

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 9 FEBRUARY 2022
REPORT OF: CHIEF FIRE OFFICER AND CHIEF EXECUTIVE
AUTHOR: WENDY BEBBINGTON

SUBJECT: DRAFT 2022-23 BUDGET;
COUNCIL TAX PRECEPT; AND
MEDIUM TERM FINANCIAL PLAN 2022-27

Purpose of Report

1. The purpose of this report is to allow Members to:
 - Approve the Authority's Medium Term Financial Plan 2022-27;
 - Agree the Authority's 2022-23 budget;
 - Agree the Authority's 2022-23 council tax precept as required by law;
 - Approve the Authority's Capital Programme and funding;
 - Approve the Authority's Capital Strategy; and
 - Approve the Authority's Reserves Strategy.

Recommended: That Members

- a) Approve the Medium Term Financial Plan as set out in Appendix 1;
- b) Agree the Net Budget Requirement of £46.587m (as set out in Table 1 paragraph 10) which takes account of adjustments for inflation, growth, one off items and savings (as detailed in Appendix 2);
- c) Agree the proposed council tax increase of 1.99% and set a Band D council tax precept of £82.48 for 2022-23;
- d) Agree the levels of council tax precept set out in Table 2 paragraph 23;
- e) Approve the proposed capital programme for 2022-23 set out in Table 3 paragraph 24 together with its associated funding;
- f) Approve the Capital Strategy set out in Appendix 3;
- g) Approve the Reserves Strategy set out in Appendix 4;
- h) Note the Statement of Robustness of Estimates set out in Appendix 5; and
- i) Adopt the Financial Health Targets in paragraph 27.

Medium Term Financial Plan and Funding Position

2. The Authority is required to approve a budget and set a council tax precept (the Authority's share of the council tax bill) for the financial year commencing 1st April 2022. The Authority is required to take into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium Term Financial Plan (MTFP) with the annual budget forming the first year of the MTFP. The creation and maintenance of the MTFP is fundamental in promoting good financial planning and delivery of value for money. The MTFP is attached as Appendix 1 to this report.
3. Government funding is provided through a Settlement Funding Assessment (SFA) which includes Revenue Support Grant (RSG) and Baseline Funding (i.e. Business Rates paid over to the Authority by the four local authorities), together with a Top Up grant from Government to provide a minimum agreed funding level. Although the three-year spending review was published in 2021, the allocations were high level and not specific to individual organisations. The Provisional Local Government Finance Settlement, published on 16th December 2021, is a one-year only settlement.
4. The Government pays local authorities (including fire and rescue authorities) Section 31 Grants to counteract the impact of the Government's policy of reducing business rates on new and small businesses. The Government has indicated that this grant is likely to remain in place until revisions to the Business Rates Retention Scheme are in place. Therefore, it remains within the forecasts in the MTFP. When the grant is withdrawn, the loss of funding should be replaced, in theory, by an increase in business rates receivable from the local authorities.
5. In recent years, the Government has set a limit on the amount by which a local authority can increase its council tax each year, unless it carries out a referendum and gains approval. In the Provisional Local Government Finance Settlement, this limit for 2022-23 is 2%. The Authority may increase its council tax above this level, but can only do so after approval by the local electorate through a referendum.
6. Additionally, there is a financial impact from both the council tax and business rates collection funds. Each year council tax and business rates income is calculated based on assumed levels of collection rates, benefit levels and other discounts by the local authorities. This means that, at the end of each year, an adjustment is made to reflect the actual collection rates. This can lead to a one-off surplus or deficit on the fund that must be accounted for within the calculation of the following year's net budget requirement. The four local authorities declare the actual amounts in January each year. The Authority is required to pay its share of any deficit, or may receive a portion of the surplus.

7. Included in the MTFP and the 2022-23 budget proposals are a number of financial assumptions. The level of expenditure incurred increases each year based on a number of factors such as pay awards, inflation and additional demands or burdens. The following lists the financial assumptions included within the MTFP:
- Pay awards – with high inflation currently, the estimate for 2022-23 is 3%; with 2% thereafter
 - Price inflation – based on the Office of National Statistics CPI with specific increases for known high inflation areas such as energy costs
 - Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on actual spend. Interest payable is based on the forecast interest rates set by the Treasury Management Advisors
 - Funding – while the details of funding in 2022-23 are now known, the spending review only included high level Government departmental spend. How this translates into funding for the Authority remains uncertain. As such, the MTFP currently shows no increase in Government funding year on year.
8. Both the MTFP and the proposed 2022-23 budget include the known on-going impact of the Covid-19 pandemic, although this remains subject to change given the uncertainty of the situation. The main impact in terms of funding is on the levels of business rates raised locally and the collection funds for both business rates and council tax. Legislation last year allowed the deficits for 2020 to be spread over three years with 2022-23 being Year 2. Grants were also provided to help fund these deficits and the Authority will utilise these grants to mitigate the impact where possible.

