

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 15TH FEBRUARY 2023
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

SUBJECT: DRAFT 2023-24 BUDGET;
COUNCIL TAX PRECEPT; AND
MEDIUM TERM FINANCIAL PLAN 2023-28

Purpose of Report

1. The purpose of this report is to allow Members to:
 - a. Approve the Authority's Medium Term Financial Plan 2023-28;
 - b. Agree the Authority's 2023-24 budget (including the Net Budget Requirement);
 - c. Agree the Authority's 2023-24 council tax precept as required by law;
 - d. Approve the Authority's Capital Programme and funding;
 - e. Approve the Authority's Capital Strategy; and
 - f. Approve the Authority's Reserve Strategy.

Recommended: That Members

- [1] Approve the Medium-Term Financial Plan as set out in Appendix 1;
- [2] Agree the budget, including the Net Budget Requirement of £51.744m (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);
- [3] Agree the proposed council tax increase of £5 at Band D (6.06%) and set a Band D council tax precept of £87.48 for 2023-24;
- [4] Agree the levels of council tax precept set out in Table 2, paragraph 28;
- [5] Approve the proposed capital programme for 2023-24 set out in Table 3, paragraph 30 together with its associated funding;
- [6] Approve the Capital Strategy set out in Appendix 3;
- [7] Approve the Reserves Strategy set out in Appendix 4;
- [8] Note the Statement of Robustness of Estimates set out in Appendix 5; and
- [9] Adopt the Financial Health Targets in paragraphs 33.

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 1 April 2023. 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 19 December 2022, is a one-year only settlement, although comments made in the Autumn Statement stated that funding beyond the three year Spending Review was to increase by 1% only.
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. The Government sets a limit on the amount by which a local authority can increase its council tax each year. Should it wish to increase council tax by more it would need to carry out a referendum and gain approval from council tax payers. In the Provisional Local Government Finance Settlement, the limit for 2023-24 was a set amount of £5 at Band D for fire and rescue authorities. It is assumed that this limit will apply only for one year, and that from 2024-25 the referendum limit for the Authority will be 2.99%, the general limit for local authorities in 2023-24.
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 its share of the surplus.

7. Included in the MTFP and the 2023-24 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 – in line with current forecasts, for 2023-24 a 5% increase has been included with 2% thereafter. Given the current position on pay, this is more speculative than previously;
 - Price inflation – specific increases applied for known high inflation areas such as energy with some other budgets inflated at 2%;
 - 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 2023-24 are now known, the spending review only included high level Government departmental spend. How this translates into funding for the Authority remains uncertain. An additional £100k has been assumed in 2024-25 in Revenue Support Grant and 1% in the years thereafter, but no increase is assumed in the Baseline Funding Level.
8. Both the MTFP and the proposed 2023-24 budget include the known on-going impact of the inflationary pressures, although this remains subject to change given the uncertainty of the economic 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 allowed the deficits for 2020 to be spread over three years with 2023-24 being Year 3. Grants were also provided to help fund these deficits and the Authority will utilise these grants to mitigate the impact.

Proposed Revenue Budget 2023-24

9. The 2023-24 budget proposals are based on the Provisional Local Government Finance Settlement as published on 19 December 2022. The Settlement includes the Government's Funding Assessment and grant allocations for 2023-24 together with the Council Tax Referendum Principles that allow for an increase in council tax of up to £5 at Band D without triggering a local referendum. An increase in the council tax precept of £5 at Band D is assumed; this would generate additional funding of £2.44m compared to 2022-23, 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 £5.157m compared to the previous year, including a 2023-24 one-off Service Grant of £368k.

