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Police & Crime Commissioner for Cumbria P McCall

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

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Our reference: PZ

Date 02 February 2024

CUMBRIA POLICE, FIRE & CRIME COMMISSIONER'S PUBLIC ACCOUNTABILITY CONFERENCE

The Police and Crime Commissioner's Public Accountability Conference will take place on **Thursday 15th February 2024**, at **1.30pm.**

The purpose of the Conference is to enable the Police, Fire and Crime Commissioner to hold the Chief Fire Officer to account for operational performance.

If you would like to join the meeting as a member of the public or press, please contact Paula Zutic on paula.zutic@cumbria.police.uk Following the meeting papers will be uploaded on to the Commissioner's website.

G Shearer
Chief Executive

Attendees:

Police, Fire & Crime Commissioner	- Mr Peter McCall (Chair)
OPFCC Chief Executive	- Ms Gill Shearer
Chief Finance Officer	- Mr Steven Tickner
Chief Fire Officer	- Mr Rick Ogden

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. QUESTIONS FROM THE PUBLIC

An opportunity (not exceeding 20 minutes) to deal with any questions which have been provided in writing within at least three clear working days before the meeting date to the Chief Executive.

4. DISCLOSURE OF PERSONAL INTERESTS

Attendees are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual should not participate in a discussion of the matter and must withdraw from the room unless a dispensation has previously been obtained.

5. MINUTES OF MEETING

To receive and approve the minutes of the Public Accountability Conference held on the 7th December 2023

6. FINANCIAL SUMMARY 2023/24 – QUARTER 3 TO DECEMBER 2023

To receive and note the quarter three financial summary which incorporates the revenue budget, and capital monitoring report for the period up to 31 December 2023

7. **TREASURY MANAGEMENT ACTIVITIES 2023/24 QUARTER 3 (OCTOBER TO DECEMBER 2023)**

To receive & note the CCFRA Treasury Management Activities 2023/24 Report – Quarter 3 to December 2023

8. **DECISION – CAPITAL INVESTMENT STRATEGY 2024/25**

To receive, note and approve the Capital Investment Strategy 2024/25

9. **DECISION - TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25 (inclusive of Investment Strategy, Borrowing Strategy, MRP Statement)**

10. **DECISION - 2024/25 BUDGET AND MEDIUM TERM FINANCIAL FORECAST**

To receive, note and approve the Budget and Medium Term Financial Forecast reports including Reserves Strategy and Local Government Act 2003 Requirements and Charging Report 2024/25

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

CUMBRIA POLICE, FIRE & CRIME COMMISSIONER
PUBLIC ACCOUNTABILITY CONFERENCE

Minutes of the Public Accountability Conference held on
Thursday 7th December 2023
In Conference Room 3, Carleton Hall, Penrith

PRESENT
Police, Fire & Crime Commissioner - Peter McCall (Chair);

Also present:
Deputy Police, Fire & Crime Commissioner (Mike Johnson);
OPFCC Deputy Chief Executive (Gill Shearer);
Chief Finance Officer (Steven Tickner);
Chief Fire Officer (Rick Ogden);
Head of Performance & Assurance (Mark Clement);
Bluelight Collaboration Manager (Steph Stables);
OPFCC Executive Support Officer (Paula Zutic) - taking minutes

Also in attendance – member of the press

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

001. APOLOGIES FOR ABSENCE
Apologies for absence were received from the Deputy Chief Fire Officer (Brian Steadman);

002. QUESTIONS FROM MEMBERS OF THE PUBLIC
No questions had been received in advance of the meeting from any members of the public

003. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC
There were no items of urgent business to be considered by the Committee.

004. DISCLOSURE OF PERSONAL INTERESTS
There were no disclosures of any personal interest relating to any item on the Agenda.

005. MINUTES

The Chair presented the minutes of the CFRS Public Accountability Conference held on the 11th October 2023 which had previously been circulated with the agenda. The minutes were agreed as an accurate record and signed by the Chair.

RESOLVED, that, the

(i) Minutes of the CFRS Public Accountability Conference held on the 11th October 2023 be confirmed as a correct record and signed by the Chair;

006. FIRE & RESCUE SERVICE - PERFORMANCE

The presentation was given by the Chief Fire Officer and provided an overview of the HMCFRS action plan as well as organizational performance.

The HMICFRS action plan is split against pillars of inspection and is checked against national benchmarking to measure progress and provide assurance that CFRS is moving in the right direction. 18 are ongoing and 1 is complete.

Metrics and effectiveness are monitored regularly at weekly monitoring meetings with each department and monthly at a meeting chaired by the Deputy Chief Fire Officer.
There is an on-going programme with an end date for actions to be complete, it is anticipated that all will be complete by June or before.

Each action owner has their own priorities and these are RAG rated against the HMICFRS outcomes. NFCCC (National Fire Chiefs Council) ensure all operating models are tied in with best practice.

The CRMP needs to be in place for 1st April 2024 and will go out for consultation following the conclusion of the precept consultation.

Evidence will need to be provided to HMICFRS around the work done.

The most critical area for CFRS is People, and 4 areas were marked as areas for improvement. Work is in progress to address this.

The Deputy Chief Fire Officer is the gatekeeper for the HMICFRS work and gives independent assurance before things are signed off as complete.

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

The Commissioner feels that the Chief Fire Officer knows what the issues are; has put actions into place to address them; and is monitoring progress and this gives the Commissioner assurance that the CFO is actioning it and allows the Commissioner to hold the CFO to account.

Safe & Well visits are continuing to improve and ultimately are preventing fires. CFRS have been pro-active in this area going out into rural communities off the beaten track. It is impossible to say how long each Safe & Well visit will take as they can range from 5 minutes to 1 hour.

Lots of good work is going on in relation to community engagement, but CFRS have no way of capturing or recording it.

Training is ongoing to ensure firefighters have the skills to address the different types of fires (such as lithium batteries on e-bikes and scooters).

Following a discussion, the report was noted.

RESOLVED, that

(i) The report be noted;

007. FIRE & RESCUE SERVICE – HEALTH & SAFETY

The presentation was given by the Chief Fire Officer.

All FRS staff have received a statement of intent. Everyone has been briefed and has regular Health & Safety training.

CFRS train to the highest level in any fire & rescue service.

There has been 1 RIDDOR incident in Cumbria (details were discussed). Any learning has been captured and taken forward.

Following a discussion, the report was noted.

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

RESOLVED, that

(ii) The report be noted;

The Commissioner thanked the Chief Fire Officer for his very comprehensive presentations, which were very useful and demonstrated good progress across the board.

The Commissioner stated that he was as reassured as he can be that things are moving in the right direction and we are able to deliver a good service to the people of Cumbria.

Meeting concluded at 14:20

Signed: ______________________________ **Date:** ________________________________

Cumbria Commissioner Fire and Rescue Authority

Financial update 2023/24

Quarter 3

As of 31st December 2023

Report Date: **2nd February 2024**

Report to: **Public Accountability Conference – 15 February 2024**

Revenue Budget

Underspend (£0.472m) (1.89%)

Executive Summary

The forecast underspend is comprised of an forecast underspend on staffing budgets of (£0.852m), offset by overspends on transport fleet budget £0.100m, SLA Occupational Health recharge costs £0.250m and £0.030m income shortfall.

The underspend on staffing budgets is due to a high number of vacancies that are now in the process of being filled. There is potential for increased operational costs over the winter months which may impact on the forecast underspend.

Recommendations

The quarter 3 position be noted.

Treasury Management

Investment balance 31/12/2023 £14.431m

The MTFP included an expectation of Treasury Management Savings of £0.250m to be achieved through decreased debt management costs and income from investment activity.

As at the end of Q3, there is an anticipated saving of £0.078m due to no new borrowing being required to finance the capital programme and forecast income from investment activity is anticipated to be £0.510m.

The cash-flow position is also better than expected due to reimbursement of amounts to the unitary authorities not being requested and lower than anticipated capital expenditure.

Capital Budget

There has been £0.643m expenditure on capital as of 31st December 2023.

CUMBRIA COMMISSIONER FIRE AND RESCUE AUTHORITY – FINANCIAL SUMMARY QUARTER 3 TO 31ST DECEMBER 2023

	Original Budget £	Revised Budget £	Q3 Actual £	Y/E Forecast £	Y/E Variance £
TOTAL EMPLOYEE COSTS	20,262,000	20,304,000	14,917,288	19,452,000	(852,000)
TOTAL PREMISES COSTS	1,888,000	1,888,000	195,239	1,888,000	0
TOTAL TRANSPORT COSTS	871,000	795,000	126,336	895,000	100,000
TOTAL SUPPLIES AND SERVICES	1,632,000	1,604,000	1,162,055	1,604,000	0
TOTAL THIRD PARTY PAYMENTS	796,000	817,000	260,326	817,000	0
TOTAL SLA'S	1,630,000	1,630,000	0	1,880,000	250,000
TOTAL CAPITAL FINANCING	3,133,000	2,795,000	1,636,025	2,795,000	0
TOTAL EXPENDITURE	30,212,000	29,833,000	18,297,269	29,331,000	(502,000)
TOTAL INCOME (EXCL GRANTS)	(274,000)	(247,000)	(41,268)	(217,000)	30,000
NET EXPENDITURE	29,938,000	29,586,000	18,256,001	29,114,000	(472,000)
TOTAL SPECIFIC GRANTS	(4,903,000)	(4,903,000)	(3,677,250)	(4,903,000)	0
TOTAL NET EXPENDITURE	25,035,000	24,683,000	14,578,751	24,211,000	(472,000)
Transfers to / (from) Reserves	407,000	759,000		1,231,000	472,000

Key Themes:

- Overall forecasted underspend of (£0.472m) (1.89%).
- Actual expenditure at the end of Q3 represented 57.6% of the annual budget.
- Forecast underspend on employee costs of (£0.852m), however, overtime has utilised 192% of allocated budget by Q3, and Turnout Payments 97%. Both need to be managed within the overall employee budget and have been forecast to achieve budget allocation by year-end.
- Forecast overspend for transport for potential higher fleet charges than budgeted.
- Forecast overspend for SLA's due to Occupational Health charges due to confirmation from the unitary authority. Confirmed recharge significantly higher than the allowance included in the SLA disaggregation prior to transition.
- Income shortfall of £0.030m is due to under achievement of targets relating to historical budgets. These are being reviewed for Q4 to see if other income streams will offset the shortfall.

Item 7

Cumbria Commissioner Fire and Rescue Authority

Treasury Management Activities 2023/24 for the period 01 October 2023 to 31 December 2023

PFCC Executive Team 15 February 2024 and Joint Audit Committee 20 March 2024

Cash flow Balances

Quarter 3 average daily balance - £14.582m

Investment balance @ 31/12/23 £14.433m

(Up 7% from £13.530m at 30/09/23)

Investment Interest Forecast

Revised Budget - £250k

Earned to 31/12/23 - £409k

Current Forecast for year - £570k

Borrowing Strategy

The capital programme in 2023/24 does not include an expectation of borrowing requirement

Investment Strategy

Category	Category Limit (£m)	Investments at 31 Dec (£m)	Compliance with Limit
1 - Banks Unsecured	5	0.883	Yes
2 - Banks Secured	5	0.000	Yes
3 - Government (inc LA)	no limit	13.550	Yes
4 - Registered Providers	2	0.000	Yes
5 - Pooled Funds	5	0.000	Yes
Total		**14.433**	

There have been no breaches in the approved limits to report during the reporting period.

Performance Indicators

Quarter 3	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	69,617	569,602
Days Overdrawn	1	(1,848)	(1,848)

Average interest rate earned – 5.05%

Average bank base rate – 5.25%

(Bank base rate at quarter end – 5.25%)

Treasury and Prudential Indicators

During the period 01 October 2023 and 31 December 2023, the treasury function has operated within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.

Compliance with the prudential and treasury indicators are shown on page 3.

Economic Outlook and Treasury position for the quarter ended 31 December 2023

GDP grew by 0.3% in November this will probably mean the economy escaped a recession in 2023. Services output rose by 0.4% and was the main contributor to the growth in GDP. Capital Economics estimate that it would take a fall of 0.2% more in December for the economy to have contracted in Q4. The turnaround from last quarter is that 2024 GDP growth forecasts have upside potential.

The downward progress previously made by CPI inflation stalled in December, with the unexpected rise in CPI from 3.9% in November to 4.0% in December. Looking forward, indications suggest that CPI inflation will fall in January and further favourable base effects will push down inflation in February, March and April projecting inflation to be below the 2% target by April.

On 1st February the MPC maintained the Bank Rate at 5.25% for the forth time. The vote was 6-3 with two members in favour of an increase to 5.50% and one preferred a reduction to 5%. The MPC repeated its view that rates may have to rise if there was evidence of more persistent inflationary pressures. There is anticipation of a decline in interest rates in 2024.

Base Rate Estimates	2023/24 %	2024/25 %	2025/26 %
Quarter 1	5.00	5.25	3.50
Quarter 2	5.25	5.00	3.00
Quarter 3	5.25	4.50	2.75
Quarter 4	5.25	4.00	2.75

Investments in place on 31 December 2023

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
NatWest (Liquidity Select Acc)	A+	31/12/2023	02/01/2024	O/N	1.45%	883,217	883,217
						883,217	**883,217**
Category 2 - Banks Secured (Includes Banks & Building Societies)							
None							
						0	**0**
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Debt management Office	Gov	03/11/2023	31/01/2024	215	5.1800%	1,800,000	1,800,000
Debt management Office	Gov	24/11/2023	31/01/2024	215	5.1900%	1,100,000	1,100,000
Debt management Office	Gov	29/11/2023	22/01/2024	206	5.1900%	1,000,000	1,000,000
Debt management Office	Gov	30/11/2023	12/01/2024	196	5.1800%	3,600,000	3,600,000
Debt management Office	Gov	11/12/2023	11/03/2024	255	5.2100%	4,150,000	4,150,000
Debt management Office	Gov	22/12/2023	26/01/2024	210	5.1900%	1,000,000	1,000,000
Debt management Office	Gov	22/12/2023	28/02/2024	243	5.1900%	900,000	900,000
						13,550,000	**13,550,000**
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
						0	**0**
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
None						0	0
						0	**0**
Total						**14,433,217**	**14,433,217**

Following disaggregation from the County Council some processes remained with the new unitary authorities and as such the investment balances contain some funds that need to be transferred to reimburse them for these services, for example, invoice payments. This has had the effect of temporarily increasing the amount available to invest and increasing the interest income for 2023/24.

Borrowing position for the quarter ended 31 December 2023

At 31st December 2023 there is one loan that was transferred from Cumbria County Council with the Public Works Loan Board. The loan is on an interest only basis for £7.5m with an interest rate of 2.6%. This equates to twice yearly interest payments of £97.5k- latest instalment paid in October 2023.

Treasury and Prudential Indicators 2023/24 at 31 December 2023

Treasury Management Indicators		Result	RAG
The Authorised Limit *The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a statutory limit under section3(1) of the Local Government Act 2003.*	TEST - Is current external borrowing within the approved limit	YES	
The Operational Boundary *The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cash flow.*	TEST - Is current external borrowing within the approved limit	YES	
Actual External Debt *The Police, Fire Crime Commissioner will seek advice from the advisors before undertaking any new borrowing. New external borrowing will be required to finance the capital expenditure programme.*	TEST - Is the external debt within the Authorised limit and operational boundry	YES	
Gross and Net Debt *The purpose of this indicator is to highlight a situation where the Police, Fire Crime Commissioner is planning to borrow in advance of need.*	TEST - Is the Chief Fire Officer planning to borrow in advance of need	NO	
Maturity Structure of Borrowing *The indicator is designed to exercise control over the Police, Fire Crime Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.*	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	NO	
Upper Limit for total principal sums invested for over 365 Days *The purpose of this indicator is to ensure that the Police, Fire Crime Commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.*	TEST - Is the value of long term investments witin the approved limit	YES	

Prudential indicators		Result	RAG
Ratio of Financing Costs to Net Revenue Stream *This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs.*	TEST - Is the ratio of captial expenditure funded by revenue within planned limits	YES	
Net Borrowing and the Capital Financing Requirement *This indicator is to ensure that net borrowing will only be for capital purposes. The Police, Fire Crime Commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.*	TEST - Is net debt less than the capital financing requirement	YES	
Capital Expenditure and Capital financing *The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2023/24.*	TEST - Is the current capital outurn within planned limits	YES	
Capital Financing Requirement *The CFR is a measure of the extent to which the Police, Fire Crime Commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.*	TEST - Is the capital financing requirment within planned limits	YES	

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that regular reports are presented with regards to treasury management activities. This quarterly report ensures the Police, Fire and Crime Commissioner is implementing best practice in accordance with the Code.

Cumbria Office of the Police, Fire and Crime Commissioner

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

Public Accountability Conference – 15 February 2024

Cumbria Commissioner Fire and Rescue Authority (CCFRA) Capital Investment Strategy 2024/25

Report of the Chief Finance Officer

Recommendation

The Commissioner is **RECOMMENDED** to:

a. Approve the Capital Investment Strategy as set out in this report.

1.0 Introduction

1.1 The Capital Investment Strategy (CIS) is a key policy document for the Service and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Service plans and is based on the guidance in the Medium-Term Financial Plan (MTFP). The Capital Investment Strategy is written following guidance included in the Prudential Code (2021) and reflects the new CIPFA Capital Strategy Guidance 2021 ‘A whole organisation approach’.

The objectives of the Capital Investment Strategy are to:

- Provide an overview of the governance process for approval and monitoring of capital expenditure;
- Provide a longer-term view of capital expenditure plans;
- Provide an overview of asset management planning;
- Provide expectations around debt and use of internal borrowing to support capital expenditure;
- Define the authority’s approach to commercial activities including due diligence and risk appetite;
- Defines the available knowledge and skills to the authority in relation to capital investment activities.

1.2 Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes. The Service’s policy on capitalisation is included in the Financial Regulations and in the Accounting Policies of the Statement of Accounts. The policy states that items of vehicle, plant and equipment over £10,000 will be capitalised and expenditure on land, buildings and other structures over £20,000 will be capitalised. Expenditure under these limits is deemed to be a revenue cost.

1.3 Evaluation and Monitoring of Capital Projects

The evaluation and monitoring of capital projects is important to enable the Service to determine:

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Service.

1.4 To assist with these processes, the Service has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Strategic Finance and Governance Board, comprising senior officers of the Service and the OPFCC, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted for consideration as part of the normal budget process.

- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.

- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to the Commissioner.

- The Chief Officer team and Commissioner receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met and makes recommendations where necessary to improve the delivery of similar projects in the future.

1.6 Current Asset Portfolio

The Service holds a modest asset portfolio that supports its operational activities. The balance sheet valuations are shown below:

Asset Category	Valuation 31/03/2022 £000
Land & Buildings	40,379
Vehicles	4,892
Plant & Equipment	1,753
TOTAL	**42,132**

N.B. The 2022/23 balance sheet from County Council has yet to be provided.

Land & Buildings (Operational)

These are operational properties that are used to deliver services and for the Service primarily relate to Fire Stations.

Vehicles, Plant and Equipment (Operational)

These assets are used in the delivery of Services and include owned vehicles, IT equipment, and other equipment

The assets held on the balance sheet are offset by the long-term debt currently held on the balance sheet. As at 31 March 2022, this totalled £23.077million (which included £13.466million of long term PFI liabilities and £7.5million in PWLB debt).

2.0 Financial Principles supporting the Capital Investment Strategy.

2.1 Capital expenditure is to be incurred in line with Financial Regulations as follows:

- The Chief Finance Officer (s.151) is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Commissioner and covers at least the current and forthcoming three financial years' (B3);

2.2 The key principles to be applied to the Capital Investment Strategy are set out below:

- Capital resources are held corporately and are allocated according to the priorities set out in the Fire Plan (i.e. there is no automatic ring-fencing of resources for specific purposes);
- Capital receipts will be allocated in accordance with Service priorities;
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements;
- The Service will seek to maximise the use of grants and external funding;
- The Service is committed to deliver capital investment with partners to maximise benefits where this fits with Service priorities;
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process;
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects;
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance (e.g., borrowing costs);
- Any shortfall against the capital receipts forecast to be received will have significant implications on the ability to deliver the forecast levels of investment without incurring borrowing;
- Review of capital financing decisions which will likely have a revenue budget impact due to lack of capital resources (E.g., through re-profiling of capital receipts and borrowing);
- In order to reduce the exposure of the service to a borrowing requirement the following steps should continue to be examined:
    - Review of existing capital programme to ensure that schemes are still required and are accurate;
    - Maximisation of the use of grants and contributions from external sources;
    - Providing a recurring revenue contribution to the capital programme;
    - Invest to save schemes that can repay the capital investment over a period of time.

2.3 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: -

- The CRMP and Fire Plan
- The Medium-Term Financial Plan, which provides information on the proposed revenue budget and considerations that will impact on future budgets.
- 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 Strategy
- The Procurement and Commissioning Strategy.
- The ICT Strategy.
- People Strategy

3.0 Strategic Vision / Long Term ambitions

3.1 The Service recognises the vital contribution its Capital Investment Strategy and its asset portfolio play in the delivery of an effective and efficient fire service for Cumbria. To achieve that the CIS needs to reflect and inform other key strategic documents, namely, the Estates Strategy and Asset Management Plan and the Fleet Strategy.

3.2 External and Partner Influences

Capital investment decisions will be influenced by both internal and external factors.

Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors. The more significant of these are summarised as follows:

Internal Factors

- Service Priorities
- Investment identified in strategies, policies and plans
- Work needed to maintain Property assets
- Vehicles, Plant and Equipment replacement needs
- ICT Investment and replacement
- Invest to save projects

External Factors

- Government sponsored programmes
- Unforeseen emergency works, e.g. RAAC
- Works required to comply with legislation e.g. disabled access, health & safety
- Projects resulting from partnership activity
- Availability of external funding
- Public expectation that works should be carried out

The Service works with a wide range of partners from the public, private, voluntary and community sectors, all of which may have an influence over its spending priorities. These include, but are not limited to:

- Central Government
- Other Local Authorities
- Health sector
- Further and Higher education sector
- Charity, social and not for profit sector
- Private sector
- Community Projects

4.0 Capital Expenditure

4.1 Capital Investment Priorities

The Capital Investment Strategy needs to ensure that any capital investment decisions are both affordable and achieve the priorities as set out in the Fire Plan. The Service is at a point where it has limited capital resources and as such any investment in assets will have implications on the revenue budget (either through direct revenue contributions or borrowing costs).

The Capital Investment Strategy must therefore recognise the implications of capital investment decisions and ensure that they are in line with Service priorities and financing requirements are robustly evaluated and understood.

The current capital programme includes provision for investment in replacement fleet vehicles and includes allowances for work to estates and ICT and replacement of equipment and PPE.

Other capital investment opportunities may present themselves over the lifetime of the MTFP; each will be subject to further business cases on investment opportunities and the benefits that could be made from those investments.

All business cases are subject to due diligence to ensure that they afford the best value for money for the Service, align with its core priorities and do not expose the Service to unnecessary risk that could put future delivery of services in jeopardy.

The table below shows the current capital resources before any new decisions around capital investment are made. These forecasts have been updated with a detailed programme of capital expenditure as part of the 2024/25 MTFP and budget setting process.

	Forecasts				
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Opening Borrowing Requirement (Excl PFI)	10,474				
Estimated resources available in year (Table 3)	0	0	0	0	0
Proposed Programme (Table 2)	3,145	2,683	3,146	2,928	2,065
In-Year Borrowing Requirement (Excl PFI)	**3,145**	**2,683**	**3,146**	**2,928**	**2,065**
MRP And Repayment of Debt	**(697)**	**(932)**	**(1,227)**	**(1,588)**	**(1,797)**
Cumulative Borrowing Requirement (Excl PFI)	**12,922**	**14,673**	**16,592**	**17,932**	**18,200**

The Service also has a borrowing liability arising from the PFI contracts in place. The Borrowing position including PFI is as follows:

	Forecasts				
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Opening Borrowing Requirement (Incl PFI)	23,488				
Estimated resources available in year (Table 3)	0	0	0	0	0
Proposed Programme (Table 2)	3,145	2,683	3,146	2,928	2,065
In-Year Borrowing Requirement (Incl PFI)	**3,145**	**2,683**	**3,146**	**2,928**	**2,065**
MRP And Repayment of Debt	**(1,189)**	**(1,466)**	**(1,805)**	**(2,214)**	**(2,476)**
Cumulative Borrowing Requirement (Incl PFI)	**25,444**	**26,661**	**28,002**	**28,716**	**28,305**

4.2 Current Expenditure Forecast

The table below shows the current projected expenditure forecasts for capital investment. A full breakdown of the 10-year plan is shown in **Appendix A**.

	Forecasts				
	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Fleet	1,436	1,348	1,856	1,411	938
Property Enhancements	1,065	450	501	872	482
Equipment & ICT	644	885	789	645	645
Total Programme	**3,145**	**2,683**	**3,146**	**2,928**	**2,065**

4.3 Current Resource Forecasts

The Service's capital programme can be financed, (or paid for), through a variety of sources and the Chief Finance Officer (s.151) will make recommendations on the most effective and efficient way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process.

4.3.1 Capital Grants

The Service does not receive any specific capital grants, however, one-off grants linked to applications for particular projects could provide external funding. The Service received £2m from Home Office as part of the disaggregation from the County Council to support transformation and investment in the Service and this is intended to be utilised in 2023/24.

4.3.2 Revenue Contributions and Reserves

The capital programme can also be financed using reserves (both capital and revenue) although revenue contributions will have an overall effect on the General Fund revenue budget. Revenue contributions will have to be found from existing revenue budgets but may be more cost effective than incurring borrowing costs.

4.3.3 Capital Receipts

Capital Receipts arise principally from the sale of capital assets.

The sale of assets, particularly from fleet replacement can be utilised to support the Capital Programme in the Capital Strategy. Capital receipts will be used to finance capital expenditure as and when they arise.

4.3.4 Borrowing Requirement

The cumulative in-year borrowing requirement identifies a potential need to borrow an additional £13.967million to fund the capital programme over the next five years. The brought forward borrowing requirement (excluding PFI liabilities) of £9.140million compares to actual brought forward external debt of £7.5million. The balance of £1.640million represents internal borrowing.

The Medium-Term Financial Plan includes an expectation of incurring new borrowing in each year from 2024/25. The revenue cost of the borrowing will need to be paid for from the revenue budget and although allowance is included in the MTFP, this will be subject to market factors when borrowing is required (e.g., interest rates).

5.0 Debt, Borrowing and Treasury Management

5.1 Borrowing

Rules on borrowing have been relaxed since the introduction of the Prudential Code in April 2004 with authorities now able to borrow as much as it wishes provided that it can afford the repayments from its revenue budget.

The Service has identified that it will need to undertake additional borrowing to fund the current and forecast capital programme. The cost of this borrowing is included in the Medium-Term Financial Plan however, the cost of borrowing will be subject to the underlying interest rates

Borrowing can be undertaken through external loans with, for example, the Public Works Loan Board (PWLB), or can be undertaken by utilising internal resources, i.e. cash and investment balances. This is known as internal borrowing. Using internal borrowing still requires provision for Minimum Revenue Provision (MRP) to be made and will result in the loss of investment income interest.

The Chief Finance Officer (s.151) is delegated with responsibility for the financing of the capital programme and as such may make borrowing decisions based upon interest rates, the Service's cash flow projections and other economic factors, in order to optimise the overall use of resources. External advice will be sought from the Service's Treasury advisors, Link, if necessary.

To reduce the exposure of the Service to a borrowing requirement the following steps should be examined when determining proposed capital programmes:

- Review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing a recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Where possible the Service will attempt to minimise the use of any debt financing for capital projects, however, it is recognised that this is will not be possible with no other forms of capital resource available. Where debt financing is unavoidable, the Service will consider robust business cases to ensure the servicing of debt costs can be adequately met from revenue resources without having an adverse impact on service delivery or taxpayers. Where possible, debt will be repaid at the earliest opportunity, and the type of borrowing undertaken will always reflect the need the Service has at the point in time it is taken out.

5.2 The Capital Financing Requirement

The Capital Financing Requirement (CFR) represents the Service's underlying need to borrow. This is different to any actual borrowing. If the Service generates the same amount of capital resources (excluding borrowing) in a year to meet its capital expenditure requirements, then there is no change to the CFR. However, if the Service spends more than the resources it generates in year, the CFR will increase as the Service has created a borrowing requirement to bridge the gap in the resources it needs and the resources it has.

The CFR does not necessarily reflect actual borrowing taken from an external source, it can reflect the use of internal cash resources, i.e., internal borrowing.

Where the Service has a positive CFR, i.e., an underlying need to borrow, it must make provision to repay that 'debt', or repay the cash used through internal borrowing. This is known as **Minimum Revenue Provision (MRP)**. The Service's current policy, as set out in the MRP Strategy is to charge MRP on an **asset life basis**. As MRP is a non-cash transaction it has the effect of increasing the cash balance of the Service that will then allow debt to be repaid.

The current forecast for the CFR and MRP based on the current capital programme is as follows:

	Forecasts				
	2024/25 £000	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**	**2028/29 £000**
Total Capital Expenditure	3,145	2,683	3,146	2,928	2,065
Capital Resources applied in year	0	0	0	0	0
MRP & Other Repayment of Debt	(1,189)	(1,466)	(1,805)	(2,214)	(2,476)
Change in Underlying need to borrow	**1,956**	**1,217**	**1,341**	**714**	**(411)**
CFR Brought Forward	**23,488**	**25,444**	**26,661**	**28,002**	**28,716**
CFR Carried Forward	**25,444**	**26,661**	**28,002**	**28,716**	**28,305**
CFR for PFI	12,522	11,988	11,410	10,784	10,105
CFR For Prudential Borrowing Purposes	**12,922**	**14,673**	**16,592**	**17,932**	**18,200**

5.3 Investment and Reserve Balances

An important consideration to understand when making capital investment decisions, especially when a borrowing requirement exists is the relationship between the Service's available cash investment balances and its reserves.

At 1 April 2023, the Service had cash and investments of £5.850million. This included £3.850million as an initial transfer of cash balances from Cumbria County Council and £2m capital grant awarded by Home Office. If all revenue and capital budgets are spent in line with the budget and all receipts are received in line with expectations then at 31 March 2024, investment balances could be £7.5million. As a disaggregated balance sheet has not been received from the Unitary Council for 1 April 2023, much of this is still unknown:

The surplus monies / internal investments position represents how much of any borrowing requirement identified can be met from internal resources (internal borrowing) or how much will need to be met from actual external borrowing up to 2028/29. Where there is an internal investment shown this represents the use of the Service's own investments to support the borrowing requirement, i.e., internal borrowing. If interest rates were extremely low at present, there is little value added by holding cash in investments whilst undertaking external borrowing at higher rates. However, this position also must be balanced by the Service having enough cash to pay for day-to-day expenditure. The need to borrow externally at the most appropriate time is constantly reviewed and updated to ensure that the Service borrows at the best available rates and at the most appropriate time.

This can also be shown when comparing the difference in the CFR (underlying need to borrow) and the actual borrowing level.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
CFR (Underlying Need to borrow)	25,444	26,661	28,002	28,716	28,305
Total External Borrowing	9,948	11,699	13,618	14,958	15,226
Total Internal Borrowing	2,974	2,974	2,974	2,974	2,974
Other Long Term Liabilities (PFI)	12,522	11,988	11,410	10,784	10,105
(Over)/Under Borrowing Position	**0**	**0**	**0**	**0**	**0**

The forecasts for external borrowing above have been adjusted so ensure no under or over borrowing position should occur and that actual borrowing matches the CFR.

Before undertaking no further external debt, consideration will be given to whether the Service has sufficient cash resources to minimise the externalisation of debt. This consideration will look at the investment return potential of retaining cash balances against the potential cost of borrowing.

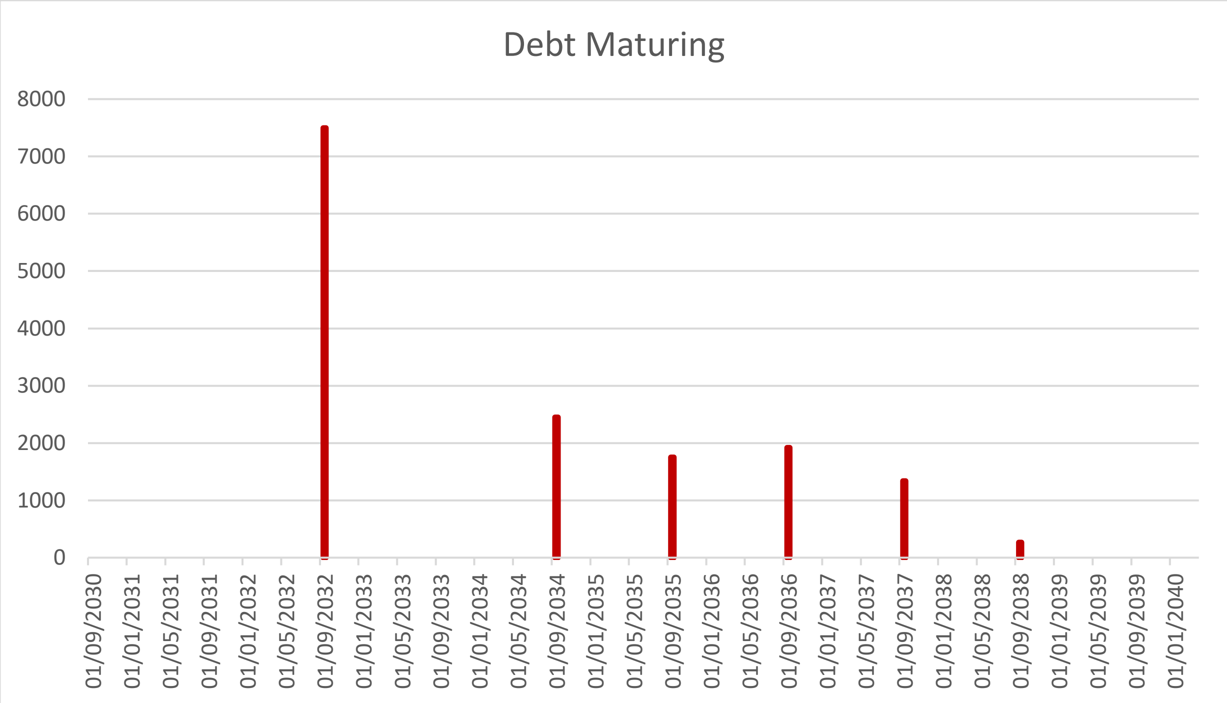
As the figures shown above are based on forecast levels of expenditure linked to current budgets and anticipated receipts, actual figures will vary in each year depending upon actual expenditure and income levels.

