



TYNE AND WEAR FIRE AND RESCUE AUTHORITY

FIRE AUTHORITY MEETING: 24 FEBRUARY 2025

SUBJECT: REVENUE BUDGET 2025/26 AND MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2025/26 to 2028/29

REPORT OF: CHIEF FIRE OFFICER / CHIEF EXECUTIVE (THE CLERK TO THE AUTHORITY) AND THE DIRECTOR OF FINANCE, ESTATES AND FACILITIES

1 INTRODUCTION

1.1 The purpose of this report is to present for consideration and approval by Members:

- the revenue budget for 2025/26;
- the Authority's council tax requirement for 2025/26;
- the council tax precept required to be levied on the five Tyne and Wear councils for 2025/26, and
- an updated medium term financial strategy for 2025/26 to 2028/29.

1.2 Although the report sets out a balanced revenue budget position for 2025/26, it should be noted that this process has been one of the most difficult in recent years and it is without doubt becoming more and more challenging each year. Unavoidable cost pressures, pay awards, inflation, limited revenue grant funding, a complex grant system and a lack of capital investment in the fire sector are all factors impacting on the services that the Authority can provide.

2 LOCAL GOVERNMENT FINANCE SETTLEMENT 2025/26

2.1 The provisional Local Government Finance Settlement was reported to the Authority on 27 January 2025. The final Settlement was published by the government on 3 February 2025 and showed no changes other than the allocation of a £502m grant to reimburse authorities for the national insurance increase from 1 April 2025.

2.2 Rather than using national insurance data to allocate the grant, the government has chosen to use net current service expenditure as a proxy, heavily weighting the funding to authorities with high non-staffing costs. It is estimated that the grant shortfall against the additional costs will be in the region of £0.450m in 2025/26, resulting in a permanent budgetary pressure on the Authority.



3 REVENUE BUDGET 2025/26

3.1 A revenue budget for 2025/26 of £65.982m is proposed for approval, as detailed at Appendix A. The presentation of the budget information is determined by the requirements of CIPFA's *Service Reporting Code of Practice* as it defines best professional practice in terms of financial reporting.

3.2 A £5 cash increase in the council tax precept and a council tax requirement of £30.657m are proposed for approval in order to set a balanced budget.

3.3 The proposed revenue budget has considered the following:

Service pressures

3.4 A number of spending pressures have been incorporated into the final revenue budget for 2025/26. These include:

- Pay awards: a provision of 3% has been built into to the contingency budget for both Grey and Green Book pay awards. Any pay award in excess of these estimates will become a spending pressure for the Authority to manage;
- Local Government Pension Scheme: the last triennial review of the Scheme resulted in a revised rate of 17.8% from 1st April 2023, a minor reduction from the previous rate of 17.9%. This rate will be reviewed and implemented from 2026/27;
- Firefighters' Pension Scheme: all firefighters are now in the 2015 scheme, which has a current employer contribution rate of 37.6% (previously 28.8%) following a significant increase from April 2024. The Authority received £2.135m to mitigate the impact of the increased employer contributions in 2024/25 and this grant has been built into the budget for 2025/26 pending the 2025/26 allocation;
- The agreed holiday pay enhancement has now been built into base budgets;
- The national insurance increase from April 2025 which has not been fully compensated by grant funding, as set out in paragraph 2.2;
- The Authority has replaced its mobilisation system which will be live mid 2025. The costs of the new system significantly exceed the old system, with an additional pressure in 2025/26 due to the dual running of the old and new systems for a number of months;
- Inflation: inflation is now running at a more manageable level than in previous periods, but the effects are still being felt through the cost of goods and services and contracts such as PFI; and
- Capital financing: no prudential borrowing has been included within the medium term financial position as the capital programme can at this stage be fully funded by reserves and in year revenue contributions. In 2025/26, a



revenue contribution of £0.500m has been included. The 2025/26 capital programme is presented as a separate agenda item for approval.

Specific revenue grants

- 3.5 At the time of writing the report, the specific grant allocations for Firelink, New Dimensions, Protection Uplift and Pensions have not been announced and therefore estimates have been included for these grants. Any variations will be reported in the quarterly monitoring to the Authority.

