

**CHESHIRE FIRE AUTHORITY
MEDIUM TERM FINANCIAL PLAN 2022 TO 2027****1. INTRODUCTION**

1.1. The purpose of the Medium Term Financial Plan (MTFP) is to provide the Authority, staff, the public and other stakeholders with information on the financial outlook and the estimated available funding over the next five years. The MTFP takes into account future high level, potential revenue and capital expenditure over the period based upon current known information and estimates.

2. THE BUDGET STRATEGY

2.1. The purpose of the budget strategy is to provide a basis for determining:

- The level of funding available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of collaborations, partnerships etc.;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels;
- The impact of additional demands on the level of council tax that is required; and
- The potential impact of the main financial risks facing the organisation.

2.2. The above help to establish the anticipated level of funding and demands on finances over the MTFP period enabling strategic financial planning processes to address the challenges and outcomes. The following set out the key principles for that planning process:

- Ensure that plans contribute to improved outcomes in support of set priorities within the Integrated Risk Management Plan (IRMP);
- Set a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies with the approved reserves strategy;
- Raise awareness of and communicate key financial messages both internally and externally;
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;

- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Significant budget proposals will be publicised and where appropriate consulted upon with stakeholders in an open and transparent manner.

3. FINANCIAL SCENARIO

- 3.1. It is imperative that the MTFP takes account of the local, regional, national and global economies, particularly in light of the on-going impact of the Covid-19 pandemic. This provides a basis for the estimates and assumptions used.
- 3.2. The Authority receives its main funding from three sources – Government funding, a share of local business rates and local council tax (known as a precept). These are discussed in more detail below.
- 3.3. Government funding is provided through a Settlement Funding Assessment (SFA) that includes the Revenue Support Grant (RSG) and Baseline Funding (i.e. business rates paid over to the Authority by the four local authorities in Cheshire), together with a ‘top-up’ grant from the Government to ensure a minimum level of funding is achieved.
- 3.4. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review alongside his Autumn Budget 2021. The spending review sets out public spending totals for the financial years 2022-23 to 2024-25. While the spending review and the Autumn Budget contained very little fire and rescue specific announcements, there were two that are linked to fire and rescue:
- Cladding –£5 billion funding (£3 billion of which is over the spending review period) for remediation of the highest risk buildings with unsafe cladding to ensure everyone can feel safe and secure in their home.
 - Home Office Funding – The Home Office settlement provides £4.2 billion over the Parliament, increasing from £12.3bn in 2019-20, (£14.6bn in 2021-22) to £16.5bn in 2024-25. This is equivalent to a real-terms growth rate of 1.9% a year on average over the period.
- 3.5. On 16 December 2021, the Secretary of State for Levelling Up, Housing and Communities issued the 2022-23 Provisional Local Government Finance Settlement that set out the SFA for one year only. In addition to setting the SFA, the Secretary of State announced a one-off 2022/23 Services Grant worth £822 million – for the Authority this is £652.8k.

- 3.6. A precept is levied on the council tax to partly fund Cheshire Fire Authority and it is the responsibility of the Authority to set the level of precept as part of the annual budget setting process. 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. These vary each year and the MTFP includes assumptions for these changes based on discussions with and forecasts supplied by the Cheshire local authorities.
- 3.7. It is now standard for the Government to set a limit on the amount by which a local authority can increase its council tax each year, with any increase above this limit requiring a referendum. The Provisional Local Government Finance Settlement confirmed that for 2022/23 the limit is 2%. This has been the limit for a number of years now.
- 3.8. Each year the council tax income is calculated based on assumed levels of collection rates by the local authorities. This means that at the end of each year, an adjustment has to be made to reflect the actual collection rate. If more has been collected, the fund will be in surplus; if less has been collected, the fund will be in deficit. The Authority will either receive its share of any surplus or be required to pay its share of any deficit and this is taken into account as part of the overall budget setting process.
- 3.9. The same process applies to the collection of local business rates for which the Authority has a 1% stake. The details of these are published in January prior to setting the budget.
- 3.10. Based on the above and other known factors, the following table shows the forecast funding over the MTFP period. Although the table forecasts increases in the council tax, the decision will be made by the Authority as part of the annual budget setting process.