5.4 Debt Financing Costs

The table below shows the actual and forecast debt financing costs (Interest) for actual and forecast debt and compares to the Service's budget requirement. Interest and MRP are charges against the Service's revenue budget and any changes to the profiling of external borrowing or changes to interest rate assumptions are included in the Treasury Management forecasts when the budget is set.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Total External Borrowing	9,948	11,699	13,618	14,958	15,226
Interest	252	342	411	470	497
Capital Financing Cost (MRP)	697	932	1,227	1,588	1,797
Total Capital Financing Cost	**949**	**1,274**	**1,638**	**2,058**	**2,294**
Revenue Budget Requirement	27,824	28,800	29,730	30,692	31,688
% Financing Costs to Budget Requirement	3%	4%	6%	7%	7%

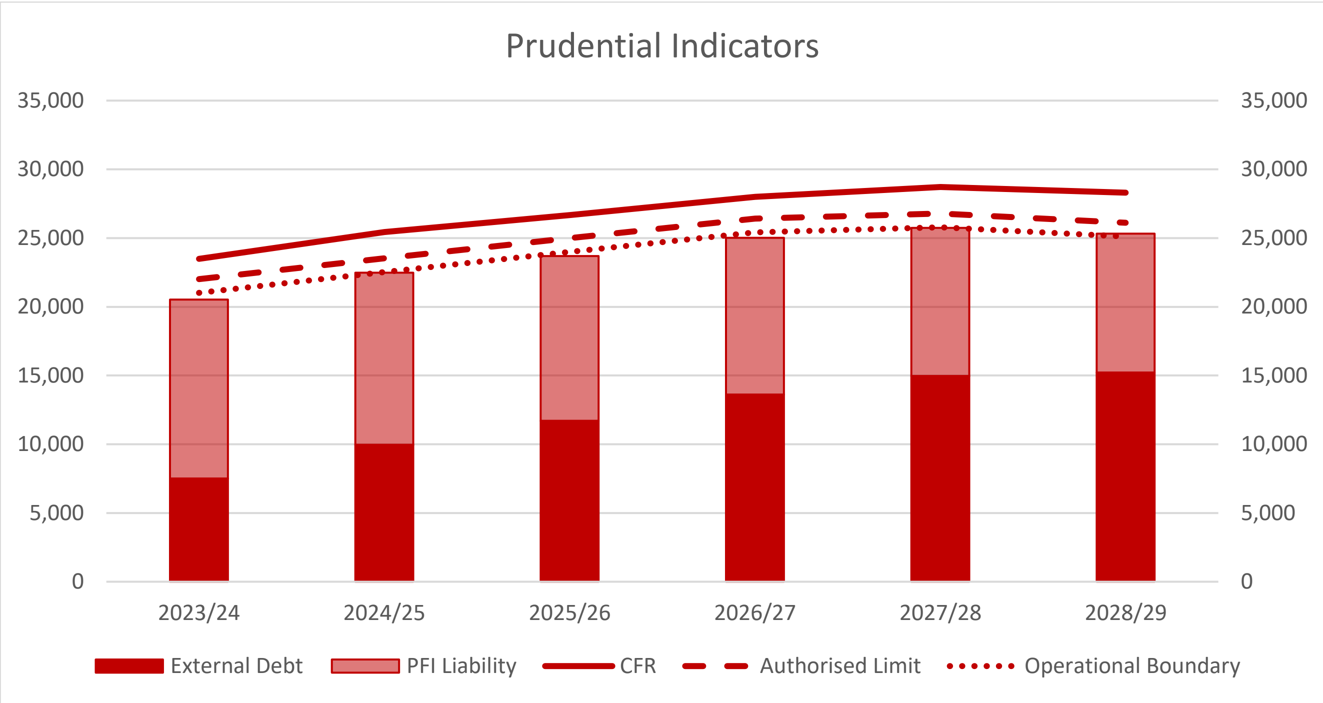
The repayment profile of the Service's actual and forecast external debt is as follows:



The following table shows the overall movement on external debt:

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
External Debt B/Fwd	7,500	9,948	11,699	13,618	14,958
New External Debt	2,448	1,751	1,919	1,340	268
External Debt C/Fwd	**9,948**	**11,699**	**13,618**	**14,958**	**15,226**

The graph below shows the forecast overall level of external debt compared to the Capital Financing Requirement (Borrowing requirement).



5.5 Authorised Limit and Operational Boundary

The Authorised Limit and Operational Boundary are set in line with the requirements of the Prudential Code and are included in the Treasury Management Strategy Statement and approved by the PFCC in February each year.

The Authorised Limit is consistent with the authority's current commitments, plans and proposals for capital expenditure and it's financing. **However, the overall authorised limit should not be exceeded without prior approval.**

The operational boundary is based upon the same estimates as the authorised limit but without the headroom included within the authorised limit to allow for unusual cash movements. As with the authorised limit, the PFCC is asked to delegate authority to the Chief Finance Officer (s.151) to effect movement between the separately agreed limits for borrowing and other long-term liabilities. The operational boundary can be exceeded in exceptional circumstances without prior approval providing that it remains within the authorised limit.

The limits shown below have been reviewed during the budget process and adjusted in line with the projections for the CFR.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2024/25 estimate £000	2025/26 estimate £000	2026/27 estimate £000	2027/28 estimate £000	2028/29 estimate £000
Authorised Limit for External Debt:					
- Borrowing	11,000	13,000	15,000	16,000	16,000
- Other Long Term Liabilities	12,522	11,988	11,410	10,784	10,104
TOTAL	**23,522**	**24,988**	**26,410**	**26,784**	**26,104**
Operational Boundary for external debt:					
- Borrowing	10,000	12,000	14,000	15,000	15,000
- Other Long Term Liabilities	12,522	11,988	11,410	10,784	10,104
TOTAL	**22,522**	**23,988**	**25,410**	**25,784**	**25,104**

6.0 Commercial Activity

The Service does not use its asset portfolio to operate in a commercial manner. It does not hold any investment property portfolio. Any commercial activity would require the Service to be compliant with the Prudential Code.

6.1 Prudential Code Considerations

6.1.1 The Prudential Code states, "Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the Prudential Code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes and must not use internal borrowing to temporarily support investments purely for yield."

6.2.2 Having any "commercial activity" could hinder wider PWLB borrowing to support the capital programme.

6.2.3 Local authorities are to be required to submit their high-level capital and financing plans to DLUHC and will be required to split these into the following categories to ensure that capital projects are not being used to buy investments for yield:

- Service Spending
- Housing
- Regeneration
    - Addressing economic or social market failure
    - Making a significant investment in the asset beyond its purchase price
    - Projects that generate significant additional activity that would not happen without the local authorities intervention

    - Rental income generated are recycled within the project or applied and related to regeneration projects rather than applied to wider services
- Preventative Action
    - Prevents a negative outcome
    - No realistic prospect of support from a source other than the local authority
    - The local authority has an exit strategy
    - The intervention generates a balance sheet asset
- Treasury Management

6.2.4 The guidance issued by HM Treasury states that assets bought primarily for yield would usually have one of the following characteristics:

- Buying land or existing buildings to let out at market rate
- Buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification
- Buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly.

7.0 Knowledge and Skills

7.1 The Service utilises the knowledge and skills of its internal officers when considering capital investment decisions and where necessary it also relies on the expert knowledge of specialist external advisors.

7.2 The Service employs professionally qualified finance officers who are able to offer advice and guidance when considering any capital investment decisions and obtains specialist legal and property advice from external partners.

7.3 **Finance**

Finance staff are professionally qualified to advise the Service on all financial aspects of capital decisions. Finance staff also undertake Continuous Professional Development. The Service could look into becoming accredited for CPD with CIPFA. They maintain knowledge and skills through regular technical updates from appropriate bodies.

7.4 **External Advice**

The Service uses external advisors where necessary in order to complement the knowledge its own officers hold. Some of these advisors are contracted on long term contracts or are appointed on an ad-hoc basis when necessary. The main advisors the Service uses are as follows:

- **Link Asset Services** – Treasury Management, including Cash investments, borrowing and capital financing

Appendix A – Full Detailed Capital Programme 2024/25 – 2033/34

Summary Capital Programme 2024/25 - 2033/24

	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £	Total £
Fleet	1,436,000	1,348,000	1,856,000	1,411,000	938,000	1,080,000	1,320,000	902,000	1,027,000	995,000	**12,313,000**
Estates	1,064,500	450,000	501,000	872,000	482,000	421,000	423,000	430,000	432,000	425,000	**5,500,500**
Equipment and PPE	210,000	175,000	295,000	295,000	295,000	200,000	200,000	200,000	200,000	200,000	**2,270,000**
ICT	434,000	710,000	494,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	**4,088,000**
Total	**3,144,500**	**2,683,000**	**3,146,000**	**2,928,000**	**2,065,000**	**2,051,000**	**2,293,000**	**1,882,000**	**2,009,000**	**1,970,000**	**24,171,500**

Estates Management Programme 2023/24 - 2037/38

Asset Name	Type of Work	ESTIMATE CAPITAL WORKS COST									
		2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £
Penrith Station & HQ	Stores Move										
Alston	Building Fabric	£60,000.00									
Ambleside	Building Fabric	£50,000.00									
Appleby	PPE / Lockers	£10,000.00									
Arnside	Plumbing & Heating	£20,000.00									
Aspatria	PPE / Lockers	£7,000.00									
Barrow	Plumbing & Heating	£100,000.00	£20,000.00								
Bootle	Building Fabric	£2,000.00									
Brampton	Building Fabric	£0.00	£20,000.00								
Broughton	Building Fabric	£30,000.00									
Coniston	Building Fabric	£80,000.00									
Egremont	Building Fabric	£5,000.00									
Frizington	Building Fabric	£35,000.00									
Grange	Building Fabric	£35,000.00									
Kendal	Building Fabric	£120,000.00	£20,000.00								
Keswick	Decoration	£0.00	£5,000.00								
Kirkby Lonsdale	Building Fabric	£50,000.00									
Kirkby Stephen	Building Fabric	£20,000.00									
Lazonby	Building Fabric	£50,000.00									
Longtown	Building Fabric	£35,000.00									
Maryport	Building Fabric	£10,000.00									
Millom	Outdoor space	£15,000.00	£35,000.00								

Milnthorpe	Building Fabric	£20,000.00									
Patterdale	PPE / Lockers	£500.00									
Seascale	Building Fabric	£10,000.00									
Sedbergh	Building Fabric	£5,000.00									
Shap	PPE / Lockers	£5,000.00									
Silloth	Outdoor space	£20,000.00	£100,000.00								
Staveley	Building Fabric	£0.00		£15,000.00							
Walney	Outdoor space	£15,000.00	£35,000.00								
Whitehaven	Outdoor space	£80,000.00									
Wigton	PPE / Lockers	£5,000.00									
Windermere	Building Fabric	£60,000.00									
Training Department		£20,000.00	£5,000.00	£5,000.00	£400,000.00	£4,000.00	£5,000.00	£6,000.00	£7,000.00	£8,000.00	£9,000.00
All stations		£0.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00
All stations		£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00	£2,000.00
All stations		£0.00	£5,000.00								
All stations		£10,000.00	£10,000.00	£10,000.00							
All stations		£0.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00	£40,000.00
All stations		£10,000.00	£10,000.00	£10,000.00	£10,000.00	£10,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00	£5,000.00
All stations			£30,000.00	£30,000.00	£30,000.00	£35,000.00	£35,000.00	£35,000.00	£40,000.00	£40,000.00	£40,000.00
All stations			£10,000.00	£11,000.00	£12,000.00	£13,000.00	£14,000.00	£15,000.00	£16,000.00	£17,000.00	£18,000.00
All stations		£35,000.00	£35,000.00	£35,000.00	£35,000.00	£35,000.00	£10,000.00	£10,000.00	£10,000.00	£10,000.00	£10,000.00
				£275,000.00	£275,000.00	£275,000.00	£275,000.00	£275,000.00	£275,000.00	£275,000.00	£275,000.00
		£1,064,500	**£450,000**	**£501,000**	**£872,000**	**£482,000**	**£421,000**	**£423,000**	**£430,000**	**£432,000**	**£425,000**

Fleet Replacement Programme 2023/24 - 2033/34

Vehicle type	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
FORD FIESTA 1.5 TDCI ECONETIC VAN			25,000							
FORD FIESTA 1.5 TDCi ECONETIC VAN			25,000							
FORD FIESTA 1.5 TDCI ECONETIC VAN			25,000							
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD FOCUS 1.5 ECO BLUE ZETEC ESTATE RACE RED				30,000						
FORD TRANSIT CUSTOM 1.0 FOX LIMITED PHEV									30,000	
ISUZU D-MAX 1.9 DL40 AUTOMATIC DOUBLE CAB PICK UP								30,000		
ISUZU D-MAX 1.9 YUKON 4X4 DOUBLE CAB AUTO NAV+ RRV					30,000					
ISUZU D-MAX 1.9 YUKON 4X4 DOUBLE CAB AUTO NAV+ RRV					30,000					
ISUZU D-MAX 1.9 YUKON 4X4 DOUBLE CAB AUTO NAV+ RRV					30,000					
IVECO DAILY 65C18 JICU		75,000								
IVECO DAILY 65C18 JICU			75,000							
IVECO DAILY 65C18 JICU				75,000						
LAND ROVER 110			30,000							
LAND ROVER 110			30,000							
LAND ROVER 110			30,000							
LAND ROVER 130 DOUBLE CAB PICK		30,000								
LAND ROVER 130 DOUBLE CAB PICK	30,000									
LAND ROVER 130 DOUBLE CAB PICK		30,000								
LAND ROVER 130 DOUBLE CAB PICK	30,000									
LAND ROVER 130 DOUBLE CAB PICK			30,000							
LAND ROVER 130 DOUBLE CAB PICK	30,000									
LAND ROVER 130 DOUBLE CAB PICK		30,000								
LAND ROVER 130 DOUBLE CAB PICK			30,000							
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE 5DR 150		30,000								
LAND ROVER DISCOVERY SPORT 2.0TD4 SE TECH 180AUTO		30,000								
MITSUBISHI L200 CHALLENGER LC DCB D1-D4X4	31,000									
MITSUBISHI L200 CHALLENGER LC DCB DI-D4X4	31,000									
MITSUBISHI L200 CHALLENGER LC DCB DI-D4X4	31,000									
MITSUBISHI L200 TITAN 178 DCB DI-D4X4	31,000									
MITSUBISHI L200 TITAN 178 DCB DI-D4X4	31,000									

PEUGEOT EXPERT PROFESSIONAL BLUEHDI 115 1000KG					30,000						30,000
PEUGEOT EXPERT S 1.6 BHDI 115		30,000									30,000
PEUGEOT PARTNER 1000 1.6 BLUEHDI PROFESSIONAL VAN		25,000									25,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
PEUGEOT PARTNER C/VAN HDI 92			20,000								20,000
Renault Master 14st Minibus			40,000								40,000
SKODA KAROQ 2.0TDI SE L 150PS 4X4 DSG							30,000				30,000
SKODA KAROQ 2.0TDI SE L 150PS 4X4 DSG							30,000				30,000
SKODA KODIAQ 2.0TDI SE L 190 4X4 DSG				30,000							30,000
Unimog utility vehicle									125,000		125,000
Unimog utility vehicle										125,000	125,000
Vehicle Wrapping	16,000	38,000	36,000	16,000	8,000		10,000	2,000	2,000		128,000
Mercedes Fire Appliance					270,000						270,000
Mercedes Fire Appliance					270,000						270,000
Mercedes Fire Appliance					270,000						270,000
Mercedes Fire Appliance						270,000					270,000
Mercedes Fire Appliance						270,000					270,000
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Volvo Fire Appliance										290,000
Volvo Fire Appliance				30,000						
VOLVO V50 POLICE SPEC DRIVER TRAINING CAR		30,000								
Volvo Water Bowser			200,000							
VOLVO XC60							30,000			
VOLVO XC60							30,000			
VOLVO XC60							30,000			
Yet to join Fleet.	15,000									
	1,436,000	**1,348,000**	**1,856,000**	**1,411,000**	**938,000**	**1,080,000**	**1,320,000**	**902,000**	**1,027,000**	**995,000**

Equipment Replacement Programme 2024/25 - 2033/24

Replacement / New Equipment Description	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £
4 x Type B appliance	80,000									
3 x Type B appliance		60,000								
JICU fit out		20,000								
Dry Suit Replacement Program	59,000	59,000	59,000	59,000	59,000					
Working at Height Replacement Program	35,000									
TIC Replacement Program	36,000	36,000	36,000	36,000	36,000					
General Allowance			200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total	**210,000**	**175,000**	**295,000**	**295,000**	**295,000**	**200,000**	**200,000**	**200,000**	**200,000**	**200,000**

ICT Replacement Programme 2023/24 - 2037/38

Replacement / New Equipment Description	ESTIMATE REPLACEMENT COST									
	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £	2029/30 £	2030/31 £	2031/32 £	2032/33 £	2033/34 £
Upgrade to PSTN lines due to discontinuation from BT	98,000									
CAD and IX implmentation	216,000	360,000	144,000	0	0					
Data Centre Migration	120,000	0	0	0	0					
General Allowance		350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Total	**434,000**	**710,000**	**494,000**	**350,000**	**350,000**	**350,000**	**350,000**	**350,000**	**350,000**	**350,000**

Agenda item 7

Cumbria Office of the Police, Fire and Crime Commissioner

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

Borrowing, Treasury Management, Investment and MRP Strategies 2024/25 (including Prudential Indicators)

Report of the CCFRA Chief Finance Officer

Originating Officer: Lorraine Holme, Group Accountant

Purpose of the Report

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in the Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) on an annual basis.

The TMSS presented here complies with the latest code and accompanying guidance notes. The TMSS also incorporates the Investment Strategy.

This report proposes a strategy for the financial year 2024/25. The Cumbria Commissioner Fire and Rescue Authority (CCFRA) was established formally on the 1 April 2023 when it separated from Cumbria County Council. As a result of this strategy includes the forecasted position for 2023/34 but there is no information available for the 2022/23 financial year.

Treasury Management in Local Government continues to be a highly important activity. The Cumbria Commissioner Fire and Rescue Authority (CCFRA) adopts the CIPFA definition of Treasury Management which is as follows:

Treasury Management Definition

'the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'

Recommendations

The Cumbria Commissioner Fire and Rescue Authority is (noting the uncertainties and the need to review this strategy as more information becomes available) asked to:

1. Approve the Borrowing Strategy for 2024/25 as set out on pages 9-10.
2. Approve the Investment Strategy for 2024/25 as set out on pages 11-14.
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-18.
4. Approve the other Prudential Indicators set out on pages 18-22.
5. Approve the Minimum Revenue Provision Policy Statement for 2024/25 as set out on page 23.
6. Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
7. Delegate to CCFRA's Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

The Joint Audit Committee will be asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the CCFRA.

PFCC CUMBRIA

Peter McCall

POLICE, FIRE & CRIME COMMISSIONER

Cumbria Office of the Police, Fire and Crime Commissioner

Borrowing, Treasury Management, Investment, and MRP Strategies 2024/25 (Including Prudential Indicators)

Treasury Management Strategy Statement 2024/25

Contents

Key Messages

Approval of an annual Treasury Management Strategy is a statutory requirement of the CCFRA.

This Strategy aims to provide the CCFRA with a low risk, yet suitably flexible, approach to Treasury Management.

General Principles

The Cumbria Commissioner Fire and Rescue Authority (CCFRA) is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Department for Levelling Up, Housing and Communities (DLUHC) Investment Guidance 2018 (previously MHCLG). Together, these cover the financing and investment strategy for the forthcoming financial year. The Cumbria Commissioner Fire and Rescue Authority (CCFRA) was established formally on the 1 April 2023 when it decoupled from Cumbria County Council, comparative figures for 2022/23 are therefore not available.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services Ltd, who provide specialist treasury management advice to the CCFRA. However, it should be noted that all treasury management decisions and activity are the responsibility of the CCFRA and any such references to the use of these advisors should be viewed in this context.

Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The CCFRA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the CCFRA’s treasury activities are outlined below:

- Credit and Counterparty Risk (security of investments)
- Liquidity Risk (inadequate cash resources)
- Market or Interest Rate Risk (fluctuations in interest rate levels)
- Re-financing Risks (impact of debt maturing in future years)
- Legal and Regulatory Risk
- Fraud, Error and Corruption Risk

Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

Key Messages

The CCFRA's priority for investments will **always** be ranked in the order of:

General Principles (Continued)

Details of the control measures the CCFRA has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

The CCFRA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counterparty risk. Accordingly, the CCFRA will continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises "**Security, Liquidity, Yield** in order of importance at all times". The security of the sums invested is managed by tight controls over the schedules of approved counterparties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the CCFRA's revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2024/25 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the CIPFA Code of Practice on Treasury Management published in 2011, 2017 and 2021. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 DLUHC Investment Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below, starting at page 11. Finally, the CCFRA's current treasury advisors, Link Asset Services Ltd, have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

In accordance with The Code of Practice for Treasury Management, the CCFRA will approve the Annual TMSS, receive a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.

Key Messages

Scrutiny of the CCFRA's treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12-month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the CCFRA is operating as a 'going concern'.

General Principles (Continued)

The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit Committee terms of reference in relation to treasury management are:

- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
- Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
- Review the treasury risk profile and adequacy of treasury risk management processes.
- Review assurances on Treasury Management (for example, an internal audit report, external or other reports).

The DLUHC Guidance on investments states that publication of strategies is now formally recommended, this document will be published on the CCFRA's website once approved.

The CCFRA complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and DLUHC Guidance.

Treasury Management Cash Flow Forecast

Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the CCFRA's balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail on page 9 of this report, and the level of reserves and balances. In addition, day-to-day fluctuations in cash flows due to the timing of grant and council tax receipts and outgoing payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The CCFRA's level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the CCFRA's strategy in determining exact borrowing and lending activity.

Key Messages

Investment returns and borrowing rates are likely to peak by mid-2023 and start to fall by the end of 2023. Further rate cuts are expected through 2024 and 2025. However, many factors can impact that forecast.

The CCFRA will need to borrow to fund the capital programme.

Treasury Management Cash Flow Forecast (continued)

The estimated treasury position at 31st March 2024 and for the following financial years are summarised below:

Estimated Treasury Position	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
External Borrowing	7.500	9.948	11.699	13.618	14.958
Interest Payments	0.194	0.252	0.342	0.411	0.470
Investments (average)	11.500	6.000	6.000	6.000	6.000
Interest Receipts	-0.513	-0.278	-0.210	-0.180	-0.165

The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined on page 7 below. The estimate for interest receipts in 2024/25 is £278k (latest forecast for 2023/24 is £513k). Interest receipts are higher this year due to higher than anticipated average cash balances and higher interest rates for investments than forecast when the 2023/24 budget was set The timing of future external borrowing is currently not known

The CCFRA inherited a capital financing requirement in relation to historic assets bought by Cumbria County Council which reflects the underlying need to borrow. The Capital Financing Requirement (CFR) is estimated to be £23.488m at the start of the 2024/25 financial year. This includes £13.014m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital programme indicates that the CCFRA will need to borrow to deliver the agreed capital programme.

Upon transfer from Cumbria County Council, on the 01 April 2024, the outstanding debt in relation to that capital financing requirement was a PWLB loan of £7.50m. That loan has an interest rate of 2.6% and will mature on the 22 October 2032.

Treasury Management Cash Flow Forecast (continued)

Cumbria County Council was part of the Northwest PFI project, which replaced sixteen fire stations across Merseyside, Lancashire and Cumbria. Cumbria got 5 new fire stations including its HQ at Penrith. The new CCFRA inherited the "debt" relating to those assets. The building programme started in April 2011, with the first station opening in 2012 and the last station opening in 2013.

The contract for building and running the new stations is with Balfour Beatty Fire and Rescue NW Limited. The contract runs for 25 years from completion and hand over of the last station and includes both the service and maintenance of the stations. The stations will be recognised on the Authority's Balance Sheet from the initial handover date. The stations and any plant or equipment installed on them will be transferred to the Authority for nil consideration at the end of the contract.

Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

Key Messages

CPI inflation is expected to have peaked. The Bank of England is forecasting inflation to fall to just above 2% by the end of 2024.

The Bank Rate is forecast to reduce in later in 2024, with further reductions expected during 2025.

Treasury Management Interest Rate Forecast

- GDP in November rose by 0.3% month on month, probably meaning the economy escaped a recession in 2023 which is better than originally forecast. GDP growth is expected to pick up gradually during 2024.
- Twelve-month CPI inflation fell to 4.0% in December 2023 and current indications are that CPI has fallen again in January. This is broad-based, reflecting lower fuel, core goods and services price inflation. Although still elevated, wage growth has eased across a number of measures and is projected to decline further in coming quarters.
- The MPC are forecasting that inflation will fall to the 2% target in Q2 2024 *(compared to Q4 2025 previously)* and that the upside risks from domestic drivers have disappeared, however it expects inflation to rebound in Q3 2024 and to be slightly above the 2% target at the end of the year. CPI inflation is projected to be 2.3% in two years' time and 1.9% in three years.

The Monetary Policy Committee (MPC) has increased the Bank Rate 125bps over the past twelve months, taking rates to a 15 year high of 5.25%. At the February meeting a 6-3 majority saw it remain at 5.25% for the fourth meeting in a row, with two members preferring to increase the rate by 0.25% and one member preferring to lower the rate by 0.25%. The MPC stated they would keep under review for how long Bank Rate should be maintained at its current level, they remain prepared to adjust monetary policy as warranted by economic data to return inflation to the 2% target sustainably. The 2% inflation target is expected to be met in 2024 Qtr2 and the bank rate is expected to start falling later in the year.

Base Rate Estimates	2024/25	2025/26	2026/27	2027/28
Quarter 1	5.25%	3.25%	3.00%	3.00%
Quarter 2	5.25%	3.00%	3.00%	3.00%
Quarter 3	4.75%	3.00%	3.00%	3.00%
Quarter 4	3.75%	3.00%	3.00%	3.00%

Key Messages

The CCFRA has an increasing Capital Financing Requirement due to the capital programme, but has modest investments (after deducting the pension grant receipt), and will therefore likely need to borrow in the near future.

Borrowing Strategy

Long Term Borrowing

The CCFRA's underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the CCFRA that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the CCFRA's Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the CCFRA must ensure that in the medium term, net debt will only be for capital purposes. Therefore, the CCFRA must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In compliance with this requirement the CCFRA does not currently intend to borrow in advance of spending need.

The table below shows the CCFRA's projected capital financing requirement for 2024/25 and beyond.

Capital Financing	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Balance B/fwd	24.433	23.488	25.444	26.661	28.002
Plus Capital Expenditure financed from borrowing	0.222	3.145	2.683	3.146	2.928
Less MRP for Debt Redemption	-1.167	-1.189	-1.466	-1.805	-2.214
Balance C/Fwd	**23.488**	**25.444**	**26.661**	**28.002**	**28.716**

Details of the capital programme can be found within the CCFRA's budget papers, more specifically the Capital Investment Strategy.

Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for the CCFRA's expenditure profile whilst total investment balances remain relatively modest. This will continue to be monitored as levels of investments fall and if necessary, a minimum level of liquid cash to be maintained will be set.

Short term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

Borrowing Strategy (Continued)

The CCFRA inherited external borrowing of £7.5m from the former Cumbria County Council on 01/04/2023. Given that the opening CFR is forecast to be £10.966m excluding the PFI this effectively means that the CCFRA has historically had its assets funded by £3.466m of capital spend from internal resources. Moving forward it is assumed currently that all capital expenditure will be funded by prudential borrowing. The scope for supporting capital expenditure through internal resources will be limited as the Authority begins life with a relatively low level of reserves/cash balances.

The Bank Rate rises over recent months have pushed up the cost of long-term finance to over 5%. Borrowing rates are expected to start falling during 2024 and to continue over the medium term. Consequently, undertaking long term borrowing at this time is likely to fix higher costs into the revenue account and commit the CCFRA to costs for many years in the future. It is critical that a long term view is taken regarding the timing of such transactions.

It should also be recognised that there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the CCFRA, in conjunction with its treasury advisor, will continue to monitor market conditions and interest rate prospects on an ongoing basis, in the context of the CCFRA's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

The CCFRA's is inheriting long-term borrowing from the PWLB (Public Works Loans Board) but other sources of finance are now available and will be investigated, such as local authority loans and bank loans, that may be available at more favourable rates.

<u>Short Term Borrowing</u>

Short term loans will be used to manage day to day movements in cash balances, or over a short-term period to enable aggregation of existing deposits into longer and more sustainable investment sums. Short term borrowing would probably be from another Local Authority.

Key Messages

The updated investment guidance emphasises "Security, Liquidity, Yield in order of importance at all times".

The appropriate balance between risk and return is sought but with returns relatively low there is little to be gained from exposing the CCFRA to extra risk.

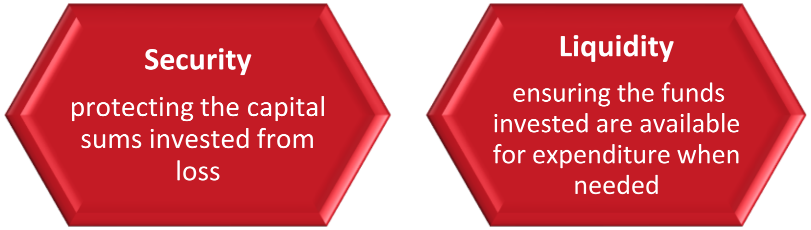
Investment Strategy

Local Authorities (which include the CCFRA) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The Local Government Act 2003, Section 15(1) (a) requires the CCFRA to approve an investment strategy which must also meets the requirement in the statutory investment guidance issued by the DLUHC in January 2018. The CCFRA does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

The treasury management investment strategy operates criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the CCFRA's treasury advisors.

Key Messages

In accordance with guidance from the DLUHC and CIPFA, and in order to minimise the risk to investments, the CCFRA applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

Investment Strategy (Continued)

The CCFRA will hold balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. In this first year of operation, the exact details of the likely cash balances throughout the year can only be estimated. It is anticipated that investment balances will peak in July due to the receipt of the pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. It is anticipated that these will average £6.0m across the year and may peak, when the pensions grant is received in July, at around £10m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In addition to credit ratings, the CCFRA and its advisors, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The decision to enter into an approved class of investment is delegated to the CCFRA Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds, ultra-short dated bond funds, short dated bond funds or property funds. The use of bond funds/property funds would further diversify the CCFRA's portfolio, provide a longer-term investment and potentially increase yield. However, given current economic volatility it is unlikely that they will be pursued.

A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

Key Messages

The PCC Chief Finance Officer (subject with consultation with the CCFRA) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

Investment Strategy (Continued)

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the CCFRA's resources. Accordingly, the CCFRA and its advisors will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed that the CCFRA Chief Finance Officer, subject to consultation with the CCFRA, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

The Joint Audit Committee will be updated on any changes to policy. The performance of the CCFRA's treasury advisors and quality of advice provided is evaluated prior to the triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including the CCFRA) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the localism act is not sufficiently explicit.

In the absence of any explicit legal power to do so, the CCFRA has no plans to use derivatives during 2024/25. Should this position change, the CCFRA may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of assets. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

Liquidity of investments

The investment strategy must lay down the principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what DLUHC's defines as a long-term investment.

Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

Investment Strategy (Continued)

The CCFRA Chief Finance Officer will maintain a cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the CCFRA being forced to borrow on unfavourable terms to meet its financial commitments. For the CCFRA, the total of investments over one year in duration are limited to £1m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. Investment performance will be reported regularly to the CCFRA and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

Key Messages

The 'Treasury Management Practices' statement is updated for each year, scrutinised by the Joint Audit Committee and published on the CCFRA's website alongside this strategy.

Treasury Risk and Treasury Management Practices

The CCFRA's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of Duties and Dealing Arrangements
- Reporting and Management Information Requirements
- Budgeting, Accounting and Audit
- Cash and Cash Flow Management
- Money Laundering
- Training and Qualifications
- Use of External Service Providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity, which is currently managed on a day-to-day basis by the Financial Services Team under authorisation from the CCFRA Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis. Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary amendments have been made to bring the TMPs into line with The Code.

Key Messages

The CCFRA inherited £7.5m of external debt from the former County Council.

Treasury Management Prudential Indicators

The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators.

The treasury management Indicators are not targets to be aimed at but are instead limits within which the treasury management policies of the CCFRA are deemed prudent. These cover three aspects:

1. Maturity Structure of Borrowing

It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

Period of Maturity	Upper Limit %	Lower Limit %
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10years	100%	0%
10 years and above	100%	0%

This indicator is primarily applicable to organisations, which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. The CCFRA inherited £7.5m of external PWLB debt on 01/04/23 with less than 10 years to maturity and as such has a requirement to apply limits to the maturity profile of existing debt. The maturity date of this loan is October 2032.

Key Messages

Compliance with the indicators will be presented to the CCFRA and the Joint Audit Committee in the quarterly Treasury Activities report.

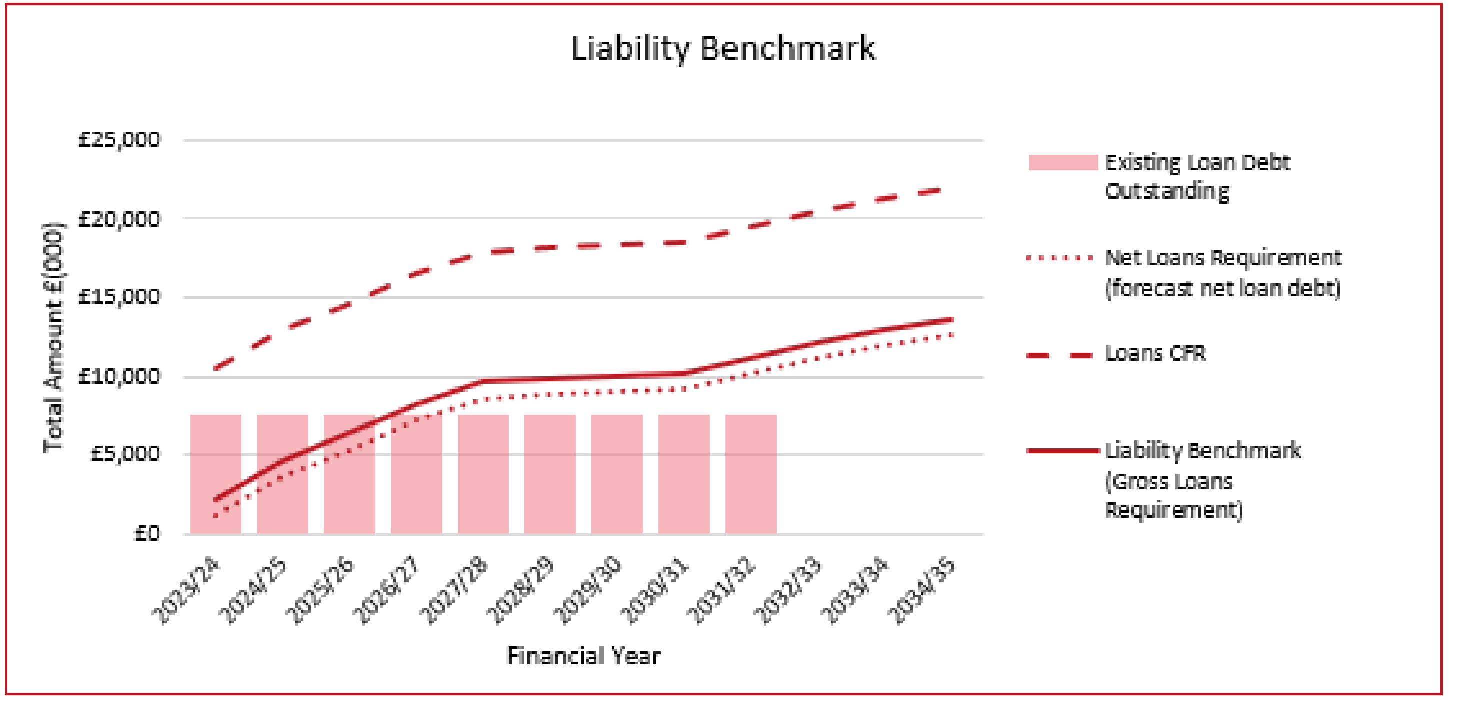
2. Principal sums invested for periods longer than a year

The purpose of this indicator is to contain the CCFRA's exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2024/25	2025/26	20226/27	2027/28
Limit on principal invested beyond one year	£1m	£1m	£1m	£1m

3. Liability Benchmark

The 2021 code requires Authorities to define their own 'Liability Benchmark' which looks at the net management of the CCFRA's overall treasury position. The aim of the indicator is to support in the management of treasury risks, namely refinancing risk, interest rate and credit risk. It does this through profiling the borrowing portfolio close to the plotted liability benchmark position.



Key Messages

Setting, Revising, Monitoring and Reporting

Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The CCFRA Chief Finance Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner in the role of CCFRA.

Other Prudential Indicators 2024/25

As per the 2021 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the CCFRA is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this. For this first Treasury management statement all assumptions have been made at the prudent upper level and with all new borrowing assumed at the earliest possible date. This will be refined as Treasury management information matures.

Capital Expenditure and Capital Financing

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

Capital Expenditure	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	2.337	3.145	2.683	3.146	2.928

Capital Financing					
Capital Receipts	0.015	0.000	0.000	0.000	0.000
Government Grants	2.000	0.000	0.000	0.000	0.000
Revenue Contributions	0.100	0.000	0.000	0.000	0.000
Total Financing	**2.115**	**0.000**	**0.000**	**0.000**	**0.000**
Borrowing	0.222	3.145	2.683	3.146	2.928
Total Funding	**0.222**	**3.145**	**2.683**	**3.146**	**2.928**
Total Financing and Funding	**2.337**	**3.145**	**2.683**	**3.146**	**2.928**

Key Messages

Capital Finance Requirement – 'The mortgage you are yet to take'.

Minimum Revenue Provision – 'Annual Mortgage repayments (excluding interest)'.

The Authorised Limit is a statutory limit (Local Government Act 2003) above which the CCFRA has no authority to borrow.