Efficiencies

- 3.6 The Authority continues to achieve value for money in all that it does, and any additional income that it can generate or any efficiencies achieved will be used to allow the Authority to redirect its limited resources into service priorities.
- 3.7 The Authority was required to publish an efficiency and productivity plan in 2024/25 as part of the conditions of increasing council tax by the flat rate band D £5 increase. In the plan, the Authority has to meet a minimum target of 2% efficiency savings. This is now an annual requirement under the *Fire and Rescue National Framework for England*.

General balances and earmarked reserves

General balances policy

- 3.8 In considering a prudent minimum level of General Fund balances, the Authority considers financial risks and mitigation measures as outlined in Appendix C.
- 3.9 Taking account of the level of risk within this Authority, which is significant under the current government funding regime, the retention of a minimum level of General Fund balances of approximately £4m is considered prudent.

Minimum level of the General Fund

- 3.10 The General Fund balance is £4.072m. Based on the financial risk analysis attached to this report, this level of uncommitted general balance is considered reasonable. The current balance represents 6.17% of the proposed revenue budget for 2025/26 and is in excess of the 5% recommended minimum.

Earmarked Reserves

- 3.11 The Authority retains an appropriate level of earmarked reserves as determined by the Authority's MTFs and financial risk analysis. A Statement of the Estimated Earmarked Reserves and their planned use in 2025/26 is provided at Appendix D for information.



- 3.12 The reserves have been subject to a thorough review by senior management of the Authority, including the Director of Finance, Estates and Facilities, to ensure they are robust, appropriate and will meet the assessed financial risks of the Authority.
- 3.13 A number of the commitments in the Budget Carry Forward Reserve have now been included in the base budget, leaving an unallocated balance of £0.380m. It is proposed to transfer this to the Capital Development Reserve as part of the 2024/25 closedown to support the future capital programme.
- 3.14 Budget set aside in the Mobilisation Smoothing Reserve for funding the new business critical mobilisation system and ongoing operational communications revenue costs is no longer required. It is proposed to transfer the remaining balance of £0.702m to the Capital Development Reserve as part of the 2024/25 closedown to support the future capital programme.
- 3.15 It is recommended that the Authority considers the above and approves the proposed revenue budget for 2025/26, as detailed in Appendix A.

4 MEDIUM TERM OUTLOOK

- 4.1 An updated medium term financial strategy (MTFS) is set out at Appendix E which shows an estimated funding gap of £3.476m over the period to 2028/29.
- 4.2 This has been prepared using a number of assumptions regarding pay awards, grant increases and council tax capping limits which will be subject to change throughout the MTFS period.
- 4.3 There are a number of options which will be explored in order to ensure a balanced budget over the medium term, including:
- reducing the base budget, through the generation of further efficiency savings or reducing services on a risk assessed basis;
 - generating additional income, including maximising resources through external funding streams;
 - working with other fire and rescue authorities and other key partners to increase collaboration, and
 - invest to save initiatives.
- 4.4 There is a requirement for the Director of Finance, Estates and Facilities to report upon the robustness of the revenue budget and the minimum level of reserves. In making this statement, she relies on information provided to her by other officers of the Authority as part of the budget-setting process. This process involves reasonable checks and other verification, undertaken in accordance with the overall system of internal control.



- 4.5 A full risk analysis has been undertaken on the level of general balances and reserves held by the Authority. Further information is given in Appendix D regarding the adequacy of the reserves.
- 4.6 The Director of Finance, Estates and Facilities states that “based upon the information used in determining this revenue budget 2025/26 report, including specifically the risk analysis set out at Appendix C, the earmarked reserves set out at Appendix D, and the updated MTFs set out at Appendix E, the revenue budget is considered robust and the level of reserves is considered to be sufficient for 2025/26 after an assessment of the financial risks faced by the Authority has been taken into account.”

