

Medium Term Financial Outlook 2025/26 – 2027/28

1 Purpose of this Outlook Overview

- 1.1 This paper presents an overview of the 3-year Medium Term Financial Plan and the draft Revenue Budget, Capital Budget and assumptions.

2 Revenue Budget

Table 1: Revenue Budget 3-Year Summary

	2025/26	2026/27	2027/28	Total
Total Expenditure	51,348	54,286	56,846	
Total Income	54,146	55,802	57,593	
surplus	(2,798)	(1,516)	(747)	(5,061)

- 2.1 The draft 3-Year Revenue Budget is in Table 1 above and in more detail in Appendix 1. It is currently showing a surplus over the 3-year period of £5.0 million.

This is after the adjustments in Table 3 towards the funding of the Learning and Development Facility (L & D Project) as follows:

	£ million
Revenue Budget Contribution	2.0
Capital Slippage	0.6
Vacancy Factor	0.75
Capital Optimism Bias Factor	0.88
Total	4.23

- 2.2 Subject to the £7.0 million Stage 2 L & D Funding proposal in Table 3 being approved as part of the budget / MTFP, the £5.0million surplus would then reduce to £0.77million and £4.23million above would be set aside in an earmarked reserve for the L & D project.
- 2.3 Also subject to CFA approval, this £4.23million would be topped up with a further £2.7million from general fund reserves totalling £6.93million for Stage 2 of the project as shown in Table 3.
- 2.4 The draft budget includes growth in the Revenue Budget of £6.2 million over 3 years, this is shown in detail in Appendix 4.
- 2.5 The expenditure budget includes this growth and also assumptions around pay and price inflation.

2.6 The main assumptions are:

- Council tax increase of £5 per Band D Property as per the provisional local government finance settlement
- Business Rates increase 1.7% in line with the CPI (Government Consumer Price Inflation index)
- Pay Awards 2.00% increase
- Price inflation (varying % based on services)
- Increase in Employer National Insurance contributions (13.8% to 15.0%) assumed only around 50% funded by Government.

2.7 The main area of risk for the Authority's budget is in relation to the assumptions around pay awards, pay being a substantial proportion of the total budget and pension costs not being funded to the same extent by Government.

3 Capital Budget

3.1 The draft 3-Year Capital Programme is in the table below and in detail in Appendix 2, it is currently showing forecast expenditure of £8.811 million.

3.2 Table 2: 3-Year Capital Programme

Capital	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Total	5,062	2,588	1,161	8,811

3.3 The Capital Programme frequently underspends, for a variety of reasons including supplier delays, refurbishment of properties etc. and for this reason, this year's budget has introduced a Capital Optimism Bias Factor of 10%. LFRS have analysed slippage over the past 5 year's capital programmes, and this averaged over 50%. The NAO, National Audit Office encourages realistic strategic planning, and best use of resources, hence this adjustment has been introduced. Over the 3-year period this adjustment equates to £0.88 million and has been ear-marked to help fund the new Learning & Development Facility.

4 Learning & Development Facility Capital Project £14.6 million

4.1 This large-scale project is in 2 Stages.

4.2 Stage 1 is for £7.6 million, and Stage 2 is for £7.0 million.

4.3 The Combined Fire Authority (CFA) previously authorised £6.4 million for the first Stage 1, the remaining £1.2 million has been incorporated into the 2025/26 draft budget.

4.4 Stage 2 funding of £7.0 million can be supported without borrowing as follows and this is incorporated in the draft budget in addition to the capital programme above.

Table 3: Funding Source for Learning & Development Facility Stage 2

Funding Source	£ million	Notes
Revenue Budget Surplus	2.0	V3 Budget Surplus over 3 years is c. £3.0m This proposal is to release £2m of the c. £3m surplus.
Reduction in Revenue Reserves	2.7	Forecasts in V3 Budget: General Fund Reserve £3.4m Budget Strategy Reserve £2.0m Total £5.4m These two General Fund Reserves currently stand at c.10% of the Revenue Budget, this proposal will reduce them to 5% of the Revenue Budget
Capital slippage brought forward into 2024/25 write back to budget no longer required	0.6	£4.8 million of capital slippage was brought forward into 2024/25. Four items of capital slippage have been identified as no longer required relating to Fire fighting equipment, Fire Control Tri-service contract, Life Safety Sprinkler, ICT equipment.
Vacancy Factor	0.75	2% Vacancy Factor to be introduced
Capital Optimism Bias	0.88	3 Year Capital Programme commencing 2025/26 is £8.811 million Optimism Bias Factor introduced to reflect ongoing underspends (10%)
Total	6.93	£70k shortfall to be met from Revenue Budget

4.5 If Stage 1 fails in obtaining planning permission for the new site at Billesdon, the associated land purchase will not proceed and Stage 2 funding of £7.0 million will not be required, also the bulk of Stage 1 funding would be written back.

