

SOUTH YORKSHIRE FIRE & RESCUE AUTHORITY

Meeting	FIRE AND RESCUE AUTHORITY
Meeting Date	19 FEBRUARY 2024
Report of	CHIEF FIRE OFFICER AND CHIEF EXECUTIVE
Report Sponsor(s)	DIRECTOR OF FINANCE AND PROCUREMENT CLERK AND TREASURER
Subject	2024/25 ANNUAL REVENUE BUDGET & COUNCIL TAX SETTING

EXECUTIVE SUMMARY

The Fire and Rescue Authority (FRA) is required to approve the 2024/25 revenue budget and set the council tax and precept by the legislative deadline of 1 March each year.

This Budget takes the first year of the [Medium Term Financial Plan \(MTFP\), 2024-27](#), approved in November 2023 and adjusts for a) the implications of the Local Government Finance Settlement and b) changes following further review by Finance and Senior Leadership Team (SLT). Changes from the MTFP are outlined below.

Funding assumed in the MTFP most likely scenario had a £5 increase in Council Tax and estimated inflation on grants. The Local Government Finance Settlement set a council tax increase limit of 2.99% but confirmed higher CPI of 6.7% so the revised funding scenario 'February 2024' is £67.454m, an increase of £0.621m (see Section B) (see Annex E). The total core funding increase from 2023/24 is 5.3% (See table 5). This includes an uplift in the minimum funding guarantee from 3% to 4% of £0.759m. Our total funding increased less than inflation.

Pay costs Inflation assumptions have been reduced from 5% (£2.587m) to 3% (£1.851m) in 2024/25. This is subject to annual pay negotiations for both operational and corporate colleagues.

Non-Pay costs inflation has been reanalysed and reduced from 6% to 3% (£0.548m) in 2024/25, unless we have contractually agreed inflation mechanisms. The Firefighters pension employers' contribution increase of 8.8% (£2.339m) has been confirmed. Previously, we assumed this would be 100% funded by Government grant in 2024/25 only. However, grants of £2.031m, a shortfall of £0.308m have been confirmed (see Annex A).

Efficiencies of £2.614m have been removed from budget in the 2024/25 plan. These represent a 20% reduction when compared to the non-pay budget (see Annex C). Since MTFP additional overtime savings have been added. Efficiencies have been reviewed and are considered safe by SLT.

Revenue investments totalling £3.053m are included in 2024/25 (itemised at Annex B). The investments shown as To Be Confirmed (TBC) in column D are subject to Executive Team approval. A pay and pension contingency investment £0.600m has been added since MTFP to mitigate some of the pay and pension risk (see section K).

To remain sustainable the FRA would ideally achieve break-even or better each year. In 2024/25 a **surplus** of £0.027m is forecast. In section J the S151 Officer recommends any deficits in the short-term are funded from reserves while efficiencies are generated.

The **Capital Investment** in estates, fleet, operational equipment and information technology is budgeted at £8.961m a breakdown by scheme and the funding approach is outlined at Annex D. FRA should note that increasing loans year on year will increase the capital financing costs (See Annex A) and increase the 'gearing' risk.

Total **reserves** are expected to reduce from £18.856m predicted at March 2024 to £18.247m by March 2025. Useable earmarked reserves (those that can be used to mitigate risks which emerge in the revenue position) are expected to reduce to £9.883m by March 2025 and £6.048m by March 2027.

The most significant **risks** to this Budget are uncertainty over future funding and pay and non-pay inflation, further risks are outlined at section K. The risk values are estimated and if these emerge they could further erode usable earmarked reserves.

Until the risk of funding uncertainty, inflation and other risks reduce it is recommended that:

- useable earmarked reserves are maintained and the immediate detriment reserve and the rates reserve be moved into the emerging risk reserve (ERR),
- capital be funded through loans to preserve reserves, and only essential and invest to save projects are proceeded,
- all uncommitted investments are reviewed and only essential and invest to save proceed,
- procedures for monitoring and delivering efficiency savings are enhanced, and
- work continues to identify and deliver more recurrent efficiency savings.