10. Based on all the above information and assumptions, the following table sets out the proposed 2023-24 budget.

| Table 1 – Budget Proposals 2023-24 | | £000 |
|------------------------------------|---------------------------------------|---------------|
| Budget | Base Budget | 44,419 |
| | Inflation | 2,931 |
| | Commitments (Appendix 2A) | 1,592 |
| | Growth – permanent (Appendix 2A) | 461 |
| | One-off items (Appendix 2A) | 711 |
| | Budget Requirement pre savings | 50,114 |
| | Identified Savings (Appendix 2B) | (935) |
| | Movement in reserves | 2,565 |
| Proposed Budget Requirement | | 51,744 |

| | | |
|---|---|-----------------|
| Funding | Revenue Support Grant | (4,556) |
| | Local Business Rates Income | (4,488) |
| | Business Rates Top Up Grant | (5,288) |
| | Precept (Council Tax) - at £5 Band D increase | (34,396) |
| | Collection Fund surplus - business rates | (57) |
| | Collection Fund surplus - council tax | (203) |
| | Section 31 Business Rates Grant | (2,388) |
| | Services Grant Allocation 2023-24 | (368) |
| Total Funding (Net Budget Requirement) | | (51,744) |

| | |
|--|---------------|
| Precept (Council Tax - Band D) | £87.48 |
| Increase from 2022-23 Band D of £82.48 | £5.00 |

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 £5, further savings would be required. For example, an increase that is 1% less than would be achieved by a £5 increase in precept would reduce funding by £326k.

Commitments

12. Commitments reflect the impact of previous decisions that have a financial consequence in 2023-24 or are due to legal or regulatory changes; these are set out in Appendix 2A.
13. The 2022-23 budget included an allowance for a pay increase of 3%. At the time of writing this report the pay award for Green Book (non-operational) staff has been agreed, but the pay award for Grey Book (operational staff) has not. An offer of 5% has been made to Grey Book staff but there has been a vote in favour of industrial action by the Fire Brigades Union. The amount shown as a commitment for pay inflation in 2022-23 reflects the actual Green Book pay award and assumes an

additional amount of 3% for a Grey Book pay award, based on the current offer plus 1%. This is considered prudent given the current situation. Any award additional to this assumption will therefore not be included in the base budget for 2023-24 and the cost will need to be met from any underspending or from reserve.

14. One-off items of expenditure and income and one-off items funded from reserves which were included in the 2022-23 budget are reversed out as the budget for 2023-24 is prepared. The impact of this on the 2023-24 budget is included in commitments.

Growth Proposals

15. A number of growth proposals are presented for approval in Appendix 2A. Key amongst these is the impact of the need for new cohorts of staff to be supplied with appropriate uniform and equipment.
16. The impact of the borrowing required to fund the capital schemes to rebuild Crewe Fire Station and to purchase houses to facilitate the change of duty system at Wilmslow Fire Station is included as a growth item.
17. Firelink Grant supports the costs of the Authority's communications infrastructure and is to be phased out over the next five years.
18. The current contract for the provision of external audit services ends with the audit of the financial year 2022-23. The Authority procures external audit through a national arrangement with the Public Sector Audit Appointments Ltd. The market remains difficult, and as a result the cost of the audit for 2023-24 has increased.
19. The post of Heritage Protection Officer has been made permanent, although for the years 2023-25 the post will continue to be funded from the Protection uplift grant.
20. There are a number of smaller growth items which are required to keep budgets in line with expected costs going forward.

One-off Growth Proposals

21. There are also some temporary, one-off growth items as set out in Appendix 2A. Where indicated these will be funded from reserves.
22. The Authority recognises the need to enhance its cyber security, and this has been confirmed by the findings of a recent internal audit report. Additional costs will also be incurred in the preparation of the CRMP for 2024-2028.
23. It is intended to run a pilot programme for firefighters to respond to cardiac arrests. The results of this will then inform discussion on the future of the proposal.

24. There will be a refresh of some of the scenarios and equipment at Safety Central, to ensure that it remains as cutting edge and relevant as possible.

Proposed Savings

25. 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, will not be sufficient to meet expenditure demands. Proposals for savings totalling £935k have been identified which provide a balanced budget position. A full list of the proposed savings is included in Appendix 2B.
26. Savings identified include the impact of the change in the government decision to reverse the Health and Social Care Levy national insurance increase. In addition the triennial valuation of the Local Government Pension Scheme has identified that there will not be a need in 2023-24 for a payment in respect of secondary pension contributions.
27. The decision to change the duty systems at Wilmslow will lead to a saving in staff costs, and there will also be savings from the realignment of the Corporate Communications budget and a reduction in the amount of funding allocated each year to Unitary Performance Groups. Other saving have been identified from close review of revenue budgets.