Proposed Revenue Budget 2022-23

9. The 2022-23 budget proposals are based on the Provisional Local Government Finance Settlement as published on 16 December 2021. The Settlement includes the Government's Funding Assessment and grant allocations for 2022-23 together with the Council Tax Referendum Principles that allow for an increase in council tax of up to 2% without triggering a local referendum. An increase of 1.99% in the council tax is assumed; this would generate additional funding of £1,169k compared to 2021-22, based on the tax bases of Band D equivalent properties. When all elements of funding are included – such as revenue support grant and business rate income - the overall net revenue budget would increase by £384k compared to the previous year, including a 2022-23 one off Service Grant of £653k.
10. Based on all the above information and assumptions, the following table sets out the proposed 2022-23 budget.

Table 1 – Budget Proposals 2022-23		£000
Budget	Base Budget	43,724
	Inflation	1,281
	Commitments (Appendix 2A)	839
	Growth – permanent (Appendix 2A)	747
	One-off items (Appendix 2B)	794
	Budget Requirement pre savings	47,385
	Identified Savings (Appendix 2C)	-781
	Use of Reserves	-17
Proposed Budget Requirement		46,587

Funding	Revenue Support Grant	4,136
	Local Business Rates Income	4,112
	Business Rates Top Up Grant	5,190
	Precept (Council Tax) - assumed 1.99% increase	31,956
	Collection Fund deficit - business rates	-1,041
	Collection Fund deficit - council tax	-14
	Section 31 Business Rates Grant	1,595
	2022/23 Services Grant Allocation	653
	Total Funding (Net Budget Requirement)	46,587

Precept (Council Tax - Band D)	£82.48
Increase from 2021-22 Band D of £80.87	£1.61

11. As the above table shows, this proposal delivers a balanced budget as required by law. Should the Authority wish to propose a council tax precept that is lower than the 1.99%, further savings would be required. For example, a 1% increase would reduce funding by £0.3m.

Commitments

12. Commitments reflect the impact of previous decisions that have a financial consequence in 2022-23 or are due to legal or regulatory changes; these are set out in Appendix 2A. For example, the 2021-22 budget did not include a provision for a pay award in line with the Government's policy; however, a pay award was implemented in-year and the 2022-23 budget needs to include the cost of this award. Equally, the Government announced a 1.25% increase in National Insurance – Health and Social Care Levy, which the Authority is obliged to pay.

13. Also included in the commitments is the increase in the need to set-aside funds to repay borrowing in line with the agreed capital funding arrangements.

Growth Proposals

14. In line with the approved Integrated Risk Management Plan (IRMP) and in recognition of the current pressures on energy budgets, a number of growth proposals are also presented for approval as set out in Appendix 2A.
15. One of the major items is the additional cost of having a dedicated Communications and Engagement Department now that the joint arrangement with Cheshire Constabulary has been brought to an end. Likewise, the demands arising from McCloud and other pension work requires additional resources.
16. Outside of service provision, the impact of energy costs are such that direct action is required to uplift these budgets to meet the current pricing levels. This budget area will be kept under review to seek to ensure that the best rates are maintained even in the current challenging economic climate.
17. Finally, there are a number of small items that are required to keep budgets in line with expected costs going forward, for example business rates.

One-off growth items

18. Most years there are temporary, one-off, items that require funding, as set out in Appendix 2B. For 2022/23, these will be funded from reserves wherever appropriate as indicated.
19. Fleet has retained an apprentice as a full time mechanic within the workshop to support the increased activity as the IRMP investment in vehicles is delivered. It is proposed that this role is retained for a further year to meet demand.
20. The Service has an On-Call Programme which is seeking to provide improvements to the current duty system and support the Service aim of achieving 85% availability. It is intended to continue this programme for a further year through a Watch Manager post, to build upon the work of the Programme to-date.