RECOMMENDATIONS

Members are recommended to:

- a) Approve the Authority's 2024/25 Revenue Budget at Annex A;
 - b) Note the S151 Officer's Section 25 Statement (Section M) confirming the robustness of the budget;
 - c) Approve the Capital Investment Strategy (Annex H) including the updated Capital Programme and new approvals as set out in Section H and Annex D of this report;
 - d) Endorse the proposed approach for managing reserves as set out in Section J, noting that if deficits emerge in the short term reserves will be used to address the funding gap;
 - e) Approve the Treasury Management and Investment Strategy at Section L;
 - f) Approve the fees and charges schedule for 2024/25 at Annex G; and
 - g) Approve a Council Tax Increase of 2.99% for 2023/24 (Section B).
 - h) Approve the recommended approach to financial management set out in the Executive Summary.
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SECTION A: COMMUNITY RISK MANAGEMENT PLAN (CRMP) 2024/25

1. The budget from 2023/24, reflects the current CRMP and has been used as a starting point for the 2024/25 Budget. We have confirmed there are no significant changes from the CRMP refresh which require financial adjustments in the 2024/25 Budget or MTFP.

SECTION B: FUNDING, COUNCIL TAX AND INCOME

Government Funding

2. SYFR has received a Final Financial Settlement. This includes Revenue Support Grant (RSG), Business Rates Top-Up Grant, the Government's projection of the Service's 1% share of the business rates income raised in South Yorkshire and any Section 31 Grant monies. In addition, the Home Office funds a proportion of previous firefighter pension superannuation cost increases in the form of a direct grant. The inflation linked elements were increased by 6.7% in 2024/25 (September 2023 CPI inflation). In February 2024 an increased minimum funding guarantee £0.759m was granted. It has been assumed that this will be paid in years 2 & 3 of the MTFP.
3. The table below shows that funding will increase by £1.914m (5.8%) above 2023/24 and that funding is £1.585m more than the most likely scenarios used in the MTFP.

Table one: Funding for 2024/25 compared to prior year and previous MTFP assumptions (excludes new pension grant for GAD uplift):

	2023/24 £m	2024/25 in MTFP £m	2024/25 Revised £m	2024/25 Variance £m
Revenue Support Grant	9.600	10.080	12.992	2.912
Business Rates				
- Top Up	12.011	12.612	12.602	(0.010)
- Retained	4.216	4.301	4.497	0.196
- Min. Funding Agreement	<u>0</u>	<u>0</u>	<u>0.759</u>	<u>0.759</u>
- Collection Fund Surplus	<u>0.404</u>	<u>0.196</u>	<u>0.157</u>	<u>(0.039)</u>
	16.631	17.109	18.015	0.906
S31 Grant	3.538	2.909	3.957	1.048
Pensions Grant	2.756	2.756	-	(2.756)
One off Services Grant	0.634	0.634	0.109	(0.525)
OVERALL GOVT. FUNDING	33.159	33.488	35.073	1.585

Council Tax funding and collection fund

4. Last year, SYFRA set a Band D Council Tax of £82.58 which was a £5 increase per Band D household. This represented a 6% increase from the previous year which when multiplied by the council tax base of 370,064 Band D equivalent properties, resulted in Precept income of £30.6m being raised to fund services.

5. The Authority must set its precept and Council Tax by the prescribed legislative deadline of 11 March each year. The Local Government Finance Policy Statement confirmed that precept increases were limited to 2.99% in 2024/25. If the Authority wishes to set a precept above this level a referendum, at an estimated cost of £0.5m-£1m, would be needed.
6. The local authorities forecast a council tax base of 373,376 Band D equivalent properties in 2024/25, an increase of 3,312 (0.89%) on 2023/24. The precept for a band D property is multiplied by the council tax base to estimate the council tax funds that will be raised.
7. The options for precept level, the net funding raised by each option and the impact on reserves are shown in the table below.