Other Prudential Indicators 2024/25 (Continued)

Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

Capital Financing	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Balance B/fwd	24.433	23.488	25.444	26.661	28.002
Less PFI	-13.467	-13.014	-12.522	-11.988	-11.410
Opening CFR Excluding PFI	10.966	10.474	12.922	14.673	16.592
Plus Capital Expenditure financed from borrowing	0.222	3.145	2.683	3.146	2.928
Less MRP for Debt Redemption	-0.714	-0.697	-0.932	-1.227	-1.588
Closing CFR Excluding PFI	**10.474**	**12.922**	**14.673**	**16.592**	**17.932**

Authorised Limit

The represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term but is not sustainable in the longer term. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

Authorised Limit for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
External Borrowing	10.000	11.000	13.000	15.000	16.000
Other Long Term Liabilities	12.030	12.522	11.988	11.410	10.784
Total Authorised Limit	22.030	23.522	24.988	26.410	26.784

Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

The CCFRA inherited £7.5m of external PWLB borrowing from the former Cumbria County Council on 01/04/23.

Other Prudential Indicators 2024/25 (Continued)

Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together. Consistent with the Authorised Limit, the PFCC Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long-term Liabilities. Any such changes will be reported to the CCFRA and the Joint Audit Committee meeting following the change.

Operational Boundary for External Debt	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
External Borrowing	9.000	10.000	12.000	14.000	15.000
Other Long Term Liabilities	12.030	12.522	11.988	11.410	10.784
Total Operational Boundary	21.030	22.522	23.988	25.410	25.784

Actual External Debt

The CCFRA's actual external debt as at 31 March 2024 will be £7.5m along with other long-term liabilities of £13.014m in relation to the PFI. In constructing this strategy, a prudent approach has been taken. In practice it is likely that some internal resources will be available to support a strategic approach to the timings and interest rate structure of future borrowing.

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Gross Debt 31 March	7.500	9.948	11.699	13.618	14.958

Other Prudential Indicators 2024/25 (Continued)

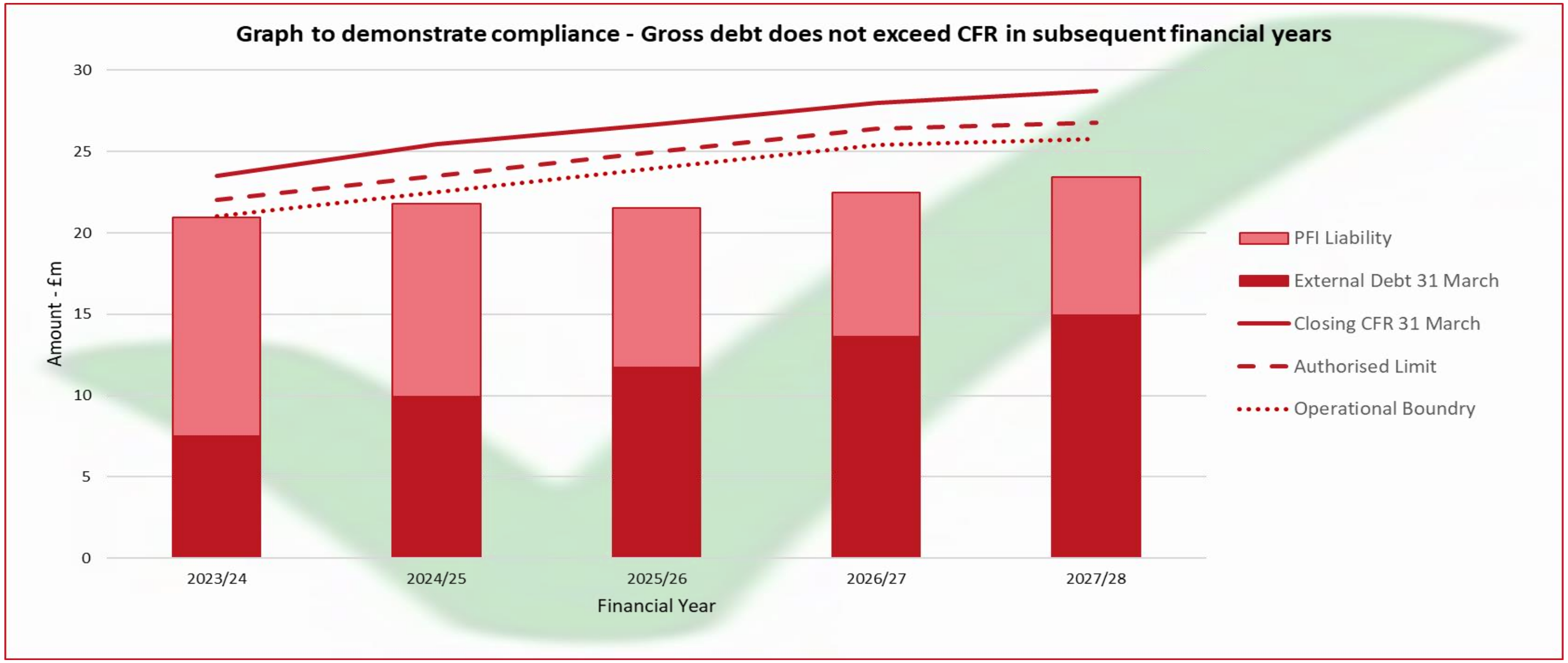
Gross Debt and the Capital Financing Requirement

The CCFRA should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Closing CFR 31 March	23.488	25.444	26.661	28.002	28.716
Gross Debt 31 March	7.500	9.948	11.699	13.618	14.958

For the purposes of this strategy, it has been assumed that the CCFRA will borrow to the capital financing requirement. In practice the Authority may have some reserves and internal resources available to support the approach to capital funding.

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:



Other Prudential Indicators 2024/25 (Continued)

Ratio of financing costs

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the CCFRA is required to set aside to repay debt, less interest and investments income. The CCFRA's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium-term financial forecast. These figures are purely indicative and are in no way meant to indicate planned increases in funding from Council Tax.

Ratio of Financing Costs to Net Revenue Stream (Non PFI)	2023/24 Forecast £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
MRP	0.714	0.697	0.932	1.227	1.588
Interest	0.194	0.252	0.342	0.411	0.470
Financing Costs	**0.908**	**0.949**	**1.274**	**1.638**	**2.058**
Net Revenue Stream	25.442	27.824	28.800	29.730	30.692
Ratio	4%	3%	4%	6%	7%

Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In relation to the CCFRA this would be normally be over 60 years for buildings, 15 years for vehicles and an appropriate life for other assets.

Calculation will be based on option 3.

The CCFRA is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium-term forecasts.

Annual MRP Statement for 2024/25

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the Minimum Revenue Provision (MRP). The Local Government Act 2003 requires the Authority to "have regard" to The Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

The Ministry of Housing, Communities and Local Government's Guidance recommends that before the start of the financial year, the CCFRA approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

The calculations in this initial statement have assumed that CCFRA's MRP policy utilises option 3. The Authority will have no pre 2008/09 borrowing. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. The PFCC will seek detailed technical advice to support the detailed calculation of MRP for the Authority's first set of annual accounts. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the CCFRA's revenue budget as this is part of the capital repayment element of the PFI unitary charge. Although it is permitted to make overpayments of MRP no such overpayments are planned for 2024/25.

Counterparty Selection Criteria and Approved Counterparties

The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments.

Counterparty Selection Criteria

The counterparty selection criteria and category limits are set to encourage diversification and to increase the security of those funds invested. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.

The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the CCFRA's treasury management advisors, Link Asset Services Ltd, who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. If this ongoing monitoring results in a significant change to counterparty selection during the year, the CCFRA and the Joint Audit Committee will be advised through the quarterly activities report.

The approved investment counterparties for the 2024/25 investment strategy are summarised as follows:

Category	Description	Comments
Category 1	Banks Unsecured	Includes building societies
Category 2	Banks Secured	Includes building societies
Category 3	Government	Includes other Local Authorities
Category 4	Registered Providers	Includes providers of social housing e.g. Housing Associations
Category 5	Pooled Funds	Includes Money Market Funds and property funds

A more detailed explanation of each of these counter party groupings in provided in Schedule B (page 27).

Key Messages

Whilst these limits also apply to the CCFRA's own bankers in the ordinary course of business, if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £0.5m will apply in such circumstances.

Changes to accounting rules mean that certain financial instruments need to be valued at year end and paper gains / losses at the balance sheet date charged to the Statement of Comprehensive Income and Expenditure Account. Such instruments are not currently key to this strategy.

Counterparty Groupings / Limits

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A (page 26). The limits are based on a percentage of the potential maximum sums available for investment during the year of up to £10m. Pooled funds are in essence the same as AAA money market funds but they require 3 days' notice for the return of our funds. This slight reduction in cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow.

Description of Credit Ratings

As outlined above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the CCFRA's treasury management advisors, Link Asset Services Ltd.

The UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply.

The CCFRA has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All investments are Sterling. Therefore, the CCRFA is not exposed to any foreign exchange / currency risk.

Schedule A – Counterparty Groupings and Associated Limits

Credit Rating	Maximum	1 Banks Unsecured	2 Banks Secured	3 Government	4 Registered Providers	5 Pooled Funds
Category Limit 2024/25	*Amount*	*£5m*	*£5m*	*Unlimited*	*£2m*	*£5m*
	Duration					
Individual Institution/Group Limits						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£0.5m	£1m	£1m	£0.5m	£1m per fund (Pooled funds are generally not rated but the diversification of funds equate to AAA credit rating)
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£0.5m	£1m	£1m	£0.5m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£0.5m	£1m	£1m	£0.5m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£0.5m	£1m	£1m	£0.5m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£0.5m	£1m	£0.5m	£0.5m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£0.5m	£1m	£0.5m	£0.5m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£0.5m	£1m	£0.5m	£0.5m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£0.5m	£0.5m	
	Duration			25 years	5 years	

Note, individual, group and category limits for 2024/25 are based on the potential maximum available for investment during the year of up to £10m. It should also be noted that as outlined on page 24 above, counterparty credit rating is not the only factor taken into consideration at the time of placing investments. The maximum of all investments with outstanding maturities greater than one year will be £1m.

Key Messages

The CCFRA priority for investments will **always** be ranked in the order of

Schedule B – Explanation of Counterparty Groupings

Class of Investment
Category 1 - Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
Category 5 - Pooled Funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods. Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Cumbria Office of the Police, Fire and Crime Commissioner

Peter McCall
POLICE, FIRE & CRIME COMMISSIONER

Public Accountability Conference – 15 February 2024

Cumbria Commissioner Fire and Rescue Authority (CCFRA) Budget 2024/25, Proposed Precept Level and Financial Forecasts 2024/25 to 2028/29, Capital Programme 2024/25 – 2028/29

Report of the Chief Finance Officer

Recommendation

The Commissioner is **RECOMMENDED** to:

a. Approve the revenue and capital budgets outlined in this report, having regard to the Statutory report of the Chief Finance Officer outlined at Appendix A.

b. Set the budget requirement for 2024/25 on the basis of the amount included within the Budget Resolution at Appendix B;

c. Approve the Council Tax for a Band D property at £93.24 for 2024/25, an increase of £2.70

d. Approve the Reserves Strategy outlined at paragraph 5 of Section 2.

e. Approve the Charging Policy attached to this report

Section 1 - Precept, Budget Proposals and Capital Programme 2024/25 – 2028/29

1.0 Executive Summary

1.1. This report considers the revised base estimates for 2023/24 together with the estimates for 2024/25. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.

1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents:

- Medium Term Financial Plan
- Capital Investment Strategy

1.3. There are a number of significant factors affecting the budgets that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:

- Local Government Finance Settlement – provisional figures were announced on 18 December 2023 with final figures due in January/February 2024;
- Confirmation of tax base and Collection Fund Surplus / Deficit positions from Unitary Council's for both Council Tax and Business Rates.
- Further changes and announcements in other government grants from Home Office;

1.4. Final confirmation of the reserves and balances to be transferred to CFRS following Local Government Reorganisation is still outstanding, however, provisional figured have been provided. The Service has a very low level of reserves as of 1 April 2023, and *this budget and **MTFP is predicated on increasing those minimum levels of reserve to a sustainable and resilient level, whilst maintaining service investment and delivery.*** Further information on reserves is given at Section 10.

1.5. Decisions have needed to be made to ensure budget increases are affordable and directed at unavoidable and high priority issues, together with maximising savings and efficiencies, so that contributions can be made to reserves to increase the financial resilience of the Service, and to enable a balanced budget position to be recommended by the Commissioner in February 2024.

2.0 Resource Assumptions

2.1 The current resource projections assume:

- A 2.98% (£2.70) (Band D equivalent) Council Tax increase for 2024/25 with a 3% per year increase from 2024/25 onwards.
- A nil Council Tax surplus/deficit for 2025/26 to 2028/29. **Under statute, this this figure cannot be calculated until 15 January and further information on the effect any changes will have on the budget will be provided when available from the Unitary Council's.** Any deficit position will reduce the amount of Council Tax yield receivable.

- Retained business rates for 2024/25 reflect the amounts shown in the Local Government Finance Settlement for 2023/24 and will need updating once the LGFS is announced for 2024/25. The calculation of the Business Rates surplus/deficit will also need to be taken into consideration.
- An assumed tax base of 179,509.11 for 2024/25.

3.2 For information, broadly:

- Each 1% (£0.90) movement in Council Tax impacts on the Service by £170,000

3.0 Funding

Local Government Finance Settlement

3.1 The final Local Government Finance Settlement was announced by the Levelling Up Secretary on 5 February 2024.

3.2 The allocations in the final Settlement are as follows:

	2024-25 £000
Settlement Funding Assessment	**10,772,763**
Revenue Support Grant	3,423,982
Fire Pensions Grant	1,255,332
Total RSG	**4,679,314**
Expected' Baseline Funding Level	**6,093,449**
Tariff/Top-up	4,065,189
Expected Share of Business Rates	2,028,260
Compensation for under-indexing the business rates multiplier	**1,207,823**
Assumed Council Tax Income	**16,542,652**
Rural Services Delivery Grant	**473,104**
Services Grant	**48,878**
Funding Guarantee	**459,407**
Government assessed 'Core Spending Power'	**29,504,627**

3.3 For 2024/25 the Fire Pensions Grant (£1,255,332) has been rolled into Revenue Support Grant from specific grants so in future years will be uplifted by inflation.

3.4 Not all elements of the Core Spending Power are government grant.

- The expected share of local business rates is an estimate, and the final figure will be confirmed by the Unitary authorities by the end of January 2024.
- The assumed council tax income is based on a notional council tax calculation which is based on an assumed local council taxbase. The actual taxbase will be confirmed by the two unitary authorities in Mid-January.

3.5 The provisional settlement sees Cumbria Fire and Rescue Service's 'Core Spending Power' increase by **4.6%** (including assumptions for Council Tax and Business Rates). Excluding the expected and assumed figures for Business Rates and Council Tax, this equates to an increase of **£653,711** over the amounts assumed in the Medium-Term Financial Plan.

	2024/25 (£) Change
Revenue Support Grant	148,476
Fire Pensions Grant	0
Total RSG	**148,476**
Compensation for under-indexing the business rates multiplier	**215,576**
Rural Services Delivery Grant	**64,514**
Services Grant	**-234,262**
Funding Guarantee	**459,407**
	653,711

3.6 The Services Grant has seen a significant reduction as the overall funding for this grant has been reduced by 84% nationally. This funding has been partly redirected to social care and the increases in the Funding Guarantee grant.

3.7 The Funding Guarantee is given where Authorities see their Core Spending Power (excluding assumptions on Council Tax and Business Rates) increase by less than 3%. The grant is then given to ensure at least a 3% increase in Core Spending power. This funding will only be included in the Medium-Term Financial Plan for 2024/25.

Council Tax

3.8 The 2024/25 Referendum Principles (and Council Tax: Local Referendums Briefing Paper) were issued alongside the provisional Local Government Finance Settlement and these included the referendum threshold for Fire and Rescue Authorities be set at **2.99%**.

3.9 As a consequence of the details set out in this report and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Commissioner is recommending an increase in Band D Council Tax of **2.98% or £2.70** for 2024/25.

2023/24			2024/25			
Annual Bill £	Weekly Bill £	Property Band	Annual Increase £	Weekly Increase (rounded) £	Annual Bill £	Weekly Bill £
60.36	1.16	Band A	1.80	0.03	62.16	1.19
70.42	1.35	Band B	2.10	0.04	72.52	1.39
80.48	1.55	Band C	2.40	0.05	82.88	1.55
90.54	**1.74**	**Band D**	**2.70**	0.05	**93.24**	**1.79**
110.66	2.13	Band E	3.30	0.06	113.96	2.13
130.78	2.52	Band F	3.90	0.07	134.68	2.52
150.90	2.90	Band G	4.50	0.09	155.40	2.90
181.08	3.48	Band H	5.40	0.10	186.48	3.48

3.10 With an assumed taxbase of **179,509.11**, the above Band D precept would generate an overall Council Tax yield of **£16,737,429. Final confirmation of the taxbase and Collection Fund Surplus/Deficit position will be known by the end of January.**

3.11 The Band D precept for Cumbria Commissioner Fire and Rescue Authority represents approximately 4% of the overall Band D Council Tax aid by residents.

Consultation

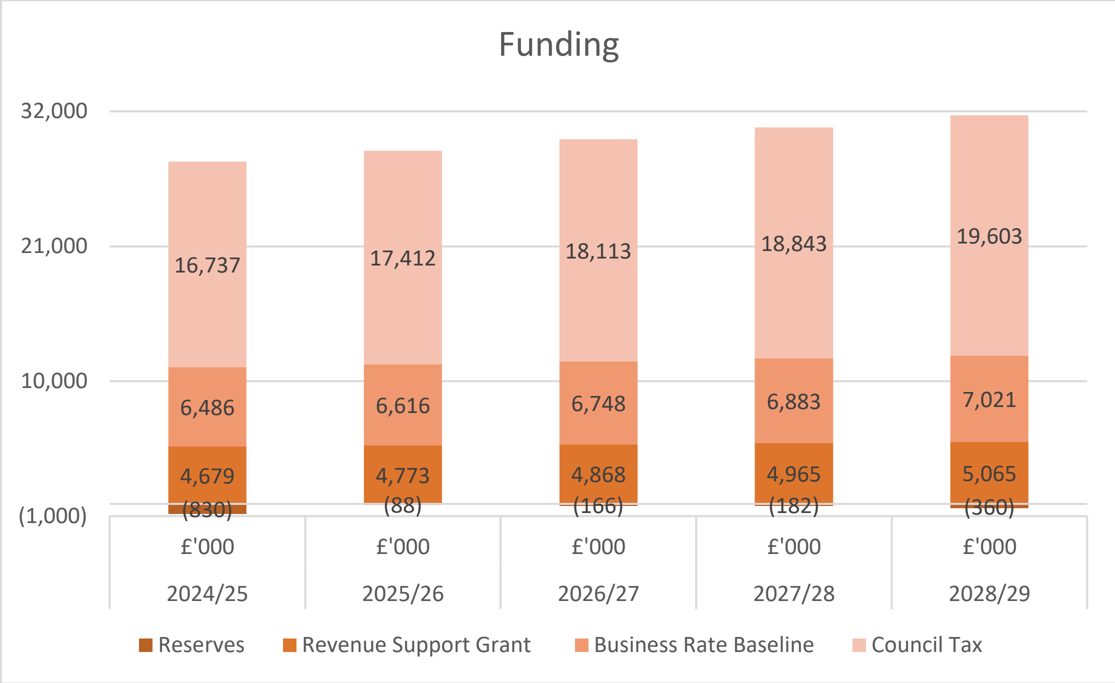
3.12 The Commissioner launched a public consultation through a survey on his website which closed on 26 January 2024. As most properties within Cumbria are within Band A (above) the consultation emphasised the impact on a Band A property. The consultation received 169 responses with 74% supportive of the proposed precept increase.

