driven by the following principles:

### **To fund major projects, thereby avoiding debt charges into the long term**

The Authority has used reserves successfully in recent years to fund its capital programme, most notably the fire station, workshop and headquarters in Shrewsbury, and in future will be utilised for the major developments work planned at Telford. The Major Projects reserve and the Information and Communications Technology (ICT) reserve will continue to be used to fund the capital programme into the medium term, with any one-off savings identified used to replace funds.

### **To fund unexpected and undetermined expenditure that cannot be met by a reducing revenue budget**

The General Reserve will cover unexpected occurrences that the Authority would not wish to budget for on a regular basis; in addition, the ICT reserve would be used to cover additional costs that were not anticipated.

### **To support revenue expenditure and smooth out fluctuations in the revenue budget**

A number of reserves have been created to address and support some areas of the revenue budget, and reviews are currently being carried out to identify smarter use of the Authority's resources. Some examples are given below.

- The Pensions reserve will be used to fund transfers into the Pension Account when operational staff retire on ill-health grounds. This has resulted in a significant reduction to pension revenue budgets.
- The New Equipment, Training, Building Maintenance and Extreme Incidents reserves have all been created to enable reductions to revenue budgets.

The assurance that reserves are available for unexpected and exceptional costs will allow officers to budget at lower activity levels with confidence. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

These reserves will act as enablers to reduce the revenue budget, close any future budget deficit modelled in the planning period, and safeguard the service delivered to the people of Shropshire.

## 5 General Reserve

The General Reserve meets known risks that are difficult to quantify or schedule. The Authority does not wish to take tax revenue, which may never be needed, and, therefore, holds an unearmarked amount of money for unexpected risks and events. The reserve stands at £456,000, which represents around 1.72% of gross expenditure, and may be used for events such as those listed below:

**Financial Risks** – cashflow; changes to national purchasing;

**Operational Risks** – vehicle accidents; uninsurable health & safety risks; fines from uninsurable offences; other uninsurable risks;

**Strategic Risks** – new legislation; fines from corporate manslaughter.

A current example of the potential use of this reserve is unexpected additional expenditure relating to the supply of goods.

## 6 Earmarked Reserves

### a) Extreme Incidents Reserve

This reserve is in place to deal with extreme weather conditions and unanticipated future activity, which may not be containable within the revenue budgets.

### b) Pension Liabilities and Other Staff Issues Reserve

The purpose of this reserve is to meet one-off contributions, required by the Government, to the Pensions Account for sickness retirements. Until 2015/16, only ill health contributions over and above those budgeted in revenue were funded from the reserve. However, as part of the 2020 consultation outcomes, all ill health contributions are funded from the reserve, and the revenue account has been reduced accordingly.

The scope of this reserve was widened to include the potential liabilities arising from the part-time workers employment tribunal case; compensation payable to retained firefighters for terms and conditions has been met from the reserve.

Another small element of this reserve is to provide for staff issues relating to equality and diversity. Provision has been made for expenditure for reasonable adjustments and mediation, in order that these issues are not budgeted for on an annual basis.



The Authority has enjoyed very low levels of ill health retirements, although provision still has to be made for instances in future years. In addition, the Modified Pension Scheme has now been introduced with no one off costs anticipated. It was considered prudent during the reserves review to reduce this reserve while still maintaining a buffer for future costs.

**c) Earmarked Capital Reserve**

This reserve is to fund elements of the capital programme, thereby reducing debt charges into the future.

Until 2015/16, contributions were made back over the lives of any assets funded from the reserve; however, as part of the 2020 consultation outcomes, these contributions were removed, and the revenue budget reduced accordingly.

This reserve is now fully depleted and future capital schemes will be funded from revenue or by borrowing.

**d) Capital – Major Projects Reserve**

The objective of this reserve was to build up funding from revenue savings that could then be used to maximise major capital schemes.

The objective is to minimise borrowing and, therefore, committed debt charges in future years. This reserve will be used towards the funding of major improvements at the Telford site.

Budgeted surpluses on the revenue budget have been allocated to this reserve, as well as budgeted contributions where required.