5 COUNCIL TAX AND BUSINESS RATES INCOME

Council tax

- 5.1 The five Tyne and Wear councils’ council tax bases (the number of dwellings upon which council tax is levied) and the surpluses or deficits on their Collection Funds have now been received. The Authority’s council tax base for 2025/26 will increase to 306,232, a 1.41% increase on 2024/25.
- 5.2 Based on an increase of £5 per band D equivalent dwelling in Tyne and Wear, precept income for 2025/26 will increase by £1.937m to £30.657m.
- 5.3 In addition to this, there will be a one off net council tax surplus of £0.477m relating to 2024/25, noting that these are not guaranteed and as such cannot be built into base budgets.
- 5.4 The proposed increase in council tax in 2025/26 will result in a basic band D council tax charge of £100.11, up from the previous year’s precept of £95.11.
- 5.5 The calculation of the council tax requirement (the precept) must consider the Authority’s proposed budget requirements, government funding, prior year Collection Fund surpluses / deficits and the local share of business rates.

Council tax base and proposed precept

- 5.6 The council tax bases of the five Tyne and Wear councils are used to calculate the proportion of the Authority’s precept to be levied on each Authority. The tax base is the estimated full year equivalent number of chargeable band D dwellings with two or more liable adults in respect of which tax will be received.
- 5.7 The council tax bases for 2025/26, as notified to the Authority by each council, and the total precepts proposed to be levied, are set out in the table below:



Council	Council tax base
Gateshead	54,429
Newcastle	70,750
North Tyneside	64,950
South Tyneside	39,658
Sunderland	76,445
Total	306,232

- 5.8 The basic council tax for the Authority is calculated by dividing the total precept by the aggregate of tax bases as shown below:

$$\frac{\text{Council tax requirement}}{\text{Total council tax base}} = \text{Basic council tax (band D)}$$

$$\frac{\underline{\pounds 30,656,886}}{306,232} = \pounds 100.11 \text{ per dwelling}$$

- 5.9 In other words, a £5 cash increase on 2024/25 council tax represents a basic council tax charge of £100.11 per band D dwelling for 2025/26. Applying the £100.11 charge results in the following precept to be levied:

Council	Council tax base	Precept £
Gateshead	54,429	5,448,887
Newcastle	70,750	7,082,783
North Tyneside	64,950	6,502,145
South Tyneside	39,658	3,970,162
Sunderland	76,445	7,652,909
Total	306,232	30,656,886

Resolutions

- 5.10 Based on the council tax requirement of £30,656,886 (known as Item R) and a basic council tax of £100.11 (R / T), it is recommended that the Authority adopts the following resolutions:

That for the year ended 31 March 2026:

- (i) the 'council tax base' for the whole of the Authority's area be noted as 306,232 (known as Item T);
- (ii) the 'basic amount of council tax' be £100.11 and the amount of council tax for each category of dwelling be approved as set out below:



Valuation band	Proportion of 'basic amount'	Precept £
A	6/9	66.74
B	7/9	77.86
C	8/9	88.99
D	9/9	100.11
E	11/9	122.36
F	13/9	144.60
G	15/9	166.85
H	18/9	200.22

- (iii) Under Section 52ZB of the Local Government Finance Act 1992, the increase in the Authority's relevant basic amount of council tax for 2025/26 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).
- (iv) Approve that, in accordance with Section 40 of the Act, the billing authorities within the area of this Authority be issued with precepts in the amount of £30,656,886 for the financial year beginning 1 April 2025, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the Act.

Council tax surpluses / (deficits) for 2024/25

- 5.11 The estimated balances at the year ending 31 March 2025 on the billing authorities' Collection Funds in respect of council tax payable to the Authority during 2025/26 are as follows:

	£
Gateshead	(30,663)
Newcastle	308,608
North Tyneside	113,953
South Tyneside	70,336
Sunderland	14,516
Total net surplus	476,750

Business Rates

- 5.12 The Authority's local share of business rates income for 2025/26, as notified by the five councils, totals £3.918m as set out below, which compares unfavourably to the Government's assumed business rates income figure of £4.200m included in the Local Government Finance Settlement. The Authority will receive an additional £0.061m from the councils as their share of the net surplus position of the business rates element of the Collection Fund for 2024/25. In total, therefore, the Business Rates income is £3.979m, still less than the Government's estimate.



