

CHESHIRE FIRE AUTHORITY

MEETING OF : CHESHIRE FIRE AUTHORITY
DATE : 21ST SEPTEMBER 2016
REPORT OF : CHIEF FIRE OFFICER AND CHIEF EXECUTIVE
AUTHOR : HEAD OF FINANCE

SUBJECT : Efficiency Plan and Four Year Funding
Settlement

Purpose of Report

1. To seek Members' approval to apply to the Government in relation to the offer of a four year funding settlement.

Recommended: That

- [1] Members approve the draft Efficiency Plan for 2015-16 to 2019-20; and
- [2] the Authority applies to the Government in relation to the offer of a four year funding settlement.

Background

2. When the Government announced the settlement of funding for local authorities for 2016-17 in December 2016, it included a four year funding settlement up to 2019-20. It announced at the time that authorities would be able to agree with the Government to fix this level of funding. This was subsequently confirmed by a letter to the Authority from the Minister for Policing, Fire, Criminal Justice and Victims. A copy of this letter is attached to this report as Appendix 1.
3. As can be seen in the letter, in order to access the offer of a four year settlement, the Authority must publish an Efficiency Plan by October 2016. The Annex to the letter explains the issues which the Minister expects the Efficiency Plan to address. At the same time, the Government is considering the continued participation of fire authorities in the Business Rates Retention scheme and this may have an impact on future funding arrangements.

Information

4. The four year settlement for the Authority is shown below in Table 1. The amount due under the Settlement Funding Assessment (SFA) in the four years 2016-17 to 2019-20 drops by around £2.7m, or 17%.

Table 1: Four year settlement

	2016-17	2017-18	2018-19	2019-20
Settlement Funding Assessment				
Baseline Funding - Business Rates / Top Up	8,666	8,836	9,097	9,388
RSG	7,370	5,496	4,513	3,927
Settlement Funding Assessment Total	16,036	14,333	13,610	13,315

5. In the Authority's Medium Term Financial Plan (MTFP), the reduction in SFA is, in part, offset by assumed growth in Council Tax, based on an annual increase in precept of 1.99% and an annual increase in tax base of 1%. The latest MTFP shows Council Tax estimated to increase in the same four year period by about £2.6m. Allowing for other adjustments, the total amount of funding reduction over the four years is estimated to be about £850k, or about 2%.
6. There are two elements to SFA, Revenue Support Grant and Baseline Funding Level. Revenue Support Grant is entirely controlled by Government and can therefore be fixed. Baseline Funding Level is further split into Business Rates Baseline, paid by local authorities, and Top Up Grant paid by the Government. Business Rates can be volatile and may be subject to change in any year, so the final position on Business Rates may mean that the final overall funding position differs from that shown in the four year settlement agreement. However, the four year settlement does offer some certainty for planning, and in the event of an economic downturn does offer some protection to the Authority's core funding. As can be seen in the Minister's letter, if the Authority chooses not to accept the offer, then it would be subject to an annual settlement, which would be affected by the economic position each year at the point the settlement was determined. This could lead to a risk of reduced settlements.
7. From a planning perspective, to not accept the four year settlement would mean that the Authority's MTFP would be based on estimates derived from economic forecasts and policy statements by Government, as has happened in the past, which can lead to a higher risk of uncertainties associated with the MTFP. It is therefore recommended that the Authority accepts the Government's offer of a four year settlement to reduce risk to the Authority and introduce as much certainty into the financial planning process as possible.

8. The Government is currently consulting on business rates retention in local authorities. If, after the consultation closes the government removes fire authorities from the business rates retention scheme, it is unclear what impact this might have on the four year settlement agreement.
9. Attached to this report as Appendix 2 is a draft copy of the Efficiency Plan the Authority would need to submit to the Home Office and publish on its website with a view to securing the four year settlement. It is based on the most recent MTFP and explains how the Authority has calculated the level of savings it needs to make to balance its budget to 2019-20, and then describes how it intends to make those savings. In particular it explains that considerable proportions of previous and future savings are derived from the introduction of more flexible working arrangements and greater use of on call firefighters. In addition it describes the estimated capital programme and how that programme is intended to be funded.
10. The Plan goes on to address other issues in the Minister's letter by explaining how the Authority intends to collaborate with partners; how it publishes its performance information; how it plans to use its reserves; and it also commits to monitoring the Plan itself.

Financial Implications

11. This report is financial in nature.

Legal Implications

12. There are no specific legal implications to consider.

Equality and Diversity Implications

13. There are no equality and diversity implications to consider.

Environmental Implications

14. There are no environmental implications to consider.

BACKGROUND PAPERS:

Appendix 1 – Letter from the Minister for Policing, Fire, Criminal Justice and Victims

Appendix 2 – Cheshire Fire Authority Efficiency Plan