Table 2: Options for precept level, the net funding raised by each option and the impact on reserves:

	POTENTIAL COUNCIL TAX INCREASE					
	£0	1%	1.50%	2%	2.50%	2.99%
Council Tax Charge (£)	£82.58	£83.41	£83.82	£84.23	£84.67	£85.05
Council Tax Requirement	£30,561,318	£31,154,397	£31,308,626	£31,462,856	£31,626,424	£31,758,393
Additional Council tax raised	-	£593,079	£747,308	£901,538	£1,065,106	£1,197,075
Additional call on reserves per annum vs 2.99% option. (at least x3 for the MTFP impact)	1,197,075	603,996	449,767	295,537	131,969	-

8. If the FRA approve the proposed option of a 2.99%/£2.47 increase this will raise the precept to £85.05 for a band D property, and raise precept income of £31.758m. This equates to an increase of less than 5p per week for a Band D household, note the majority of properties in South Yorkshire are in Bands A or B meaning the annual and weekly increase will be less.
9. Table 3 below shows the council tax income and the movement from the prior year and November's MTFP. The collection fund estimates are provided by the four local authorities and have increased slightly (£0.031m) from the MTFP.

Table 3: Council Tax Income for the MTFP period compared to 2023/24.

	2023/24	2024/25 (per MTFP @ £5)	2024/25 revised (2.99%)	Movement on prior year	Movement from MTFP
	£m	£m	£m	£m	£m
Council Tax Income	30.560	32.754	31.758	1.198	(0.996)
Collection Fund Surplus	0.370	0.592	0.623	0.253	0.031
COUNCIL TAX INCOME	30.330	33.346	32.381	1.551	(0.965)

10. Total Funding for 2024/25 is presented in the table below:

Table 4: Total Funding for 2024/25

	2024/25 Revised £m
Revenue Support Grant	12.992
Business Rates	
- Top Up	12.602
- Retained	4.497
- Min. Funding Agreement	0.759
- Business Rates Collection Fund Surplus	0.157
Total Business Rates	18.015
S31 Grant	3.957
Pensions Grant	-
One off Services Grant	0.109
TOTAL GOVT. FUNDING	35.073
Council Tax	
- Precept	31.758
- Council Collection Fund Surplus	0.623
TOTAL COUNCIL TAX	32.381
TOTAL 24/25 FUNDING	67.454

11. The Governments final funding settlement estimates our core funding has increased by 5.3% on 2023/24. However their 23/24 figures do not include additional grants received and 2024/25 figures do not include the latest NNDR projections from the 4 districts. Nor do their totals include council tax and NNDR collection surpluses. The table below compares to SYFR projected funding values. The same 5.3% increase is calculated. This increase is less than inflation (September 2023 CPI 6.7%).

Table 5: Total Core Funding increase from DLUHC vs our predicted funding movements.

HO final core funding increase			SYFR projected final funding increase		
2023/24	2024/25	movement	2023/24	2024/25	movement
£62.6m	£65.9m	5.3%	£64.1m	£67.5m	5.3%

Income

12. Income includes government grants and other contributions, rental income, seconded officer income, catering sales, apprentice levy, investment income and fees and charges income.
13. The income values at Annex A shows that income will reduce in 2024/25 compared to 2023/24 due to reductions in grants, including those for protection and firelink (see Annex B), exceeding increases in income, including the new NHS rental income £0.140m (see Annex C). A new pension admin grant £0.142m and a protection grant of £0.196m are excluded from the budget, along with associated expenditure until plans are agreed.

14. The proposed fees and charges are set out at Annex G and have been increased in line with inflation at 6.7%. We will continue to review income opportunities as part of the Efficiency plan.

SECTION C: PAY EXPENDITURE

15. Employee related costs are estimated to be £54.809m (£52.060m excluding indirect costs) in 2024/25 accounting for 80% of the total expenditure. Key assumptions are shown in the table below.