Council Tax Precept

28. 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 2022-23, the overall taxbase has increased by 5,744.36 (last year the increase was 6,711.68). 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 £5 increase to £87.48 for Band D.

| | Number of Band D Equivalentents | Precept on Collection Fund £ |
|-------------------------|---------------------------------|------------------------------|
| Cheshire East | 158,778.54 | 13,889,947 |
| Cheshire West & Chester | 127,573.90 | 11,160,165 |
| Halton | 36,241.00 | 3,170,363 |
| Warrington | 70,592.00 | 6,175,388 |
| TOTAL | 393,185.44 | 34,395,863 |

| Band | Proposed 2023-24 £ | Actual 2022-23 £ | Change per year £ | Change per week £p |
|----------|--------------------|------------------|-------------------|--------------------|
| A | 58.32 | 54.99 | 3.33 | 0.06 |
| B | 68.04 | 64.15 | 3.89 | 0.07 |
| C | 77.76 | 73.32 | 4.44 | 0.09 |
| D | 87.48 | 82.48 | 5.00 | 0.10 |
| E | 106.92 | 100.81 | 6.11 | 0.12 |
| F | 126.36 | 119.14 | 7.22 | 0.14 |
| G | 145.80 | 137.47 | 8.33 | 0.16 |
| H | 174.96 | 164.96 | 10.00 | 0.19 |

Capital Strategy

29. In addition to the revenue budgets, a programme of capital investment is proposed for 2023-24. Funding for this comes from reserves held by the Authority and, when necessary, borrowing. Details of the proposed capital programme for 2023-24 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
30. The Authority is planning to complete a programme of modernisation and, where necessary, replacement of its fire stations. Funding to complete this programme has not been identified, in particular for the stations at Warrington and Ellesmere Port. The Authority receives no dedicated grant for capital, and this means that in order for the Authority to invest in its assets it continues to include movements from its revenue budget into capital reserves, which mitigates the costs of borrowing to support its capital programme. The proposed Capital Programme is summarised in the table, below.

| Table 3 - Proposed Capital Programme | 2023-24 £000 |
|--|-----------------|
| Annual Replacement Schemes: | |
| Fleet Vehicles | 960 |
| Operational Equipment | 28 |
| ICT & Communications | 50 |
| Existing Schemes: | |
| Fleet Vehicles | 500 |
| Fire Station modernisation | 4,000 |
| Crewe Fire Station | 3,804 |
| House modernisation | 250 |
| Capital Expenditure | 9,592 |
| Financed by: | |
| General Capital Grants | 0 |
| Capital Receipts | 0 |
| Capital Reserves and Revenue Contributions | 5,542 |
| Borrowing | 4,050 |
| Total Funding | 9,592 |

Reserves Strategy

31. 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.
32. 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

33. 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).
34. Performance against these targets will be reported to Members as part of the quarterly financial reviews.

Robustness of Estimates

35. 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

36. The 2023-24 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.
37. The Local Government Finance Settlement for 2023-24 includes Council Tax Referendum Principles that allow for an increase in council tax of up to £5 at Band D.
38. 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 £5 at Band D, the Net Budget Requirement will amount to £51.744m.

Financial Implications

39. This report considers financial matters.

Legal Implications

40. The Authority is required to approve a balanced budget and set its precept charge on the council tax by mid-February 2023.

Equality and Diversity Implications

41. This is a strategic report that does not contain detailed proposals that have any equality and diversity implications. a particular proposal may have such implications but will be identified as each is assessed.

Environmental Implications

42. This is a strategic report that does not contain detailed proposals that have any environmental implications. A particular proposal may have such implications but will be identified as each is assessed.

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BACKGROUND PAPERS: NONE