4.6 Further information about this project can be found in a report to CFA Committee on 23 January 2025 in Appendix 3.

5 Summary

5.1 The draft Revenue Budget is showing a surplus over the 3-year period of £5.0 million. As noted in paragraphs 2.1 and 2.2, if the funding proposal for million Stage 2 Learning & Development Facility is approved, this will reduce to £0.77 million and £4.23 million above would be set aside in an ear-marked reserve for the L & D project.

5.2 £2 million of this surplus is being ear-marked in the draft budget towards funding a new Learning & Development Facility. This is a priority as Section7(2)(b) Fire and Rescue Services Act 2004 places a statutory duty on the CFA to make provision for training personnel in firefighting.

5.3 The authority is required to hold a prudent level of reserves. General Fund reserves are currently £5.4 million which is around 10% of the revenue budget. The Chartered Institute of Public Finance and Accountancy, CIPFA, recommend a minimum level of reserves of 5%. This budget reduces these

reserves to 5% to release £2.7m, also towards the new Learning & Development Facility.

- 5.4 The new Learning & Development Facility requires Stage 2 funding of £7.0 million. In addition to utilising part of the budget surplus and reserves, the balance is proposed to be met from writing back capital programme slippage, introducing a vacancy factor of 2% to reflect vacancies throughout the year across the organisation and a new capital optimism bias factor of 10% to reflect the fact that the capital programme budget is frequently underspent, and to avoid being overly optimistic in strategic planning and tying up valuable resources.

Appendix 3 Learning & Development Facility Update and Stage 2 Funding Implications – public report to CFA on 23 January 2025 provides an analysis of the last 5 years salary underspends (appendix 4) to support the introduction of a vacancy factor, and an analysis of the last 5 years capital programme slippage (appendix 5) to support the introduction of a capital optimism bias factor.

- 5.5 The new Learning & Development Facility is a large-scale capital project costing £14.6 million over two stages. This is in addition to the regular capital programme for vehicles, premises, equipment, and ICT totalling £8.811 million for the 3-year period.
- 5.6 This budget has been constructed by commencing with reviewing the approved budget for 2024/25 which reflects the current establishment. It has then been adjusted to take account of the following:
- Technical changes e.g. inflation, potential shortfall in national insurance increase being fully funded by Government
 - Proposed growth (Appx 4)
 - A contribution to fund the capital programme (Appx 2)
 - A contribution to fund the new Learning & Development Facility (Appx 3)
- 5.7 The Budget/Medium Term Financial Plan for 2025/26 to 2027/28 will be presented by The Treasurer to Combined Fire Authority (CFA), together with consultation feedback, on 5 February 2025 for consideration and approval.

Appendices

- 1 3-Year Revenue Budget
- 2 3-Year Capital Programme (excluding Learning & Development project)
- 3 Learning & Development Facility Update and Stage 2 Funding Implications – public report to CFA on 23 January 2025
- 4 Revenue Budget Growth Bids

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Revenue Budget – Income and Expenditure

	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Expenditure</u>			
Employees	38,147	39,656	40,415
Fire pensions administration	238	238	238
Other employee related expenditure	793	723	723
Premises	3,719	3,694	3,694
Transport	986	986	986
Supplies & Services	3,248	3,387	4,353
Capital Financing	3,918	5,003	5,838
Planning Provision	300	600	600
Total Expenditure	51,348	54,286	56,846
<u>Income</u>			
Council Tax	30,353	31,729	33,168
Business rates	6,419	6,528	6,639
Collection Fund Surplus/ (Deficit)	0	0	0
Business Rates Top Up Grant	6,775	6,890	7,007
Revenue Support Grant	7,176	7,298	7,422
Actuarial Review Compensation Grant	1,461	1,461	1,461
Services Grant	0	0	0
Other Grant	917	850	850
Fees and charges	1,045	1,045	1,045
Total income	54,146	55,802	57,593
Forecast Budget Surplus	(2,798)	(1,516)	(747)