Table 6: Key assumptions for Pay Expenditure

MTFP Key Pay Assumptions	2023/24 Forecast	2024/25	Notes
Firefighter Pay Award	5%	3%	Negotiations for 24/25 have not commenced
Corporate Staff Pay Award	5.72%	3%	Negotiations for 24/25 have not commenced
Establishment – wholetime	608	608	As agreed by FRA
Establishment – on call	151	151	
Establishment – control	31	31	
Establishment – corporate staff	282	282	As agreed by FRA
Wholetime vacancy factor	4%	4%	Newly budgeted – see efficiencies
Supernumerary posts budgeted	0	9	Newly budgeted – see pressures
Overtime £m	1.300	1.300	Adjusted to reflect trend. 24/25 budget net of efficiency £0.245m
FF Pension contributions	28.8%	37.6%	GAD Valuation results

Table 7: Breakdown of Pay Expenditure – Wholetime, On Call, Control & Support

Area of Pay	2023/24 Budget	2024/25 Budget	Movement	Notes
Wholetime	36.841	37.189	0.348	Net effect of pressures, inflation and savings
On-Call	1.871	2.064	0.193	Increase due to inflation and adjusted for recruitment
Control	1.454	1.550	0.096	Increase due mainly to inflation
Support	10.411	11.257	0.846	Increase due to inflation and realigning grades/budgets
TOTAL	50.577	52.060	1.483	

16. Pay costs are forecast to increase by £1.483m (2.9%), excluding indirect costs from 2023/24 to 2026/27 before Firefighter Pension (GAD) estimates. Including the GAD estimate pension estimates they increase by £4.597m (8.7%) from 2023/24 to 2024/25.
17. The establishment remains as approved at 608. Due to recruitment and retirement profiles we anticipate being under this level on average by 4% or 24 firefighters. Vacancies are at firefighter level as vacancies in manager grades are backfilled from within.
18. Supernumerary total 9 staff. These are budgeted for the first time this year (previously it has been assumed that these will be funded through unbudgeted vacancies. These posts are undertaking project roles and an FBU role and have been approved by workforce planning. All approvals will be re-examined in the coming months.

SECTION D: NON- PAY EXPENDITURE

19. The table below sets out the key assumptions included in the MTFP Non- Pay Expenditure

Table 8: Key assumptions and values for Non-Pay Expenditure

Budget Key Non- Pay Assumptions	2023/24 Actual	2024/25	
Non-pay inflation except	Up to 11.1%	3%	Reduced from MTFP to 3%
Airwaves		13.1%	Increase in contractual costs
Systel		4%	Increase in contractual costs
Energy – gas - Electric	£1.7m	(24%)	Reduction from 23/24 budget
Diesel	£0.651m	(23%)	Reduction from 23/24 budget
Cleaning	£0.500m	5.4%	Increase -Consumables and window cleaning
Uniform	£0.234m	16%	Increase in wear and tear and numbers

SECTION E: EFFICIENCY

20. SYFR were targeted to deliver 2% non-pay savings as part of the comprehensive spending review which ends in 2024/25. During the budget setting process finance have reviewed budgets compared to the 2023/24 forecast, where there are underspends a budget reduction has been agreed for 2024/25. The budget reductions or efficiencies are detailed at Annex C. In addition to these budget reductions SLT has reviewed the Efficiencies Long list – to see if additional projects to generate savings can deliver results in 2024/25. Additional savings from a HQ rental to the NHS £0.140m and a £0.245m reduction in overtime spend has been planned. Finance will

work with budget holders to ensure that where savings could impact on front line services that Equality and Quality Impact Assessments are carried out to ensure there is no unexpected impact on service quality or equality as a result of savings.

21. The total gross efficiency budgeted for 2024/25 is £2.613m which represents 20% of non-pay. More detail on Efficiencies and how we will be included in the Efficiency and Productivity paper which we plan to published in March (subject to approval).

