

## **CHESHIRE FIRE AUTHORITY MEDIUM TERM FINANCIAL PLAN 2023 TO 2028**

### **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) (to be renamed Community Risk Management Plan);
- Set a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Ensure compliance with the approved treasury management strategy;
- Ensure compliance 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;
- Demonstrate that all spending plans achieve value for money;
- Agree spending only when the necessary funding is identified and approved;

- Seek external funding wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Publicise significant budget proposals and where appropriate consult 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. 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. This is supplemented by a Section 31 Business Rates Grant recognising the impact of Government policy which affects local business rates.
- 3.4 On 19 December 2022 the Secretary of State for Levelling Up, Housing and Communities issued the 2023-24 Local Government Finance Settlement that set out the SFA for one year only. In addition to setting SFA, the Secretary of State announced a one-off 2023/24 Services Grant worth £368k for the Authority
- 3.5 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.
- 3.6 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 2023-24 this is £5 at Band D for one year only.
- 3.7 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.

3.8 The same process applies to the collection of local business rates in which the Authority has a 1% stake. The details of these are published by the end of the January prior to setting the budget.

3.9 Based on the above and other known factors, the following table shows the forecast funding over the MTFP period. Although the table forecasts increase in the council tax, the decision will be made by the Authority as part of the annual budget setting process.

Table 1 - Funding	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Settlement Funding Assessment	(14,332)	(14,432)	(14,479)	(14,526)	(14,573)
Service Grant 2023-24	(368)	0	0	0	0
Section 31 Business Rates Grant	(2,388)	(1,000)	(1,000)	(1,000)	(1,000)
Collection Fund – Business Rates Surplus	(57)	0	0	0	0
Council Tax (Precept) Collection Fund – Council Tax Surplus	(34,396)	(35,832)	(37,355)	(38,942)	(40,599)
	(203)	0	0	0	0
<b>Total Funding</b>	<b>(51,744)</b>	<b>(51,264)</b>	<b>(52,834)</b>	<b>(54,468)</b>	<b>(56,172)</b>

Council taxbase	393,185.44	397,690.72	402,570.35	407,510.05	412,510.58
Council Tax – Band D	£87.48	90.10	92.79	95.56	98.42
Forecast increase in precept	£5.00	2.99%	2.99%	2.99%	2.99%

#### 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 – in line with current forecasts, for 2023-24 a 5% increase has been included with 2% thereafter.
- Price inflation –specific increases applied for known high inflation areas such as energy with some other budgets subject to a 2% increase.
- 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 settlement is for one year only. An additional £100k has been assumed in 2024-25 in Revenue Support Grant and 1% in the years thereafter. No increase is assumed in the Baseline Funding Level.

## 5. FINANCIAL FORECASTS 2023-2028

- 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 unlikely to match the forecast. A certain level of detailed information is included in the financial forecasts beyond 2023-24 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 2023-24 to 2027-28. The figures show the budget gap assuming a £5 increase at Band D for 2023-24 and a 2.99% increase to the council tax precept each year thereafter in line with the Government's announced limited. These are subject to approval each year by the Authority. Savings above those already identified 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

	2023-24 £000	2024-25 £000	2025-26 £000	2026-27 £000	2027-28 £000
Base Budget	44,419	48,468	49,697	51,581	53,253
Inflation	2,931	1,120	1,129	1,146	1,223
Commitments	1,592	26	26	26	0
Growth – permanent	461	500	1,125	500	500
One-off items	711	900	0	0	0
Contributions to/(from) reserves	2,565	1,608	1,608	1,608	1,608
Identified savings	(935)	(418)	(396)	0	0
<b>Net Budget</b>	<b>51,744</b>	<b>52,204</b>	<b>53,189</b>	<b>54,861</b>	<b>56,584</b>
Funding:					
Settlement Funding Assessment	(14,332)	(14,432)	(14,479)	(14,526)	(14,573)
Service Grant 2023-24	(368)	0	0	0	0
Section 31 Business Rates Grant	(2,388)	(1,000)	(1,000)	(1,000)	(1,000)
Collection Fund – Business Rates Surplus	(57)	0	0	0	0
Council Tax (Precept)	(34,396)	(35,832)	(37,355)	(38,942)	(40,599)
Collection Fund – Council Tax Surplus	(203)	0	0	0	0
<b>Total Funding</b>	<b>(51,744)</b>	<b>(51,264)</b>	<b>(52,834)</b>	<b>(54,468)</b>	<b>(56,172)</b>
<b>Budget Shortfall</b>	<b>0</b>	<b>940</b>	<b>355</b>	<b>393</b>	<b>412</b>

## 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 Leadership 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 budgeted spend in 2022-23. This clearly shows that the main spend is on employees with the remaining funds spent on non-pay items.

### 2022/23 budgeted spend:



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 officers to advise the Authority about linking funding decisions to the priorities in the Integrated Risk Management Plan (to be renamed Community 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 2. 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 SFA, the impact would be either a reduction or increase in the budget gap of £72k.
- For every 0.5% above or below the proposed £5 Band D council tax increase, the impact would be a change in funding by approximately £163k per annum.
- Likewise, a 0.5% movement in the firefighter pay award would have a potential £130k 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 the situation will be remedied in the future. The financial implications are not known at this point as the final costs are unclear 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

2022/23 Estimate £000		2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £000	2027/28 Estimate £000
	<u>Expenditure:</u>					
	Annual Replacement Schemes:					
789	Fleet Vehicles	1,460	1,000	1,475	1,005	1,005
28	Operational Equipment	28	1,528	350	350	350
200	ICT & Communications	50	500	50	50	50
	New Schemes:					
3,200	Estates – Crewe FS	3,804	0	0	0	0
369	Estates – FS Modernisation	4,000	3,000	3,000	0	0
250	Estates – Houses Modernisation	250	250	250	0	0
4,500	Estates – Wilmslow	0	0	0	0	0
0	Provision for New Projects	0	250	250	250	250
<b>9,336</b>	<b>Capital Expenditure</b>	<b>9,592</b>	<b>6,528</b>	<b>5,375</b>	<b>1,655</b>	<b>1,655</b>
	<u>Financed by:</u>					
0	General capital grants	0	0	0	0	0
25	Capital Receipts	0	0	0	0	0
2,011	Capital Reserves & Revenue Contributions	5,542	6,278	5,125	1,655	1,655
7,300	Borrowing	4,050	250	250	0	0
<b>9,336</b>	<b>Total Funding</b>	<b>9,592</b>	<b>6,528</b>	<b>5,375</b>	<b>1,655</b>	<b>1,655</b>

9.3 Full details of the capital programme and its associated funding are included in the Capital Strategy. In addition, given the above funding proposals includes borrowing, the impact of this is discussed in more detail within the Treasury Management Strategy.