Council Tax Collection Fund / Business Rates Collection Fund

3.13 Each year the billing authorities estimate how much of the total potential Council Tax income liability of taxpayers they will collect. They advise precepting authorities of any projected surplus or deficit on the Collection Fund by 31 January. There will also be a surplus / deficit in relation to Business Rates collection.

3.14 At the time of this report, the business rates estimates for Westmorland and Furness are still outstanding. Once these figures are known the budget will be updated.

3.15 Overall funding is therefore estimated to be as follows:



3.16 The above estimates of funding assume the following for future years beyond 2024/25:

- 3% increase in Council Tax Band D Precept
- 1% increase in Council Tax base
- 2% increase in Revenue Support Grant
- 2% increase in Business Rates Baseline

4.0 Grants and Income

4.1 As well as core funding, the Service receives income from specific government grants as well as small amounts of generated income. The settlement position on grants provided by Home Office will be announced in mid to late January at which point the current allocations shown below will be updated if required and any change will be met by an appropriation to or from reserves.

4.2 The Fire Pensions grant that was previously included as a specific grant has now been rolled into Revenue Support Grant

Detail		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Specific Grants						
Fire PFI		(1,654)	(1,654)	(1,654)	(1,654)	(1,654)
Fire Revenue Grant - Firelink		(52)	(26)	0	0	0
Fire Revenue Grant - New Dimensions		(27)	(27)	(27)	(27)	(27)
Services Grant		(48)	(48)	(48)	(48)	(48)
Rural Delivery Grant		(473)	(473)	(473)	(473)	(473)
Compensation for Business Rate Multiplier		(1,208)	(1,208)	(1,208)	(1,208)	(1,208)
Funding Guarantee		(459)	0	0	0	0
Pensions SCAPE Rate grant		(1,066)	0	0	0	0
Total Specific Grants		**(4,987)**	**(3,436)**	**(3,410)**	**(3,410)**	**(3,410)**
Other Income						
Salary Costs Recovered		(39)	(39)	(39)	(39)	(39)
Income and Charges		(10)	(10)	(10)	(10)	(10)
Rents and Leases		(105)	(105)	(105)	(105)	(105)
Total Other Income		**(154)**	**(154)**	**(154)**	**(154)**	**(154)**
Total Grants and Income		**(5,141)**	**(3,590)**	**(3,564)**	**(3,564)**	**(3,564)**

5.0 Summary of Base Budget Estimates

5.1 The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by the Commissioner during the current year.

6.0 Summary Net Budget Requirement for Council Tax Purposes

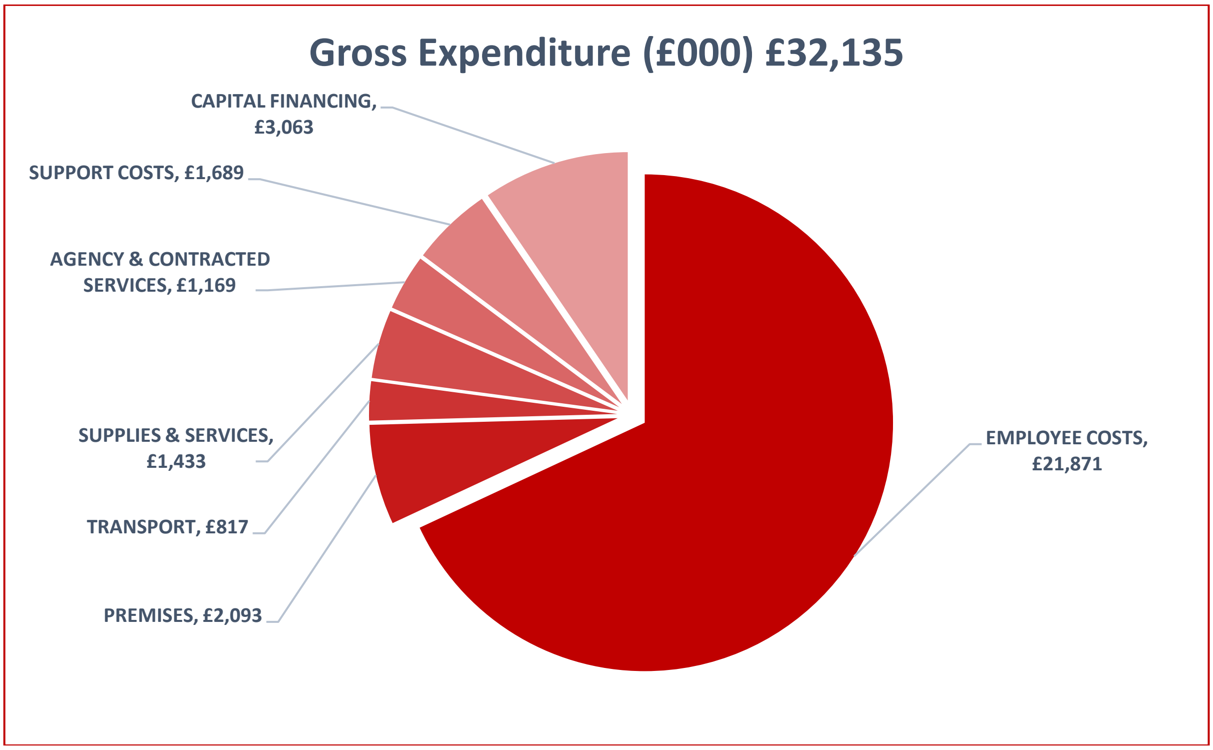
2023/24 Revised £000	Summary Net budget Requirement	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000	2027/28 Proj £000	2028/29 Proj £000
	Recurring Net Revenue Expenditure					
	Existing Net Expenditure	25,978	27,283	28,263	29,217	29,725
	New Spending Pressures	1,680	683	676	679	686
	Budget Reductions	(679)	(761)	(881)	(892)	(588)
	Changes to grants - Funding Settlement	(110)	1,506	1,506	1,506	1,506
24,846	**Total Net Recurring Expenditure**	**26,869**	**28,711**	**29,564**	**30,510**	**31,329**
	Non-Recurring Revenue Expenditure					
(163)	Existing Expenditure	0	0	0	0	0
0	New Spending Pressures	125	0	0	0	0
24,683	**Total Net Revenue Expenditure**	**26,994**	**28,711**	**29,564**	**30,510**	**31,329**
	Less Contributions (from)/to Reserves					
596	Recurring Commitments	955	88	166	182	360
163	Non-Recurring Commitments	(125)	0	0	0	0
25,442	**Total CFRS Budget Requirement for Council Tax purposes**	**27,824**	**28,799**	**29,730**	**30,692**	**31,689**

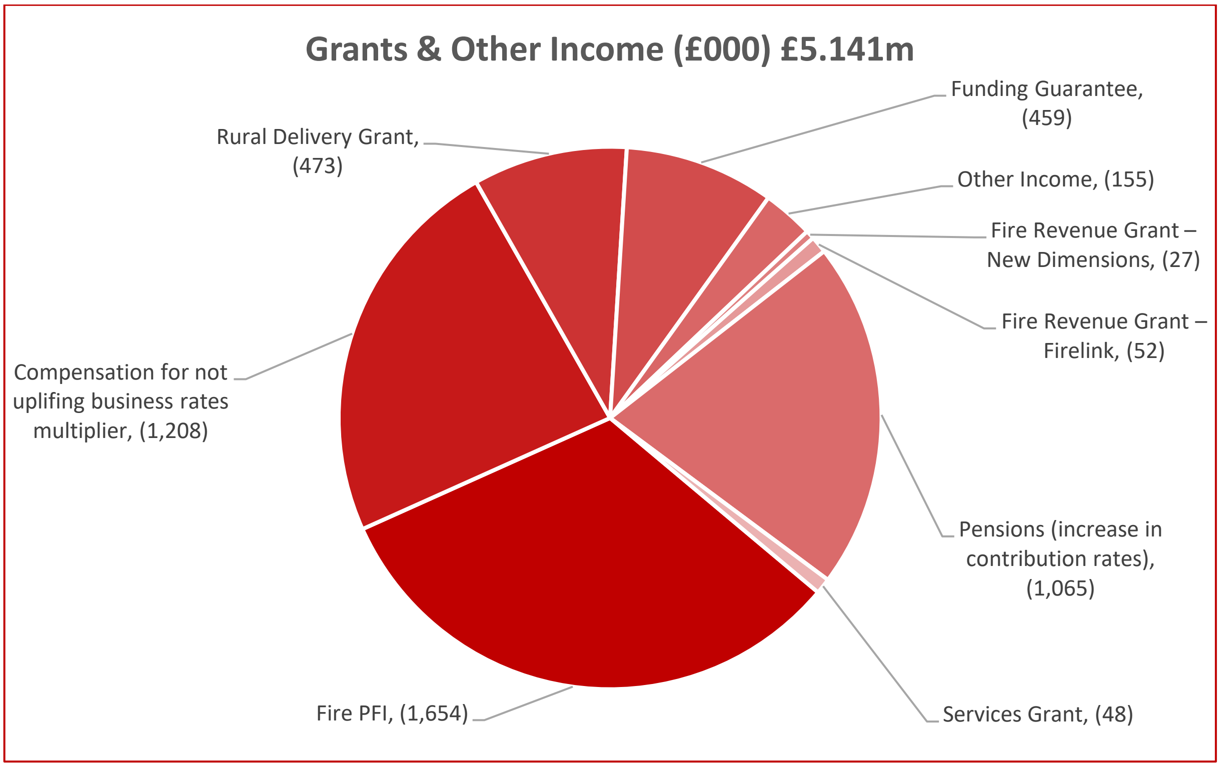
The proposed budget will see small contributions to reserves over the 5-year MTFP period, but this is predicated on achieving the savings identified at 9.4.

7.0 Total Funding and Provisional Council Tax Projections

2023/24 Revised £000	Total Funding and Council Tax Impact	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000	2027/28 Proj £000	2028/29 Proj £000
25,442	**Projected Net Budget Requirement for Council Tax purposes**	**27,824**	**28,799**	**29,730**	**30,692**	**31,689**
	Funded by:					
(15,939)	Council Tax Income	(16,737)	(17,411)	(18,113)	(18,843)	(19,604)
67	Estimated Council Tax Deficit	24	0	0	0	0
(6,359)	Retained Business Rates	(6,486)	(6,615)	(6,749)	(6,884)	(7,020)
0	Estimated Business Rates Deficit	54	0	0	0	0
(3,211)	Revenue Support Grant	(4,679)	(4,773)	(4,868)	(4,965)	(5,065)
(25,442)	**Total Funding**	**(27,824)**	**(28,799)**	**(29,730)**	**(30,692)**	**(31,689)**
176,043.00	Estimated Tax Base	179,509.11	181,304.20	183,117.24	184,948.41	186,797.90
£ 90.54	Band D Council Tax	£ 93.24	£ 96.04	£ 98.92	£ 101.89	£ 104.94
	Increase over previous year					
£ 4.93	£	£ 2.70	£ 2.80	£ 2.88	£ 2.97	£ 3.06
5.76%	%	2.98%	3.00%	3.00%	3.00%	3.00%

Breakdown of expenditure and income





8.0 New spending pressures

8.1 The budget includes areas where new spending pressures have arisen.

8.2 **Inflationary pressures**

Although inflation is on a downward trend, individual inflationary factors remain volatile. Energy and fuel prices continue to be high compared to historic levels and continued global uncertainties make it difficult to predict how this may impact economically in the short to medium term. The assumed estimates included in the Medium-Term Financial Plan have been revised for 2024/25 and there is an increase required in the amount of inflation to be include in the budget. With the low level of reserves that CFRS has, it is prudent to ensure that inflation (especially pay award provision) is sufficient.

The increase in the pension contribution rate for firefighters is included in the budgeted employee costs above and is also shown as a specific grant income from Home Office. The grant has only been confirmed for 2024/25, and so Home Office will need to make a case for this to renewed in any future Spending Review. If the grant was not confirmed for future settlements then the additional cost would have to be found from within the service.

There will also be an increase in utility costs for PFI stations (approximately £150,000) due to the current 4-year fixed price arrangement coming to an end. In the period since prices were fixed, the price of energy has increased dramatically. The service has benefited over the previous 4-years from these lower prices, however, the new arrangement will see prices increase and provision has been made in the budget for this.

8.3 **Other Pressures**

Other pressures that will affect the Service in 2024/25 are increases to costs of External Audit fees (£25,000) and increases to the contributions to North-West Fire Control (£76,000). Additional temporary staffing resource is also included as the service transforms and prepares for the next HMICFRS inspection. Provision is also made for increased costs for Occupational Health following disaggregation from the County Council and finalisation of the costs (£150,000).

9.0 Proposals for savings and efficiencies

9.1 As well as the areas identified above as additional expenditure, there are some areas where savings and efficiencies can be achieved. These are as follows:

9.2 **Treasury Management and Capital Financing Costs**

The required budget for treasury management has been recalculated based on estimates of the Capital programme (outlined later in this document), the Capital Financing Requirement, interest rate forecasts and forecast cash balances. The use of the capital grant from Home Office in 2023/24 as resulted in no borrowing being undertaken so forecast borrowing costs are now reduced. Increased interest rate forecasts for investment balances also provide a financial benefit to the Service.

9.3 **Other Savings and Efficiencies**

A new finance system will be in place for 1 April and the Service will stop using the system in use at the Unitary authorities. This will result in a saving will be made from the SLA for invoice processing and finance systems. Similarly, progress is being made for a new standalone HR system to be implemented from 2025, and the Service will stop using the multiple systems in use at the Unitary authorities. This will result in a saving will be made from the SLA for systems licensing from 2025.

9.4 **Savings Requirement**

The overall savings requirement for the Service with these additional savings will be as follows:

2023/24 – Staffing Savings	£300,000 (0.96% of Gross expenditure)
2024/25 – Savings to be identified	£150,000 (0.48% of Gross expenditure)
Overall Savings Required to be found	**£450,000 (1.45% of Gross expenditure)**

The 2023/24 staffing savings have been achieved in year through vacancy management. However, it is necessary to ensure that the recurring establishment cost is reduced to achieve this savings target on a recurring basis.

A review is currently underway to look at how the Service is structured and where these savings can be achieved. This will be completed before 1 April 2024.

10.0 Projected impact on Reserves and Balances

10.1 It should be noted that if all the potential new spending pressures, savings and changes to funding are accepted, reserves will not reach prudent acceptable minimum levels until 2027/28.

10.2 The general principles on each of the reserves are set out in the Medium-Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle is that:

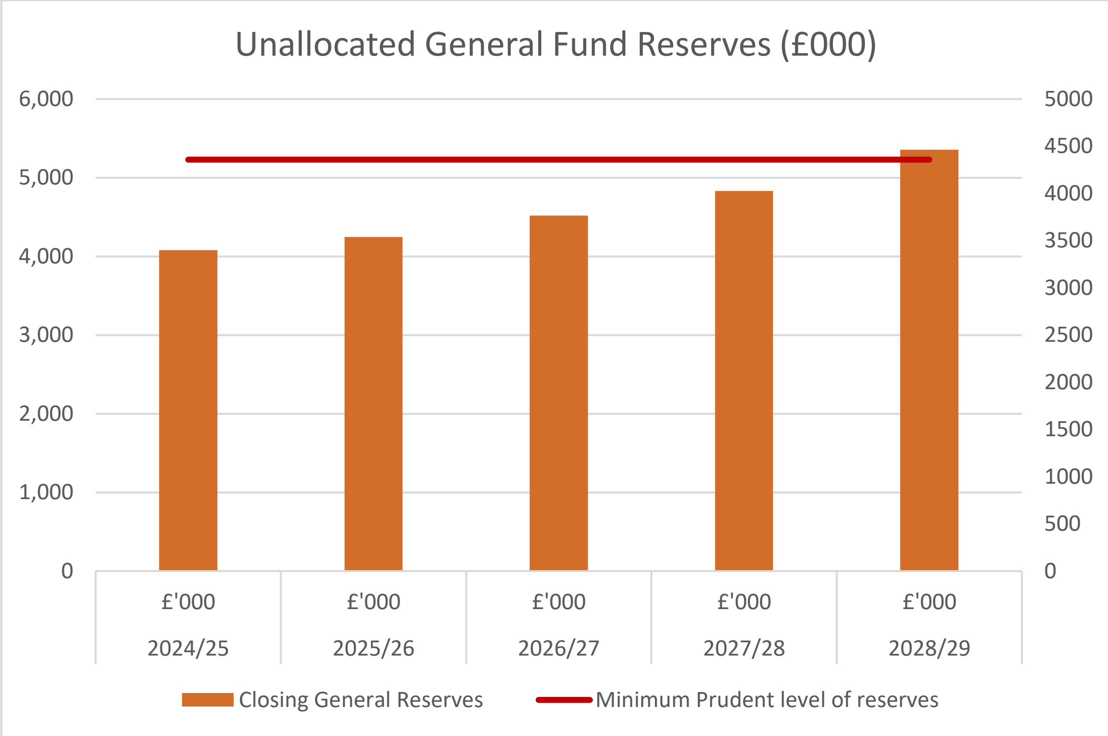
"Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years'".

10.3 The current levels of reserves are set out below and include any impact of the proposed pressures and savings outlined in this report. A risk-based review of prudent unallocated reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be **£4.358m.**

10.4 The PFI reserve is used for smoothing the increases in the PFI payments over the amount of grant received. From 2024/25, the reserve will begin to be released to match the budget requirement for the PFI contract which is contained in the base budget.