SECTION F: REVENUE INVESTMENTS

22. The Investments, or budget increases on prior year, are listed at Annex B. These budget increases are generated for 4 main reasons:
- Budgets have been reviewed by finance in more detail than for several years. Some budgets were unrealistic or were insufficiently detailed to provide a robust control target. Where necessary finance have proposed **budget re-alignments**,
 - Finance have worked with budget holders to review 2023/24 forecasts, where pressures are emerging and budget holders believe they cannot be mitigated they have been built in to the 2024/25 budget as **budget based on trend**,
 - Where budget areas have requested a **budget investment** to fund a change this has been included in the budget, and
 - Where there is a known contractual change.
23. The revenue investments total £3.053m, including £0.600m contingency to mitigate some pay and pension risk (see section K). Of these £0.876m have been approved at various forums, £0.303m are contractually notified budget increases and the remaining £1.874m are subject to further approval by Executive Team.

SECTION G: OVERALL REVENUE POSITION AND UPDATED MTFP 2024 to 2027

24. Based on the assumption above, the 2024/25 surplus is £0.027m, and the revised MTFP cumulative deficit is £3.808m (vs £3.719m reports in November FRA). For 2025/26 onwards we have assumed the increased employers pension costs from April 2024 will be funded 80% by the Government. In 2024/25 the Home Office have granted £2.031m this is only approximately 85% of the forecast increase. See the table below and Annex A.

Table 9: Showing the planned deficit by year and in total.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
SURPLUS (-) / DEFICIT (+) MTFP Nov 23	0.497	1.812	1.410	3.719
SURPLUS (-)/DEFICIT (+) MTFP Revised	-0.027	1.927	1.908	3.808
Change in Forecast	(0.524)	0.115	0.498	0.089

25. The table below sets out the main changes since the approved MTFP:

Table 10: Movements between MTFP and 2024/25 budget.

	2024/25 £m	2025/26 £m	2026/27 £m
MTFP November 23 Planned Deficit	0.497	1.812	1.410
Change reflected in starting base		-0.199	0.211
Increase in Overall Govt. Funding (Annex E)	-1.586	-0.873	-0.884
Decrease in Council Tax (Annex E)	0.965	1.041	1.031
Pay inflation reduced 5% to 3%	-0.737	-0.017	-0.019
Non-Pay Inflation reduced 5% to 3%	0.092	0.009	0.011
Additional Efficiencies	-0.415	0.014	0.012
Additional Investments	0.937	0.176	0.000
Change in Cost of Employers FF Pension	0.307	-0.253	-0.257
Capital Financing Adjustments	-0.087	0.217	0.393
Budget Setting February 23	-0.027	1.927	1.908

SECTION H: CAPITAL PLAN (investment strategy and programme)

26. The Capital Investment Strategy is a regulatory requirement and is attached at Annex H. It outlines how capital investment decisions are aligned to SYFR strategies and how projects are prioritised.
27. The capital programme was refreshed as part of the MTFP process. The capital plan by project for 2024/25 is shown at Annex D. Since the MTFP, the SYFR Corporate Management Board have reviewed this proposed plan. The Asset Management Board will continue to examine the priority of planned capital spend in light of the level of loans held and against new transport and planned property strategies.

SECTION I: CAPITAL FUNDING STRATEGY

28. The capital plan will mainly be funded through loans (see Annexes D & F). A £5m capital grant has been applied for to fund Sustainability Projects but not all projects nor the funding has been assumed in the budget.

SECTION J: RESERVES POSITION AND STRATEGY

29. Annex F shows the forecast reserves balance of £18.247m at March 2025 and £9.883m of Useable Earmarked Reserves. These Useable Earmarked Reserves are expected to decrease by £4.917m over the MTFP period. Useable Earmarked Reserves by March 2027 are predicted to be only £6.048m.
30. As laid out in the MTFP paper approved in November, the Section 151 Officer recommends that the balances set out in Annex F are retained to mitigate the risks detailed in section K.
31. It should be noted that Useable Earmarked Reserves of £6.048m is not sufficient to mitigate all of the risks identified over the MTFP period should they emerge and so SYFR will need to identify further efficiencies and control investment requests to minimise further reserve reduction until long term funding is secured.

SECTION K: RISKS TO THE BUDGET AND FINANCIAL SUSTAINABILITY

32. The main financial risks to the Budget and MTFP forecasts are set out with estimated impacts in Table 11 below. There may be further risks which emerge through the planning period.