The Authority is now in a position where borrowing is required; the timing of this will be decided in consultation with our Treasury Services provider. It has been determined that calculations of the minimum revenue provision are most efficient when based on the Telford scheme, due to its 40-year asset life. Therefore, some of this reserve will fund the capital programme as a whole, with borrowing costs based on the Telford project.

**e) ICT Reserve**

This reserve is designed to ensure that ICT improvements and resilience issues are managed and funded in a clear and consistent manner. The reserve may also be used to fund ICT capital projects.

**f) Service Transformation Programme Staff Reserve**

The original Service Transformation Programme (STP) was established in 2012 and was based on activities that were assessed as delivering a sustainable service to the community into the future. Central to the programme was the continued investment in technology and systems to improve back-office efficiency and provide operations with technology to improve service delivery.

The programme has overseen a considerable amount of activity, workstreams and projects that has brought about technological improvements across all areas of the Service. Following the publication of the Community Risk Management Plan (CRMP) 2021 to 2025, agreed by the Fire Authority on 16 December 2020, a new programme structure has been developed to build on the previous STP and to support the priorities and aspirations of the CRMP and Service Plan. By tying into the Service's financial and service planning processes, the programme will ensure that the appropriate level of governance, control and visibility of all activities, workstreams and projects are maintained throughout its the lifecycle.

Funding for projects will be taken into account in the revenue budget and the capital programme, and this reserve covers the staff elements of the projects. It continues to fund transformational staffing costs, including those relating to the Fire Alliance with Hereford & Worcester Fire and Rescue Service.

**g) Income Volatility Reserve**

This reserve was set up to smooth any volatility or fluctuations in the funding received against estimates in the Medium-Term Corporate Plan.

At the end of 2019/20, £450,000 was added to the Income Volatility Reserve, due to the uncertainty of Covid 19 on the Authority's income streams. This was not required, however the increased pressures from pay and inflation may require reserves funding as the revenue budget is built up.

**h) Service Delivery Reserve**

This reserve was set up to fund initiatives in service delivery and prevention, to avoid irregular movement in the revenue budget.

**i) Training Reserve**

This reserve was created to enable additional training and development to be carried out, without adding additional pressure to the revenue budget.

**j) New Operational Equipment Reserve**

This reserve has been established to help provide some stability in the revenue budget in this area. Where a need for new equipment is identified, contributions can be made from the reserve, and any ongoing requirements for the equipment can be established.

In the meantime, officers can continue to analyse and manage revenue expenditure, leading to realistic budget setting in future years. The Equipment reserve has been used successfully to cover additional requests that could not be covered with regular budgets.

**k) Building Maintenance Reserve**

The revenue budget in this area is used to fund preventative or controlled maintenance in line with the Authority's Asset Management Plan, and also covers unexpected reactive maintenance. It is proposed that the revenue budget is used for regular planned maintenance of buildings, and that a reserve is created to deal with exceptional, unexpected repairs, that do not require a regular revenue budget.

## **7 General Fund**

The General Fund is simply the net balance of over and underspends during the year. The Authority's policy is not to accumulate funds year on year (and obviously to deal with any potential overspend). The balance in the General Fund on 1 April 2023 was £1.723m (subject to audit completion) and the Fire Authority agreed to hold £265,000 back; £125,000 for expenditure relating to Protection, and funded by grants, and £140,000 in project support, building maintenance and prevention activities. The balance of the General Fund (£1.458m) has been allocated to the following reserves:

- £908,000 to Major Projects Reserve
- £250,000 to STB Staff Reserve
- £150,000 to Training Reserve
- £150,000 to Equipment Replacement Reserve

This allocation was approved by the Fire Authority at its June 2023 meeting, subject to audit completion.

## **8 Financial Implications**

The financial implications are as outlined in the report.

## **9 Legal Comment**

There are no direct legal implications arising from this report.

## **10 Equality Impact Assessment**

There are no equality or diversity implications arising from this report. An e-EQIA is not, therefore, required.

## **11 Appendices**

There are no appendices attached to this report.

## **12 Background Papers**

There are no background papers associated with this report.