3-Year Capital Programme

(excluding Learning & Development large-scale project)

Summary

Bids	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Vehicles	2,600	500	400	3,500
Premises	1,921	1,788	561	4,270
Equipment	219	100	100	419
ICT	322	200	100	622
Total	5,062	2,588	1,161	8,811

Vehicles

No. of Vehicles	2025/26 Quantity	2026/27 Quantity	2027/28 Quantity	Total
Fire Appliances	3	-	-	3
Station/Department Vans	4	-	10	14
TRV's	5	2	-	7
Fire Protection Cars	9	-	-	9
Hydrant Technician Vans	-	1	-	1
Total Vehicles	21	3	10	34
Capital Expenditure	£000	£000	£000	Total
Total Budget Required	2,600	500	400	3,500

3-Year Capital Programme

Premises

Location	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Ashby	-	-	100	100
Southern	1,000	-	-	1,000
Central	370	-	-	370
Oakham	-	75	-	75
Market Harborough	-	-	65	65
Workshops	-	-	80	80
Loughborough	-	300	-	300
Melton	-	-	70	70
Coalville	-	-	95	95
Uppingham	200	-	-	200
Kibworth	60	-	-	60
Birstall HQ	116	-	-	116
Billesdon	-	250	-	250
Occupational Health	-	-	100	100
EV Chargers	-	-	-	-
Flat Roof Replacement	-	500	-	500
Station Aprons/Yards	-	500	-	500
Contingency (10%)	175	163	51	389
Total	1,921	1,788	561	4,270

Equipment

Equipment Type	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Body Worn Video Cameras	41	-	-	41
Gas Monitors	51	-	-	51
Water rescue capability	90	-	-	90
Firefighting Branches	-	-	-	-
E-draulic/hydraulic rescue tools	-	-	-	-
Rope rescue equipment	10	-	-	10
MD4 Decontamination Equipment	12	-	-	12
Rose Reel Hoses	5	-	-	5
Hose Layer Equipment	5	-	-	5
Remove Slings	5	-	-	5
General Equipment	-	100	100	200
Total	219	100	100	419

3-Year Capital Programme**ICT**

Item	2025/26 £000	2026/27 £000	2027/28 £000	Total £000
Fortinet firewalls	62	-	-	62
Fleet Connectivity	40	-	-	40
LAN Refresh	100	100	-	200
MDT Replacement	120			120
General Provision	-	100	100	200
Total	322	200	100	622

**Learning & Development Facility Update and
Stage 2 Funding Implications**

See separate report to CFA on 23 January 2025 (enclosed)

Revenue Budget Growth Bids

Summary

Service Area	2025/26 £000	2026/27 £000	2027/28 £000
Operational Response	736	811	811
Business Support	370	405	1,305
People and Organisational Development	172	72	72
Estates	501	476	476
Total Revenue Budget Requested	1,780	1,764	2,664

Operational Response	2025/26 £000	2026/27 £000	2027/28 £000
Water Rescue Capability Uplift	8	38	38
Mobilising System - Motorola	(68)	(23)	(23)
DCP	790	790	790
Manchester Arena Inquiry Response	7	7	7
Total Operational Response	736	811	811

Business Support	2025/26 £000	2026/27 £000	2027/28 £000
Maintenance Costs for Operational Equipment and Breathing Apparatus	104	88	88
ICT - Skype to Teams Transition, Ipad Refresh and Related Training.	22	22	22
ICT - Digital Transformation and Datawarehouse Development	15	15	15
ICT - RMS Phase 2	0	0	0
ICT - Cyber Improvements in Line With NFCC	35	35	35
ICT - Support for New RMS System	65	65	65
ICT - Firewatch Migration (7.7 to 7.8)	40	40	40
Fleet Monitoring System Replacement	15	15	15
Finance Team - New structure	25	25	25
Finance Team - Pensions Support	50	50	50
Estimated Growth for years 2026/27 and 2027/28	0	50	950
Total Business Support	370	405	1,305

Revenue Budget Growth Bids

People Organisational & Development	2025/26 £000	2026/27 £000	2027/28 £000
L&OD - Learning and Organisational	25	25	25
Finance Team - Training and Development	5	5	5
HR – Outsourced Promotion Process	42	42	42
Recruitment and Whole-time training	100	0	0
Total POD	172	72	72

Estates	2025/26 £000	2026/27 £000	2027/28 £000
Estates and Facilities Management	501	476	476
Total Estates	501	476	476