Table 11: Long Term risks to MTFP and sustainability

Risks	Potential £ impact per annum /over 3 year period*	Explanation
Industrial Action	Up to £0.2m per week of action less pay savings	Could lead to additional contracted resource being required (Non-Pay) and Pay costs could increase.
Pay inflation	1% over 3 years £1.8m 2% over 3 years £3.6m	Future pay costs may increase above funded level. Each 1% above budget pay % would cost £0.6m.
Overtime costs could escalate	£0.25m pa /£0.75m	Overtime could rise by this amount per annum without additional efficiency challenge.
Employer's Pension contributions may not be fully funded	£0.6m pa (if only 80% funded)/ £1.8m	Employer's contributions for the firefighters pension have increase by 8.8%, £2.3m per annum, from April 2024 following actuarial revaluation. Grant funding covers around 85% of costs in 2024/25. There is no confirmation of funding for 2025/26 onwards, we have assumed 80% for year 2 & 3 of the MTFP. LGPS contributions are known.
Non- Pay Inflation	additional 1% CPI could cost £0.13m pa/£0.39m	Non pay may continue to increase or be volatile
Interest Rates	£0.5m pa/ £1.5m	Funding the capital programme through loans may cost more and returns on investments may improve.
Funding	£2m pa/£6m	One-year funding settlement and future settlements not expected to cover all costs. Business rates local retention and the funding formulas may also be reviewed in the medium term. Council tax and Business Rates bases collection rates could differ.
Economic and Political uncertainty	See funding above	Current climate could potentially affect the level of funding from both government and local authorities. The pending general election could impact on funding settlements and precept levels.
Employment Law – pay and pensions	Recovery of £0.6m costs	McCloud and Matthews pension case remedy is now being processed – costs are expected to be funded. Immediate Detriment paid to date and expect to be able to recoup
Capital Investment requirements	Revenue impact of capital +£1.6m pa/ £4.8m	Investment is required to ensure the service has the assets it needs and to meet net zero requirements. Opportunities for funding are being explored but much of this £15m may need

		to be financed from reserves or loans. Costs of the capital investment may increase from forecasts.
Responding to HMICFRS, Inquiries and other national changes	Possible investment of up to £0.2m pa to comply.	May increase the costs of operation in need to comply but national targets to increase productivity may reduce some budgets.
CRMP/ Service improvement and the Annual Service Plans	TBC	Changes in the operational risk profile or how SYFRS manage that risk has been reflected to the extent we can anticipate the CRMP 2024 update to include. The full CRMP refresh planned for 2025 to 2028 CRMP may significantly change the last 2 years of this MTFP as it is concluded and a zero based budgeting exercise is undertaken. Other plans may require investment but should lead to medium term cost reductions.
Changes to workforce and pay assumptions	+/-£1m pa/£3m	Assumptions on workforce planning profiles for wholetime firefighter retirements, sickness and other absences / modified duties and unplanned leavers may be wrong and create financial variances and pressures

SECTION L: TREASURY MANAGEMENT AND INVESTMENT STRATEGY

33. The Treasury Management Strategy Statement is attached at Annex I for Members' approval. The key objective of the strategy include:
- Ensuring the Authority's capital expenditure plans are prudent, affordable and sustainable over the longer-term;
 - Ensuring that sufficient cash is available when needed to meet the Authority's spending commitments;
 - Managing the Authority's exposure to interest rate and refinancing risk whilst maximising value for money, and
 - Managing the investment of temporary surplus cash in a way that preserves the capital invested.
34. In accordance with the Revised CIPFA Treasury Management Code of Practice, the Strategy was discussed by the Audit and Governance Committee on 15 January 2023. The figures and indicators included within the Strategy reflect the planned 2024-2027 Capital Programme per November MTFP and the plan as at Annex D. Should capital expenditure plans change during the year, the prudential indicators included in the report will be recalculated.
35. The following elements of the strategy require specific approval:
- The Treasury Management Policy Statement which sets out the overall policies, practices and objectives in relation to treasury management;
 - The proposed Borrowing and Investment Strategies;
 - The Authorised Limit for External Debt and Prudential Indicators demonstrating the affordability of capital investment plans;
 - The Minimum Revenue Provision Statement setting out the proposed prudent method of charging the revenue account for the repayment of debt.