	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Opening Balance - General Fund Reserve (Estimated)	**3,196**	**4,078**	**4,245**	**4,517**	**4,832**
In Year Contribution to/(from) GF Reserves (MTFP)	830	88	166	182	360
Transfers (to)/from Earmarked Reserves	52	79	106	133	163
Closing Balance - General Fund Reserve (Estimated)	**4,078**	**4,245**	**4,517**	**4,832**	**5,355**
Estimated Prudent Minimum Level of Reserves	**4,358**	**4,358**	**4,358**	**4,358**	**4,358**
Excess / (Shortfall)	**(280)**	**(113)**	**159**	**474**	**997**
Earmarked Reserves					
PFI	1,862	1,783	1,677	1,544	1,381
Insurance (includes in year saving)	437	437	0	0	0
Donations	113	0	0	0	0
CMF - Corporate	46	0	0	0	0
Local Tax Guarantee Grants	0	0	0	0	0
ESMCP	127	0	0	0	0
Pensions Grant	0	0	0	0	0
Fire COVID Grant	41	0	0	0	0
Total Earmarked Reserves	**2,626**	**2,220**	**1,677**	**1,544**	**1,381**
Total Estimated Reserves	**6,704**	**6,465**	**6,194**	**6,376**	**6,736**

* The opening reserves position for 1 April 2023 will be confirmed once County Council accounts are finalised and audited.



11.0 Sensitivity Analysis and Scenario Planning

11.1 The tables below show the impact on the estimated prudent minimum levels of reserves and the forecast level of reserves as 31 March 2024, under different scenarios of losses of grant income, other income and increases in gross expenditure. The Service only received approximately 12% of its overall income from grants and other income, so is therefore less susceptible to losses from these income sources. However, given the low level of reserves, there would still be an impact on the Service in terms of financial sustainability.

	% Change in Other Income (£155,000)	
	Minimum Reserves (£000)	Forecast Reserves at 31/03/25 (£000)
-25%	4,319	4,039
-10%	4,343	4,063
-5%	4,350	4,070
-1%	4,356	4,077
0%	**4,358**	**4,078**
1%	4,360	4,080
3%	4,363	4,083
5%	4,366	4,086
10%	4,374	4,094
25%	4,397	4,117

	% Change in Grant Income (£3,723,000)	
	Minimum Reserves (£000)	Forecast Reserves at 31/03/25 (£000)
-25%	3,427	3,147
-10%	3,986	3,706
-5%	4,172	3,892
-1%	4,321	4,041
0%	**4,358**	**4,078**
1%	4,395	4,115
3%	4,470	4,190
5%	4,544	4,264
10%	4,730	4,450
25%	5,289	5,009

	% Change in Gross Expenditure (£31,119,000)	
	Minimum Reserves (£000)	Forecast Reserves at 31/03/25 (£000)
-25%	12,138	11,858
-10%	7,470	7,190
-5%	5,914	5,634
-1%	4,669	4,389
0%	**4,358**	**4,078**
1%	4,047	3,767
3%	3,424	3,145
5%	2,802	2,522
10%	1,246	966
25%	(3,422)	(3,702)

12.0 Capital Programme and Capital Financing

12.1 In accordance with the Capital Investment Strategy, the Chief Finance Officer (S.151 Officer) will make recommendations on the most effective way of financing the capital programme to optimise the overall use of resources.

12.2 It should be noted that capital resources can only be used to fund capital expenditure and cannot, except for the Service's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.

12.3 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Service has been in generating Capital Receipts from the sale of assets against its target i.e., the more capital receipts generated, the less is required to be taken from Borrowing and Reserves (and vice versa).

12.4 The cost of borrowing to fund the capital programme will result in a charge to the revenue account in the next full year of the amounts shown below for different assets. Consideration therefore needs to be given to the amount of borrowing required and the affordability of this borrowing to the revenue budget and the taxpayer. Examples of borrowing £1m are shown below:

Asset Type	Borrowing amount (£)	Typical Asset Life	Repayment of Principal (MRP) (£)	Interest @5% (£)	Total Annual Cost (£)
Light Fleet	1,000,000	8	125,000	50,000	**175,000**
Heavy Fleet	1,000,000	15	66,667	50,000	**116,667**
Estates	1,000,000	40	25,000	50,000	**75,000**
Equipment and ICT	1,000,000	5	200,000	50,000	**250,000**

12.5 **Capital Spending Proposals 2024/25 to 2028/29**

12.5.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from 'new' capital receipt generation will incur a borrowing requirement.

Capital Scheme		2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Revised Allocations:						
Fleet		1,436	1,348	1,856	1,411	938
Estates		1,065	450	501	872	482
ICT		434	710	494	350	350
Equipment / PPE		210	175	295	295	295
Total Spending Proposals		**3,145**	**2,683**	**3,146**	**2,928**	**2,065**

12.5.2 **Fleet Replacement Programme**

A detailed fleet replacement programme has been developed for the next 15-years and will see a regular replacement programme for fire appliances, with 3-4 appliances replaced each year.

12.5.3 **Estates**

Allocations have been provided to ensure essential works to each station during 2024/25 and 2025/26 with provision made for the essential areas of estate management beyond this. A general provision for capital works on top of this is included at £275,000 per year from 2026/27.

12.5.4 **ICT**

Specific provision has been included for the refresh of data centre as well as the contribution to the North-West Fire Control replacement of the 'Computer Aided Dispatch' System between 2024/25 and 2026/27. Provision is also included to replace the current

PSTN (Public Switched Telephone Network) system that is at end of life. A general provision of £350,000 per year from 2025/26 is also included and will need to be allocated to specific requirements as and when they are identified.

12.5.5 **Equipment and PPE**
Provision has been included to ensure new appliances have the equipment required. Provision has also been made for replacement Dry Suits and working at height replacement programme. A general provision is also included from 2026/27 of £200,000 per year that will need to be allocated to specific requirements.

12.6 **Potential Capital Resources available**

12.6.1 The capital programme will be funded through borrowing requirement unless any external grants can be obtained. Any surplus assets will be sold at best consideration as per the Financial Regulations and any receipts generated will be utilised for future capital financing. The borrowing costs (interest and MRP) of the proposed programme have been included in the estimates of revenue expenditure outlined above. ***Any increases to the capital programme above the levels outlined in the revised programme above, would have implications on the revenue budget in terms of affordability and borrowing costs.*** All significant capital investment decisions should have consideration to the borrowing costs, and how these can be funded.

12.7 **Summary Provisional Capital Programme 2024/25 – 2028/29**
The summary provisional programme and financing impact on the borrowing requirement is set out below:

Summary Programme	**2024/25 £000**	**2025/26 £000**	**2026/27 £000**	**2027/28 £000**	**2028/29 £000**
Estimated Borrowing Requirement 31 March 2024 (excl PFI)	10,474				
In Year Impact:					
- Estimated resources available in year	0	0	0	0	0
- Proposed Programme	3,145	2,683	3,146	2,928	2,065
Gross Borrowing Requirement (before MRP) (Excl PFI)	**13,619**	**16,302**	**19,448**	**22,376**	**24,441**

12.8 **Borrowing and Treasury Management**

12.8.1 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Service is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process.

12.8.2 The estimates in the Medium-Term Financial Plan for borrowing assumes most of the borrowing requirement is external borrowing (actual debt with PWLB). However, decisions around borrowing are made by the S.151 Officer and will be made considering appropriate timing and requirements of borrowing for cash-flow purpose and interest rate forecasts.

12.8.3 The Medium-Term Financial Plan includes the following assumptions around Capital Financing and borrowing.

Capital Financing Requirement (excl PFI)	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
Opening Estimated Borrowing Requirement (excl PFI)	10,474	12,922	14,673	16,592	17,932
In Year Impact:					
- Estimated resources available in year	0	0	0	0	0
- Proposed Programme	3,145	2,683	3,146	2,928	2,065
- Minimum Revenue Provision (Provision for repayment of debt)	(697)	(932)	(1,227)	(1,588)	(1,797)
In Year Borrowing Requirement	**2,448**	**1,751**	**1,919**	**1,340**	**268**
Closing Estimated Borrowing Requirement	**12,922**	**14,673**	**16,592**	**17,932**	**18,200**

Section 2 - Medium-Term Financial Planning

1.1 The above budget estimates provide forecasts for the forthcoming 5-year period.

1.2 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.
- 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.

1.3 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.

2.0 Financial Principles supporting the MTFP.

2.1 The key principles to be applied to the MTFP are 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 (The Fire Plan and CRMP will be in place for April 2024).
- 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 a minimum level of General Fund Reserves over the life of the MTFP as set by an annual risk assessment.
- 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 the savings targets.
- Undertake and continually review a full base budget review.
- Limit revenue budget pressures 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 Services financial strength.
- Assessment of the impact of business rates retention including impact on Section 31 grants.

Financial Principle 3 – Treasury Management

- Annual review of the Treasury Management budget for revised interest rates, changes to 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, and delivers objectives aligned to priorities.
- Undertake an annual review of the Service's Minimum Revenue Provision policy and its impact on the revenue budget.
- Have a Treasury Management Strategy, which is compliant with the revised 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

- 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).

3.0 Links to other Strategies

3.1 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: -

- The Community Risk Management Plan (CRMP)
- 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

4.0 Assumptions & Issues Arising

4.1 The following assumptions are included in the MTFP.

	2024/25 %	2025/26 %	2026/27 %	2027/28 %	2028/29 %	1% Change £000
Firefighters Pay Award	4.00%	2.00%	2.00%	2.00%	2.00%	160.000
NJC Pay Award	2.50%	2.00%	2.00%	2.00%	2.00%	14.200
Apprenticeship Budget	2.50%	2.50%	2.50%	2.50%	2.50%	0.573
Building Cleaning / Maintenance	2.50%	2.50%	2.50%	2.50%	2.50%	1.290
Electricity	4.00%	2.50%	2.50%	2.50%	2.50%	4.701
Gas	4.00%	2.50%	2.50%	2.50%	2.50%	3.209
Water	2.50%	2.50%	2.50%	2.50%	2.50%	0.853
Rates	2.00%	2.50%	2.50%	2.50%	2.50%	8.639
Refuse Collection	2.50%	2.50%	2.50%	2.50%	2.50%	0.191
NW Fire Control	5.00%	2.50%	2.50%	2.50%	2.50%	4.451
PFI Contract Indexation	2.50%	2.50%	2.50%	2.50%	2.50%	5.740
Fuel	4.00%	2.50%	2.50%	2.50%	2.50%	1.768
Training Materials	2.50%	2.50%	2.50%	2.50%	2.50%	0.457
Smoke Alarms	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%	-32.110
Business Rate Increases		2.00%	2.00%	2.00%	2.00%	-63.590
Council Tax Band D	2.98%	3.00%	3.00%	3.00%	3.00%	-159.389
Council Tax base	1.00%	1.00%	1.00%	1.00%	1.00%	

4.2 Economic Risks - Assumption Risks

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

- Every 1% in Council Tax equates to circa £159,000 per annum.
- Every £1 in Council Tax equates to £170,000 per annum.

4.2.2 Inflation has slowly decreased since the start of 2023, with the current headline rates for CPI inflation being 3.9% in November 2023. There remains a risk that inflation will be above the assumptions in the MTFP for 2024/25.

4.3 Funding

4.3.1 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.

4.3.2 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.

4.3.3 The MTFP includes an inflationary increase at the current maximum allowable 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.

4.4 Stand Alone Service Risks

4.4.1 As the new standalone fire authority is still in its infancy both the PFCC and the Chief Fire Officer recognise that it will take time to gain a better understanding of operational and budgetary pressures facing CCFRA. These pressures are likely to require investment to ensure resources, premises and equipment is at an appropriate level.

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

4.5 Major Incidents

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

4.6 Litigation and Insurance Claims

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

4.7 Pensions

4.7.1 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.

4.7.2 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.

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

4.7.4 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.

4.8 Industrial Action

4.8.1 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.

4.9 Capital Programme

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

- Aligning the capital programme to the Fleet Strategy and undertaking a full review of vehicle aspirations, current fleet stock condition and undertaking a full option appraisal around the most appropriate financing options.
- 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.
- There may be an increased need to invest in ICT and provision may be under pressure. Both in replacement systems for the NW regional control centre and in systems to support new more efficient ways of working.

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

4.10 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. For example, development and implementation of additional training for a burns team.

4.11 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.

4.12 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 to achieve efficiencies.

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

5.0 Reserves Strategy

5.1 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.

5.2 General Fund

5.2.1 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. 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.

5.3 Earmarked Reserves

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

5.3.2 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.

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 2023 assumed this reserve would be fully used in two years. 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.

Donations

This reserve holds the balance of amounts received in donations.

CMF Corporate

This reserve holds a share of the County Council Corporate Reserve that was allocated to Fire on disaggregation.

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. These will be released to offset any deficit on the Collection Fund in 2024/25.

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.

5.4 Future Earmarked Reserves

5.4.1 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.

5.5 Capital Reserves

5.5.1 CFRS hold no capital reserves at the current point in time.

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

5.6.1 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.

5.6.2 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.

Section 3 - Statutory Requirements

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

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

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

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

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

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

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

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

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

1.7 The Section 25 Statement of the S151 Chief Finance Officer for CFRS is included at Appendix A.

Human Rights Implications

None identified

Race Equality / Diversity Implications

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

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning. There are significant risks associated with the budget, particularly around hosted services and SLA's and uncertainty around costs for these services. The budget also assumes a borrowing requirement for capital investment and assumptions have been made around borrowing costs which will be dependent upon economic conditions at the time the borrowing is required. Significant savings are required to be achieved and if these are not achieved by the start of the financial year, these could have an impact on in-year performance.

Financial Implications

The main financial impacts are described in the paper.

HR Implications

As identified in the report. There is a significant savings requirement to be found from staffing savings and unless vacant posts are removed from the establishment, there may be a required change management process to achieve this.

Contact points for additional information

Steven Tickner – Chief Finance Officer (S.151)
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STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Service is required under the Local Government Act 2003 (Section 25) to consider:

   (i) The formal advice of the statutory responsible financial officer (Chief Finance Officer (S.151 Officer)) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;

   (ii) The Service has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of the Estimates

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by the finance team, the Senior Leadership Team and the Strategic Governance and Finance Board prior to submission to the PFCC.

The Service's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

2023/24 is the first year of the Service's new governance arrangements under the PFCC stewardship and as such this brings added risks. The Service has no history of overspending against budget whilst being part of the County Council, indeed, there has tended to be a degree of underspending. However, with Local Government Reorganisation and disaggregation, greater risks have been placed on the Service, therefore improved budget monitoring backed up by specific action where appropriate and base budget procedures will be even more important to ensure financial resilience.

It must be recognised that there are risks involved in projecting budgets, particularly over the medium term, and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The disaggregation of hosted services from the Unitary Council's will present challenges both operationally and financially. Although budgetary provision is included for these services, decisions on future provision may place additional financial pressure on the Service.

- Capital Financing will be undertaken by increasing the borrowing requirement of the Service; therefore, consideration needs to be given to the cost of borrowing and the impact on the revenue budget. Estimates have been made for the overall treasury management budget, including borrowing costs and interest receipts, however, return on treasury management activities are subject to market rates. This risk is advised upon every year, and it should be noted that in the current economic climate with higher than usual inflation and higher base rates than have been experienced over the past 15-years, investment income returns in the medium term may fluctuate.

The main risk to the robustness of the estimates contained within the 5-year MTFP is the continued uncertainty regarding the disaggregation of hosted services from the unitary authorities in Cumbria and the costs of the Service operating independently.

However, the budget estimates proposed see a contribution to reserves so that they will rise over the following 5-year period to appropriate minimum levels to sustain the Service.

The delivery of savings and efficiencies will be vital to maintaining reserves at prudent levels and ensuring the service is fit for purpose. Therefore, the savings built into the budget must be identified and achieved before the start of the financial year. The additional £150,000 of savings for 2024/25 represents 0.48% of the gross budget.

The level of the Service's future Capital Programme includes a significant borrowing requirement over the five-year period. Any capital receipts that can be generated from the sale of assets will be utilised to reduce the overall borrowing requirement for future capital investment decisions.

Central contingencies – there have been no contingency budgets built into the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate (from reserves) to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. **Adequacy of Reserves**

The level and usage of the Service's Reserves is undertaken annually as part of the Medium-Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Service's longer-term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. This matrix identifies the potential for use of reserves if, for example, assumptions in the budget change, external pressure is placed upon the service, or unknown factors The findings of this exercise suggest that the minimum level should be set at **£4.358million** as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Service against unexpected events and emergencies.

The Service's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years.

Based on current projections, the general fund unallocated reserves will increase each year. However, this assumes that there is no call on reserves out with the budget estimates.

3. **Determination of Borrowing**

The Prudential Accounting regime enables the Service to borrow subject to meeting criteria of affordability. The Prudential Indicators have been established and these are set on the approved overall Capital Programme decisions included in the Medium Term Financial Plan.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts and capital grants generated. The capital programme will require the use of Prudential Borrowing (including internal borrowing). Where borrowing is required, full option appraisal on type and length of borrowing will be carried out. The financial sustainability and level of debt for the Service will be a consideration especially in terms of the timing of any external borrowing undertaken.

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Chief Finance Officer on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2024/25.

Revenue Estimates 2024/25: That CCFRA net **Budget Requirement** of £27,824,590 be approved.

Council Tax Base 2024/25: That it is noted that the Council Tax base has been calculated at the amount of 179,509.46 for 2024/25. This is the total of the tax bases calculated by the Unitary Councils as required by regulation.