Proposed Savings

21. As shown earlier in the report, assuming the proposed increases in expenditure are approved, savings will be required as the level of funding from the Government, local business rates and council tax precept, is not sufficient to meet expenditure demands. Proposals for savings totalling £781k have been identified which provide a balanced budget position. A full list of the proposed savings is included in Appendix 2C.

22. As part of the overall budget setting process, each department's non-pay budget has been scrutinised to ensure that it remains relevant, fit for purpose and in line with current commitments and expenditure plans.

Council Tax Precept

23. To calculate the level of Council Tax funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, council tax benefits etc. Compared to 2021/22, the overall taxbase has increased by 6,711.68 (last year the increase was 595). The following table shows the proposed level of precepts for each local authority and the individual amount levied per each Council Tax band, based on the assumption of 1.99% increase to £82.48 for Band D.

Table 2: Proposed Precepts 2022-23

	Number of Band D Equivalent	Precept on Collection Fund £
Cheshire East	156,607.48	12,916,985
Cheshire West & Chester	125,464.60	10,348,320
Halton	35,831.00	2,955,341
Warrington	69,538.00	5,735,494
TOTAL	387,441.08	31,956,140

Band	Proposed 2022-23 £	Actual 2021-22 £	Change per year £	Change per week £p
A	54.99	53.91	1.08	0.02
B	64.15	62.90	1.25	0.02
C	73.32	71.88	1.44	0.03
D	82.48	80.87	1.61	0.03
E	100.81	98.84	1.97	0.04
F	119.14	116.81	2.33	0.04
G	137.47	134.78	2.69	0.05
H	164.96	161.74	3.22	0.06

Capital Strategy

24. In addition to the revenue budgets, a programme of capital investment is proposed for 2022-23. Wherever there is discretion about elements of the programme, Members have previously been supplied with business cases at their Planning Days to gauge their support. Funding for these comes from reserves held by the Authority and borrowing, when necessary. Details of the proposed capital programme is shown in the following table together with the proposed funding. Further details are included in the Capital Strategy that is attached to this report as Appendix 3.

Table 3 - Proposed Capital Programme	2022/23 £000
Annual Replacement Schemes:	
Fleet Vehicles	1,349
Operational Equipment	28
ICT & Communications	100
New Schemes:	
Estates – Crewe FS	5,600
Estates – FS Modernisation	4,350
Estates – Houses Modernisation	250
Estates – Wilmslow	4,500
Capital Expenditure	16,177
<u>Financed by:</u>	
General Capital Grants	0
Capital Receipts	0
Capital Reserves and Revenue Contributions	6,077
Borrowing	10,100
Total Funding	16,177

Reserves Strategy

25. Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers (the Section 151 Officer) to formally report on the adequacy of the reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Authority.
26. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive. This is set out within the Reserves Strategy attached at Appendix 4, which includes details of the reserves held and their proposed usage over the next five years.

Financial Health Targets

27. It is considered best practice to maintain a set of Financial Health Targets. The Financial Health Targets below are those previously adopted by the Authority.
 - That the Authority reviews and approves its Reserves Strategy on an annual basis. This should be supplemented by consideration of the level of reserves at mid-year review.
 - That the Authority maintains its revenue spending within 1% of budget following the mid-year and three quarter review.

- That the Authority reduces slippage to 25% of the total capital programme (the total capital programme includes the existing capital programme and slippage brought forward from previous years).
28. Performance against these targets will be reported to Members as part of the quarterly financial reviews.

Robustness of Estimates

29. Section 25 of the Local Government Act 2003 also places a requirement on Chief Finance Officers to report on the robustness of estimates used in preparation of the budget proposals. Details of how this requirement has been met are set out in Appendix 5.

Conclusion

30. The 2022-23 proposed budget as set out in this report is based on the Local Government Finance Settlement, which was again a one-year settlement. Savings have been identified through a thorough review of budgets with the intention to protect and ensure continuity of service delivery.
31. The Local Government Finance Settlement for 2022-23 includes Council Tax Referendum Principles that allow for an increase in council tax of up to 2%.
32. Section 43 of the Local Government Finance Act 1992 requires an authority to set its net budget requirement. Based on the proposed council tax increase of 1.99%, the net budget requirement will amount to £46.587m.

Financial Implications

33. This report considers financial matters.

Legal Implications

34. There are no legal implications arising from the report.

Equality and Diversity Implications

35. There are no equality and diversity implications arising from this report.

Environmental Implications

36. There are no environmental implications arising from this report.

**CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING MANAGER
TEL [01606] 868804**

BACKGROUND PAPERS: NONE