SECTION M: TREASURER'S SECTION 25 REPORT

36. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer under the Local Government Act 1972) to report to the Authority when setting the Council Tax on:
- the robustness of the estimates in the budget, and
 - the adequacy of the proposed reserves
37. The Authority must have regard to this report when making decisions in respect of the budget and Council Tax (Precept).
38. The Budget proposed for 2024/25 has been framed within the Government's finance settlement.

Robustness of the estimates

39. A review of the estimating assumptions has been carried out in forming the 2024/25 budget. Whilst these assumptions are subject to risk, I consider that they are prudent at this stage based on the following comments:
- Pay inflation assumptions. The Service forecast a 3% pay award in 2024/25, for both operational and support staff. At this point in time, these assumptions are considered to be realistic although negotiations have yet to be finalised.
 - Interest Rates. Interest rates have remained high through the period and predictions of when they will reduce vary. In view of this my advice remains to use temporary cash balance where possible to delay borrowing and to retain a target of 70% of fixed rate borrowing per the Treasury Management Strategy.
 - Inflation and supply chain issues. Inflation and potential supply issues remain but are expected to fall through 2024. Inflation of 3% has been reflected in the budget and is considered prudent.
 - Council Tax Income Assumptions. The current budget assumes a 2.99% increase will be approved by FRA and that current collection rates will continue with no further negative impacts from the cost of living pressures. We will closely monitor this during the year.
 - Business Rates Income Assumptions. Under the current Business Rate Retention scheme, the Authority retains 1% of the total income collected. The current budget is based on the four South Yorkshire districts own estimates of what they expect to collect. There continues to be volatility in business rates baselines. However, I do believe the budget is based on prudent assumptions, but again, will be closely monitored during the year.
40. The SYFRA's robust in year budget monitoring processes will ensure that the budget and the assumptions underpinning it are reviewed throughout the year. Any significant variations identified through this process will be brought to the Authority's attention.

Adequacy of the Authority's Reserves

41. A review of reserves has been carried out as an integral part of the 2024/25 Budget and the MTFP process. The conclusions from this review are set out elsewhere in this report.
42. The proposal to fund additional capital investment over the 3-year planning period through borrowing can be supported by revenue and maintains general reserves at a level that I consider appropriate based on current assumptions. I note that SYFR will continue to review and prioritise capital funding to ensure only essential and invest to save projects are commenced.
43. The current MTFP shows a deficit over the planning period. I recommend the use of reserves to bridge any gaps in the short term. However, the use of this reserve is one-off and SYFR must develop and deliver more efficiencies to reduce the gap from 2025/26.
44. This position will be subject to continuous review and reassessment to ensure the current reserves utilisation remains appropriate. The current Minimum Working Balance (MWB) held by the Authority remains at £5.0m until 2027. MRP reserves are adequately recorded based on current forecasts. SYFR must avoid further depletion of the usable earmarked reserves through an efficiency programme, so risks that materialise can be mitigated pending an ongoing permanent re-alignment of income and expenditure

Prudence & Affordability

45. The current Prudential Borrowing regime places a duty on the CFO to ensure that the financial impact of decisions to incur additional borrowing over and above that supported by Government are affordable both in the immediate future and over the longer term.
46. The financial planning shows that the capital programme (and its revenue impact) is affordable however the proportion of loans to revenue funding is increasing and so all new capital schemes should be considered further to confirm they are essential or will deliver future revenue savings before proceeding.