Budget Requirement: That the following amounts are calculated by the Commissioner for the 2024/25 financial year:

Ref	2024/25 Amount	Description
(a)	32,135,590	being the total of gross expenditure
(b)	(5,141,000)	being the total of income from specific grants, fees and charges
(c)	830,000	bring the contribution to / (from) Reserves
(d)	27,824,590	being the Budget Requirement for the year to be met from Council Tax and External Finance
(e)	4,679,314	Being the total the Commssioner estimates will be received from external financing (RSG)
(f)	6,431,980	Being the total of income received from Retained Business Rates Less the Business Rates Collection Fund Deficit
(g)	(24,166)	being the net surplus/(deficit) on Council Collection Funds
(h)	16,713,296	being the Council Tax requirement (the budget requirement less the collection fund surplus/(deficit) and external finance)
(i)	93.24	being the basic amount of Council Tax for the year (the council tax requirement divided by the taxbase)

Valuation Bands and Calculation of the amount of Precept payable by each billing authority:

Valuation Band	Precept 2024/25 Amount	Proportion
Band A	62.16	6/9ths
Band B	72.52	7/9ths
Band C	82.88	8/9ths
Band D	**93.24**	9/9ths
Band E	113.96	11/9ths
Band F	134.68	13/9ths
Band G	155.40	15/9ths
Band H	186.48	18/9ths

Billing Authority	TaxBase	Precept (Band D) (£)	Amount Payable (£)
Cumberland Council	89,966.79	93.24	8,388,503
Westmorland and Furness Council	89,542.67	93.24	8,348,959
Total	179,509.46	93.24	16,737,462

Agenda item 10

CFRS Charging Policy 2024/25

Sections

Section 1
Operational Planning
CFRS Policy

Charging For Mutual Assistance

	Name and Job Title
Responsible Assistant Manager	Stuart Hook, Area Manager
Responsible Senior Manager	Tony Paterson, Group Manager
Person responsible for monitoring day-to-day compliance	Paul Dean, Station Manager
Person responsible for reviewing the policy	Paul Dean, Station Manager

Version Control	Changes Made	Author
Version 6 April 2022	Updates to the costs to align with NFCC	Ops Planning
Version 7 July 2023	Document moved to new template,	Ops Planning
Version 8 February 2024	Updated for 24/25 Budget	S.151 Officer

Introduction

Mutual aid can be described as the provision of assistance from one Fire and Rescue Authority (FRA) to another. Mutual aid is considered a formal mechanism by which to supplement FRA's existing emergency response arrangements and can be instigated in a number of ways.

Scope

Mutual aid activity can range from over the border responses under Section 13 or Section 16 of the Fire & Rescue Service Act 2004 through responding to a significant or serious incident which requires additional resources beyond those available within an affected Service. Mutual aid can also include arrangements for specialist National assets which may not be located in the affected FRA or when officers with specialist skill sets are required. Arrangements of this nature add overall resilience to response arrangements for the Fire and Rescue Service (FRS).

Principles

By its very nature, mutual aid is incident or event based, and therefore likely to be extraordinary to the normal CRMP based arrangements which would be in place to deal with day to day incident response within an affected FRA.

This guidance covers the charges mechanism that will be adopted by Cumbria Fire and Rescue Service (CFRS) for the provision of mutual aid to another FRA. It is intended that this cost recovery model will provide a set scale of charges that will allow CFRS to predict, as far as is reasonably practicable, the budgetary impact that a request for mutual assistance will have.

It is acknowledged that Cumbria is surrounded by a number of Counties and indeed Borders Scotland. There are regular over the border incidents whereby CFRS regularly provides mutual aid to neighbouring Services, which is also reciprocated. This is undertaken through collaborative arrangement, between the relevant Chief Officers and fall outside the scope of this policy.

The guidance seeks to reflect the current payment arrangements for FRA staff under the NJC Scheme of Conditions of Service and as detailed within the relevant circulars. It will be refreshed annually to take account of pay reviews inflation and any additional factors that are considered relevant.

Background

CFRS discharges its responsibility to provide an appropriate response to a range of emergencies through its integrated risk management plan. This plan extends to the provision of the appropriate level of resources to provide a suitable level of operational response for all reasonable foreseeable and practical events. A request for mutual aid is generally made when the scale of an incident exceeds that which whilst foreseeable is impractical to resource on a day to day basis.

FRAs have, historically, developed their own mutual aid protocols based on the requirements of Sections 13 and 16 of the Fire and Rescue Service Act 2004 and in some cases by means of regional Memorandum of Understanding (MOU). Generally, these arrangements involve neighbouring Services providing over the border or specialist officer support, principally in response to local incidents where an asset is geographically best place to attend or when the incident is beyond the scale that local resources can effectively respond to.

Charging for these arrangements has traditionally been based on an LGA set rate. The decision to apply a charge or not has predominantly been applied locally at the discretion of individual FRAs.

In times of national need, the NFCC, on behalf of all Chief Fire Officers will co-ordinate the provision of Mutual Aid between Services utilising the National Coordination Advisory Framework (NCAF) arrangements. Specifically, this is facilitated through the NFCC Chair, National Strategic Advisors (NSAT) and the National Resilience Assurance Team (NRAT). NRAT works to ensure the effective coordination of resilience during major national incidents such as the emergency response to serious flooding or a large scale structural building collapse. It is important to understand that NRAT has no influence over charging for Mutual Aid, which is detailed nationally by the Operations coordination committee and approved by the NFCC.

Categories of Mutual Aid

There are a range of response and specialist roles that FRS may provide under mutual aid and the circumstances under which they are provided, can be as varied as the services supplied.

Four main types of mutual aid are identified. The characteristics of each are outlined below

Emergency Response/Spontaneous Deployment: For example, an unforeseen demand such as an incident that necessitates reinforcing in the maintenance of fire cover or to supplement operational response where responding assets geographically provide a more timely response. Definition of time scales for such spontaneous support is expected to be for periods of no more than 24 hours.

Response to a Significant Serious or Catastrophic Emergency: For example, a demand that results from protracted operational activity and impinges on an affected Services ability to provide business as usual response as well as continuing to support the ongoing emergency. This prolonged deployment will last from 24 hours up to 90 days, but may in certain circumstances be extended beyond this.

Pre-Planned Deployment/Planned Event: For example, the predicted East Coast Flood inundation in 2012 which would have necessitated evacuations by boat beyond the capacity of the affected Services. Here the event has a capacity requirement beyond a single Service or where a Service cannot resource the event and provide appropriate resilience in the rest of its area.

Specialist Staff Deployments: For example, the independent investigation of an incident where a host Service cannot carry out the function impartially.

Recent experience has shown there are circumstances where the provision of mutual aid will have a significant impact on the host Service to fund the associated costs. In such instances Bellwin scheme may be activated where defined circumstances are applicable.

Mutual Aid Cost Recovery

Predominantly FRS mutual aid requests consist the deployment of fire appliances and crews however there is no standard request for mutual aid. There are an increasing range of services that FRS may provide under mutual aid beyond fire appliances and crews. The circumstances under which they are provided are as varied as the actual services supplied.

Appendix F lists a typical range of services that may be provided, although this will not be a definitive list.

Where specialist equipment is required for the provision of mutual aid this will be reflected in the appendix outlining asset recharge costs. For example the provision of a type B flood rescue team will come with the appropriate equipment for the task, including a rescue boat with engine and a range of specialist PPE.

As a guide, a competent firefighter's pay scale will form the baseline of a banding model.

During continuous deployments it will be assumed that staff payments will be made by payment of flat rate recharge for the duration of a deployment inclusive of rest periods.

For the purpose of calculating the appropriate level of charge, resources supplied must be considered. (Examples of resource types are outlined in Appendix G).

CFRS support staff may be used as a mutual aid resource. This will usually be staff with specific skills. In the event of a deployment of this nature the providing FRS will be recompensed at the employable cost for that spinal column point plus any overtime worked.

An administrative charge will also be levied at the rate of 5% of the total actual cost incurred. This is charged by the FRS deploying the assistance. The administration charge is set at a figure of 5% to reflect variations in the actual cost of supplying mutual aid depending on the resource deployed. (The administrative charge covers some basic on-costs for the provision of suitable uniform/equipment / insurance, together with compensation for the cost of organising mutual aid, often at short notice).

Other legitimate costs relating to the deployment of mutual aid personnel should be agreed and charged to the host FRS on an actual cost basis. Examples of this include damage to equipment as a result of deployment and legitimate accommodation and subsistence charges when an affected FRS has been unable to provide this. In the event that expenses of this nature are recharged, the authority presenting the recharge must provide full receipted invoices which detail costs involved.

All non-consumable equipment acquired and fully charged for under a mutual aid agreement will become the property of the host FRS unless otherwise agreed.

Vehicle usage costs on mutual aid should be calculated according to an agreed rate per day as per Appendix E. This includes elements for wear and tear and running costs. In the case of the provision of a vehicle only without staff, vehicles should be supplied fully fuelled and returned likewise. This practice will negate the administrative burden of recovering low levels of expense.

Capital costs and depreciation, servicing, tyres, insurance etc. will be covered by that cost. For vehicles transporting staff on mutual aid, such as fire appliances then fuel is not covered by the stated cost and is an additional factor. A table outlining vehicle costs is included at Appendix E.

The recharging framework makes no provision for the making of enhanced charges for mutual aid deployments that occur on public holidays.

Periodic Review of Arrangements

This guidance will be subject to periodic review and updating. Variable cost elements provided in the guidance for cost recovery purposes will be updated annually by the NFCC Finance coordinating committee under its national co-ordinating role. This can be found in the NR Document Library at:

Documents > NR Documents > NCAF Documents > NCAF Incident Supporting Documents

Appendices

- Appendix A Example Costs for a Fire Appliance and Crew Deployment
- Appendix B Example Costs of Specialist Resources
- Appendix C Secondment Hourly Rates of Pay using FPS 1992 pension rates (inclusive of 5% admin levy)
- Appendix D Deployment to Mutual Aid Hourly Rates of Pay
- Appendix E Vehicle/Equipment Cost Recovery Scales.
- Appendix F Examples of Typical Types of Mutual Aid Deployments
- Appendix G Examples of Current Deployable Resource Types (Available via NCAF ESS)

Appendix A - Example Costs for Deployment

** Taken from NPCC rates for similar vehicle type. In this example vehicle has travelled 100 miles from home station to incident and returned at a cost of £1.40 per litre of fuel.

Example Costs for a Fire Appliance and Crew Deployment

For the purposes of this example costs assume a competent Watch Manager B (WMB) and crew of four firefighters (FF) all paid at the competent rate. The example also assumes the provision of 1 fire appliance assumed to be equipped for generic firefighting activity for a period of 12 hours and a total mileage of 200 miles

Resource	Costs (£)	Calculation
1 x WMB x 12 Hrs		1*12*WMB Hrly Rate
4 x FF x 12 Hrs		4*12*FF Hrly Rate
Fire Appliance per Day (running cost)	100.00	1*100
Mileage Charge (based on 4 miles per litre @ £1.40 per litre)	70.00	200/4*1.40
Total Cost		
Administration Charge @ 5%		
TOTAL RECHARGE		

Appendix B – Example Costs of Specialist Resources

Example Costs for Type B Flood Rescue Boat and Crew Deployment

Type B rescue Boat team assumes a total 7 in a team including a Team Leader (WMB and a welfare officer (SMB flexi) and 5 competent FFs (as per DEFRA Flood Rescue Concept of Operations) The example also assumes a fully equipped team able to deploy a powered rescue boat with associated support equipment to the specification detailed in the DEFRA Flood Rescue Concept of Operations. The example also assumes a 12-hour working period of deployment costs per hour thereafter can be calculated by a division factor of 24 hours and a total mileage of 200 miles per vehicle

Resource	Costs (£)	Calculation
1 x SMB x 12 Hrs		1*12*SMB Hrly Rate
1 x WMB x 12 Hrs		1*12*WMB Hrly Rate
5 x FF x 12 Hrs		5*12*FF Hrly Rate
Type B Boat per Day (running cost)	100.00	1*100
Staff Car per Day (running cost)	50.00	1*50
Mileage Charge (based on 5 miles per litre @ £1.40 per litre)		200/5*1.40
Mileage Charge (based on 10 miles per litre @ £1.40 per litre)		200/10*1.40
Total Cost		
Administration Charge @ 5%		
TOTAL RECHARGE		

Example Costs for a High-Volume Pump & Double Hose Box (set) and Crew Deployment

For the purposes of this example costs assume a competent Watch Manager B (WMB) and crew of four firefighters (FF) and a welfare officer (SMB flexi) all paid at the competent rate. The example also assumes the provision of 1 HVP & Double hose box for pumping activity for a period of 12 hours and a total mileage of 200 miles per vehicle

Resource	Costs (£)	Calculation
1 x SMB x 12 Hrs		1*12*SMB Hrly Rate
1 x WMB x 12 Hrs		1*12*WMB Hrly Rate
4 x FF x 12 Hrs		4*12*FF Hrly Rate
HVP & DHB per Day (running cost)	200.00	2*100
Staff Car per Day (running cost)	50.00	1*50
Mileage Charge (based on 4 miles per litre @ £1.40 per litre)		200/4*1.40*2
Mileage Charge (based on 10 miles per litre @ £1.40 per litre)		200/10*1.40
Total Cost		
Administration Charge @ 5%		
TOTAL RECHARGE		

Example Costs for an Enhanced Logistics Support and Crew Deployment

For the purposes of this example costs assume a competent Watch Manager B (WMB) and crew of five firefighters (FF) and a welfare officer (SMB flexi) all paid at the competent rate. The example also assumes the provision of 1 ELS Vehicle logistics management activity for a period of 12 hours and a total mileage of 200 miles

Resource	Costs (£)	Calculation
1 x SMB x 12 Hrs		1*12*SMB Hrly Rate
1 x WMB x 12 Hrs		1*12*WMB Hrly Rate
5 x FF x 12 Hrs		5*12*FF Hrly Rate
ELS Vehicle per Day (running cost)	100.00	1*100
Staff Car per Day (running cost)	50.00	1*50
Mileage Charge (based on 4 miles per litre @ £1.40 per litre)		200/4*1.40
Mileage Charge (based on 10 miles per litre @ £1.40 per litre)		200/10*1.40
Total Cost		
Administration Charge @ 5%		
TOTAL RECHARGE		

Example Costs for a Tactical Advisor Deployment

For the purposes of this example costs assume a competent Station Manager B (SMB) paid at the competent rate. The example also assumes the provision of 1 staff car for a period of 12 hours and a total mileage of 200 miles

Resource	Costs (£)	Calculation
1 x SMB x 12 Hrs		1*12*SMB Hrly Rate
Staff Car per Day (running cost)	50.00	1*50
Mileage Charge (based on 10 miles per litre @ £1.40 per litre)	28.00	200/10*1.40
Total Cost		
Administration Charge @ 5%		
TOTAL RECHARGE		

Appendix C Secondment Hourly Rates of Pay using FPS 1992 pension rates (inclusive of 5% admin levy)

Secondment rates should be calculated using the figures in Appendix D and include the relevant pension rates.

Appendix D Deployment to Mutual Aid Hourly Rates of Pay

Rank	Annual Salary £	National Insurance £	Total inc. on costs £	Hourly Rate £
Firefighter Competent	36,226	4,082	40,308	18.46
Crew Manager Competent	40,161	4,675	44,836	20.53
Watch Manager A Competent	42,170	4,977	47,147	21.59
Watch Manager B Competent	44,911	5,390	50,301	23.03
Station Manager A Competent	48,116	7,320	55,436	25.38
Station Manager B Competent	51,525	7,936	59,461	27.26
Group Manager B Competent	59,642	9,402	69,044	31.61
Area Manager B Competent	69,283	11,769	81,052	37.11

Appendix E Vehicle/Equipment Cost Recovery Scales.

Provision of FRS Asset Only	Daily Rate £	Miles per Litre	Cost per Day (Ex Fuel) £

Fire Appliance	100	4	100
Type B/C Rescue Boat	100	5	100
Aerial Appliance	200	4	200
Search Dog Unit	100	10	100
Response Car / PCV	50	10	50
Prime Mover – HVP / USAR / MD / EBF	100	4	100
ELS Vehicle	100	4	100
DIM Vehicle	100	4	100

Appendix F Examples of Typical Types of Mutual Aid Assistance

13 & 16 over the border mutual assistance
Provision of specialist technical skills
Provision of specialist assets not hosted by an affected FRA
Response in support of significant serious and catastrophic incidents (as detailed in NCAF April 2019)

Appendix G Examples of Current Deployable Resource Types (Available via NCAF ESS)

CBRN(e) Mass Decontamination (MD)
CBRN(e) Detection, Identification & Monitoring (DIM)
Urban Search & Rescue (USAR)
High Volume Pump (HVP)
Flood Rescue Type B & C teams
Enhanced Logistics Support (ELS)
Enhanced Briefing Facility (EBF)
Tactical Advisors (Flood, USAR, CBRN(e), HVP, Wildfire, Waste fire, Communications - Airwave)
Drones
Fire Fighting Appliances (sourced from English FRS)

Section 2

Special Service Report

NAME OF RESPONSIBLE PERSON .... ADDRESS

....

....

TEL No. .... Email ....

SERVICE REQUESTED ....

I request you to undertake the service above, in accordance with such charges which I agree to pay. The arrangements may be terminated by the Fire & Rescue Service without cause assigned and without liability for compensation.

I agree to indemnify the Cumbria Commissioner Fire & Rescue Authority its servants and agents all costs, charges, claims and demands that may arise in connection with the service.

SIGNED .... DATE ....

APPLIANCE .... TOTAL TIME ENGAGED ....

APPLIANCE .... TOTAL TIME ENGAGED ....

SIGNATURE ATTENDING MANAGER ....

RECOMMENDATION ATTENDING MANAGER ....

SIGNATURE AM HEAD OF SERVICE DELIVERY ....

Head of Service Delivery	Action (Please delete)	CHARGE / DO NOT CHARGE
Finance Department	Action	

Scale of Charges as from 1 April 2023

The scale of Special Service Charges is amended with effect from 1 April 2023 as follows:

APPLIANCES

Turntable Ladder / Aerial Ladder Platform	£556.00	per hour or part hour
All other Appliances and Vehicles	£375.00	per hour or part hour
Light Portable Pump	£150.00	per hour or part hour

(These charges include the cost of personnel employed in the normal operation of the appliance/equipment. Any additional staff or supervisory officers will be charged at the rates below).

PERSONNEL

Firefighter	£49.63	per hour or part hour
Crew Manager	£55.42	per hour or part hour
Watch Manager	£61.20	per hour or part hour
Station Manager	£84.35	per hour or part hour
Group Manager	£99.26	per hour or part hour
Area Manager	£113.17	per hour or part hour

MISCELLANEOUS

Salvage Sheets	£36.40	per sheet per week
Collection and delivery	£1.42	per mile
Standard Fire Reports	£175.49	minimum charge
Fire Investigation Reports	£175.49	based on hourly rate
Professional Consultation	£175.49	minimum charge
Plan Examination	£175.49	minimum charge
Inspection of Premises	£175.49	minimum charge
Personnel Interview	£175.49	minimum charge
Report preparation re the above	£97.03	per hour
Admin Charge		10% of total

VAT to be added at standard rate where applicable.

Minimum charge 1 hour on Special Services thereafter per ¼ hour.