Table 1 - Funding	2022-23 £000	2023-24 £000	2024-25 £000	2025/26 £000	2026/27 £000
Settlement Funding Assessment	-13,438	-13,438	-13,438	-13,438	-13,438
2022/23 Services Grant	-653	0	0	0	0
Section 31 Business Rates Grant	-1,595	-1,000	-1,000	-1,000	-1,000
Collection Fund – business rates	1,041	750	500	500	500
Council Tax (precept)	-31,956	-32,928	-33,929	-35,050	-36,206
Collection Fund – council tax	14	0	0	0	0
Total Funding	-46,587	-46,616	-47,867	-48,988	-50,144

Council taxbase	387441.1	391443.6	395489.0	400566.6	405711.0
Council tax (Band D)	£82.48	£84.12	£85.79	£87.50	£89.24
Forecast increase in precept	1.99%	1.99%	1.99%	1.99%	1.99%

4. FINANCIAL ASSUMPTIONS

4.1. The level of expenditure incurred increases each year due to a number of factors such as pay awards, inflation and additional demands or burdens. The following lists the key financial assumptions included within the MTFP:

- Pay awards – with high inflation currently, the estimate for 2022-23 is 3%; with 2% thereafter
- Price inflation – in general, based on the Office of National Statistics CPI and specifically 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 provided 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 a result, the MTFP currently shows no increase in Government funding year on year.

5. FINANCIAL FORECASTS 2022-2027

5.1. It is important to note that the MTFP is a high-level strategy document designed to inform and direct the Authority's financial planning over the medium term based on current estimates and assumptions. As with any forecasting, the actual outcome is highly unlikely to match the forecast. A certain level of detailed information is included in the financial forecasts beyond 2022-23 but these should be regarded as indicative and illustrative rather than firm proposals at this stage. As further information and data become available, the figures will be updated.

5.2. Based on the current information, priorities and assumptions, the table below sets out an indicative budget for 2022-23 to 2026-27. The figures show the budget gap assuming a 1.99% increase to the council tax precept each year, subject to approval each year by the Authority. Savings will need to be identified to meet these predicted shortfalls. The Service undertake a Priority Based Budget exercise each year to highlight priorities, ensure resources are targeted to meet those priorities and to determine those areas of the organisation where efficiencies can be delivered.

Table 2 – Financial Forecasts

	2022-23 £000	2023-24 £000	2024-25 £000	2025/26 £000	2026/27 £000
Base Budget	42,113	45,378	45,005	46,256	47,377
Inflation	1,281	978	1,000	1,022	1,045
Commitments	863	0	0	0	0
Growth - permanent	747	500	500	500	500
One-off Items (net)	763	-794	0	0	0
Contribution to / (from) reserves	1,601	861	1,111	1,611	1,611
Net Budget	47,368	46,923	47,616	49,389	50,533
Funding:					
Settlement Funding Assessment	-13,438	-13,438	-13,438	-13,438	-13,438
2022/23 Services Grant	-653	0	0	0	0
Section 31 Business Rates Grant	-1,595	-1,000	-1,000	-1,000	-1,000
Collection Fund – business rates	1,041	750	500	500	500
Council Tax (precept)	-31,956	-32,928	-33,929	-35,050	-36,206
Collection Fund – council tax	14	0	0	0	0
Total Funding	-46,587	-46,616	-47,867	-48,988	-50,144
Budget Shortfall	781	307	-251	401	389