Medium Term Financial Plan and Budget Reduction Measures

47. As previously, the Service's MTFP was considered by SYFRA in November 2023. There remains much uncertainty over funding, with yet another one year settlement for 2024/25, and costs.
48. The revised MFTP (for this budget paper) predicts a cumulative deficit of £3.808m over the three year period. Any deficits can only can be funded from reserves while SYFR develops further efficiency savings.
49. **In summarising, I am content that the estimates, assumptions and risks identified in the budget are robust and the reserves are satisfactory at the point of setting the budget, but this will require ongoing review through the coming financial year.**

Funding Glossary

Funding Type	Notes
Revenue Support Grant (RSG)	A share of Total England Funding for Fire Authorities calculated by Department for Levelling Up, Housing and Communities (DLUHC). The share was originally based on the 2013/14 Local Government Settlement formula which need updating.
Business Rates	Local Authorities collect all the business rates due on Commercial Properties. Since 2013/14 50% of rates would be retained by local authorities and 2% of business rate income would fund Fire Authorities across England. The 4 South Yorkshire (SY) Districts pay over 1% of their retained business rate income directly across to SYFRA.
Top Up grant	Top Up grant to SYFRA in accordance with the funding formula. This funds the difference between the spending needs in the SY area and the amount that is collected in business rates or received in RSG.
Section 31 Grant	Section 31 income is paid by DLUHC to compensate for any policy changes they introduce (e.g. extending small business rate relief, capping inflation) so that Fire/ Local Authorities are not affected by any new burdens.
Pension Grant	Home Office fund the additional employers' superannuation costs of firefighter pensions through direct grants. The existing grant covering a previous uplift will be rolled up in 2024/25 into the main RSG grant without an inflation uplift but will be subject to inflation increases thereafter. The April 2024 8.8% employers' pension uplift has been funded c85% in 2024/25. There is no confirmation of funding from 2025/26 onwards – we have assumed 80% will be funded.
Service Grant	A one-off Service Grant given in 2022/23, was reduced in 2023/24 to £0.6m and reduced further in 2024/25 to £0.1m.

CONTRIBUTION TO SERVICE PRIORITIES

- Community - Making people safer – working to prevent emergencies.
- Operations - Responding to emergencies – effectively and safely.
- People - Valuing people – those we serve and employ.
- Finance and Resources - Maximising efficiency – making our resources go further.

OPPORTUNITIES FOR COLLABORATION

- Yes
- No

If you have ticked 'Yes' please provide brief details in the box below and include the third party/parties it would involve:

Financial implications as a result of any known collaboration opportunities are included with financial predictions. All future implications will be included within future MTFP updates as and when known

CORPORATE RISK ASSESSMENT & BUSINESS CONTINUITY IMPLICATIONS

50. The Corporate Risk Register is inclusive of the risk surrounding the medium term financial strategy. Proper financial planning ensures that the Authority will be made aware of any issues that have financial implications at the earliest opportunity.

EQUALITY ANALYSIS COMPLETED

Yes

If you have ticked 'Yes' please complete the below comment boxes providing details as follows:

Summary of any Adverse Impacts Identified:	Key Mitigating Actions Proposed and Agreed:

No

N/A

If you have ticked 'No' or 'N/A' please complete the comments box below providing details of why an EA is not required/is outstanding:

Equality impact assessments are carried out on individual proposals rather than on the funding of those proposals.

HEALTH AND SAFETY RISK ASSESSMENT COMPLETED

Yes

No

N/A

If you have ticked 'No' or 'N/A' please complete the comments box below providing details of why a Health and Safety Risk Assessment is not required/is outstanding:

There are no known risks in relation to Health and Safety.

SCHEME OF DELEGATION

51. Under the South Yorkshire Fire and Rescue Authority [Scheme of Delegation](#) a decision *is required / *has been approved at Service level.

Delegated Power

Yes
 No

If yes, please complete the comments box indicating under which delegated power?

Financial regulations: The provision of budgets and funding

IMPLICATIONS

52. Consider whether this report has any of the following implications and, if so, address them below: Industrial Relations, Financial, Legal, Asset Management, Environmental and Sustainability, Diversity, Communications and Health and Safety implications have been considered in compiling this report.

list of background documents		
2024/24 Annual Revenue Budget and Council Tax Setting Report Financial Performance Report Quarter 3 2023/24 Medium Term Financial Plan 2024 – 2027		
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