	£
Gateshead	819,016
Newcastle	1,168,460
North Tyneside	692,547
South Tyneside	327,556
Sunderland	910,859
Total	<u>3,918,438</u>

Business rates surpluses / (deficits) for 2024/25

- 5.13 The estimated balances at the year ending 31 March 2025 on the billing authorities' Collection Funds in respect of business rates are as follows:

	£
Gateshead	38,578
Newcastle	14,652
North Tyneside	23,059
South Tyneside	(5,171)
Sunderland	(10,071)
Total net surplus	<u>61,047</u>

Summary

	£	£
2025/26 net budget requirement		65,981,837
Less: Revenue support grant	(13,703,575)	
Top-up grant	(12,865,559)	
SFA adjustment	(3,359,358)	
National insurance grant	(468,412)	
Section 31 business rates grant	(471,812)	(30,868,716)
Local share of business rates		(3,918,438)
		31,194,683
Less: Estimated Collection Fund net surplus:		
o council tax	(476,750)	
o business rates	(61,047)	(537,797)
Council tax requirement / (precept)		30,656,886

- 5.14 Taking into account all government funding, precept income and the estimated local share of business rates, a balanced Revenue Budget has been prepared on the assumption that a £5 increase in the precept (within the referendum limit) is approved by the Authority.



6 RISK MANAGEMENT

6.1 A risk assessment has been undertaken and is shown in Appendix C.

7 FINANCIAL IMPLICATIONS

7.1 The financial implications are set out in the report and appendices.

8 EQUALITY AND FAIRNESS IMPLICATIONS

8.1 There are no equality and fairness implications in respect of this report.

9 HEALTH AND SAFETY IMPLICATIONS

9.1 There are no health and safety implications in respect of this report.

10 RECOMMENDATIONS

10.1 The Authority is recommended to:

- (a) Note the revised estimates for 2024/25, as summarised at Appendix A;
- (b) Approve the proposed Revenue Budget for 2025/26, as summarised at Appendix A;
- (c) Note the projected Pensions Account 2025/26 detailed at Appendix B;
- (d) Note the associated risks and their mitigation as set out in Appendix C;
- (e) Approve the updated position on the General Fund and earmarked reserves, as set out in Appendix D, and the proposed movements in 2025/26;
- (f) Note the updated Medium Term Financial Strategy for 2025/26 to 2028/29 as set out at Appendix E;
- (g) Note the council tax base of 306,232 (known as Item T) for the year 2025/26, as notified by the billing authorities within Tyne and Wear under regulations;
- (h) Approve the following amounts for the Authority for the year 2025/26 which represents a band D council tax increase of £5 for 2025/26, in accordance with Sections 42A to 47 of the Local Government Finance Act 1992:
 - (i) £73,194,215 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(2)(a) to (d) of the Act;



- (ii) £42,537,329 being the aggregate of the amounts which the Authority estimates for the items set out in Section 42A(3)(a) to (b) adjusted for item of the Act;
- (iii) £30,656,886 being the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above, calculated by the Authority in accordance with Section 42A(4) of the Act, as its council tax requirement for the year, Item R in the formula in Section 42B of the Act;
- (iv) £100.11 being the amount at (iii) (Item R) above divided by the council tax base (Item T), calculated by the Authority in accordance with Section 42B(1) of the Act, as the basic amount of its council tax for the year.
- (v) Valuation bands:
- | | £ | |
|---|--------|---|
| A | 66.74 | being the amount given by multiplying the amount at (iv) |
| B | 77.86 | above by the number which, in the proportion set out in |
| C | 88.99 | Section 5(1) of the Act, is applicable to dwellings listed in a |
| D | 100.11 | particular valuation and divided by the number which that |
| E | 122.36 | proportion is applicable to dwellings listed in valuation band |
| F | 144.60 | D, calculated by the Authority in accordance with Section |
| G | 166.85 | 47(1) of the Act, as the amounts to be taken into account |
| H | 200.22 | for the year in respect of categories of dwellings listed in |
| | | different valuation bands. |
- (i) Note that under Section 52ZB of the Local Government Finance Act 1992, the increase in the Authority's relevant basic amount of council tax for 2025/26 is not excessive in accordance with the principles determined under Section 52ZC(1) of the Act (i.e. no referendum is required).
- (j) Approve that in accordance with Section 40 of the Local Government Finance Act 1992, the billing authorities within the area of this authority be issued with precepts in the amount of £30,656,886 for the financial year beginning 1 April 2025, the amount of the respective precepts to be issued to each billing authority's area in accordance with Sections 42A to 48 of the 1992 Act.