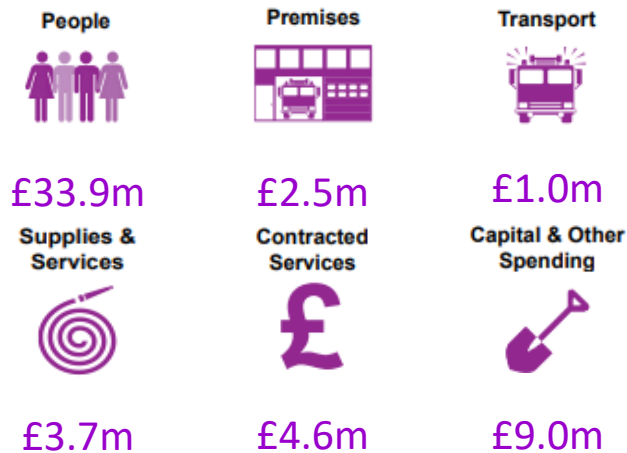
6. GROWTH

6.1. Growth can arise from a number of areas such as increased service demands, new burdens or temporary investment to support change etc. All growth bids are scrutinised by the Service Management Team to ensure they reflect genuine growth and are in line with the priorities. Business cases are produced where appropriate and fed into the Priority Based Budget exercise.

6.2. Where growth is temporary or one-off expenditure and there are specific earmarked reserves set aside to support such activity, these reserves will be used to fund the growth. Temporary growth or one-off expenditure is subject to the same rigour as permanent changes to the base budget.

7. PROPOSED SAVINGS

7.1. When considering the opportunities for further efficiencies and savings, it is important to understand how the Authority currently spends its funding. The following diagram shows the actual spend in 2020-21 as set out in the audited Statement of Accounts. This clearly shows that the main spend is on employees with the remaining funds spent on non-pay items.



7.2. As mentioned earlier in the report, the Service undertakes a priority based budgeting process that provides a comprehensive review of the entire budget, identifying and ranking services provided based on the Authority’s priorities and demands. This diagnostic process enables officer to advise the Authority about linking funding decisions to the priorities in the Integrated Risk Management Plan.

8. RISK AND SENSITIVITY ANALYSIS

8.1. As with any assumptions there are risks that the actual outcome will be different. There are three key assumptions included within this MTFP that could impact significantly upon the figures presented in this MTFP. These are: the level of government funding; the amount of council tax received; and the level of pay awards agreed nationally. As such the following details the financial impact of changes to the levels assumed in the Financial Forecasts table. It is also important to note that these changes would be cumulative as they represent a change to base level funding.

- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £75.2k.
- For every 0.5% above or below the proposed 1.99% Band D council tax increase post 2022, the impact would be a change in funding levels by approximately £156k per annum.
- Likewise a 0.5% movement in the firefighter pay award would have a potential £129k impact on the budget gap.

8.2. In December 2018, the Court of Appeal ruled that the Government’s changes to firefighters’ pensions were discriminatory on the grounds of age. The Government has accepted this and situation will be remedied in the future. The financial implications are not known at this point as the final costs are unknown and the source of funding remains uncertain.

9. INDICATIVE CAPITAL PROGRAMME

9.1. In addition to the revenue budgets, a programme of capital investment is proposed within the MTFP. Funding for this comes from reserves held by the Authority, contributions from the revenue budget and borrowing. Spending profiles are indicative based on current knowledge and actual spend is monitored in year and reported to Members in the quarterly reviews.

9.2. The following table shows the indicative capital programme and proposed funding.

Table 3 – Indicative Capital Programme	2022-23 £000	2023-24 £000	2024-25 £000	2025/26 £000	2026/27 £000
Expenditure:					
Annual Replacement Schemes:					
Fleet Vehicles	1,349	955	965	985	965
Operational Equipment	28	350	350	600	350
ICT & Communications	100	50	50	50	50
New Schemes:					
Estates – Crewe FS	5,600	1,000	0	0	0
Estates – FS Modernisation	4,350	3,000	3,000	0	0
Estates – Houses Modernisation	250	250	250	250	0
Estates – Wilmslow	4,500	0	0	0	0
Provision for New Projects	0	0	250	250	250
Capital Investment	16,177	5,605	4,865	2,135	1,615
Financed by:					
Capital Reserves & Revenue Contributions	6,077	4,355	4,615	1,885	1,615
Borrowing	10,100	1,250	250	250	0
Total Funding	16,177	5,605	4,865	2,135	1,615