

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 6 DECEMBER 2023
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

SUBJECT: DRAFT 2024-25 BUDGET;
COUNCIL TAX AND
MEDIUM TERM FINANCIAL PLAN 2024-29

Purpose of Report

1. To present the Authority's draft 2024-25 budget and the current Medium Term Financial Plan (MTFP) and to allow Members to consider whether officers should arrange a consultation in relation to the council tax precept for 2024-25.

Recommended: That Members

[1] note the information relating to the 2024-25 budget setting together with the Medium Term Financial Plan; and

[2] consider whether officers should arrange a consultation in relation to the council tax precept for 2024-25.

Background

2. The Authority is required to approve an annual budget and set a council tax precept by mid-February. As part of the budget setting process, the Authority must consider all relevant factors including the likely impact of policy options, the economic climate, funding and the demands on the Service.
3. This is the first of two budget reports with the final report being considered by the Authority in February 2024. This report provides the context in which the 2024-25 budget is likely to be set based upon information available at this point. It reviews the funding and spending assumptions and the potential impact of the current economic climate. It is written at a time of considerable uncertainty and therefore, it would not be surprising if some of the budget assumptions and elements of the MTFP will need to be updated before the final budget report in February 2024.

Information

Government Funding

4. The Chancellor delivered his Autumn Statement on the 23rd November 2023, updating the Government's plans for the economy based on the latest forecasts from the Office for Budget Responsibility
5. The Autumn Statement indicated that planned resource spending in government in future years would grow by 0.9% in real terms, although there was no direct mention of fire authorities. It remains unclear how resources might be allocated to

individual government departments, although the NHS remains a government funding priority.

6. The Authority receives a share of the business rates raised by its constituent local authorities. The Autumn Statement indicated that the standard business rates multiplier would increase by 6.7% in line with September CPI. This means that the Authority's funding from its share of business rates will increase but until the local authorities complete their own business rates estimates in January 2024, it remains unclear by how much this will be. Therefore, no increase has yet been factored in to the MTFP.
7. The Autumn Statement indicated that the government is again freezing the small business rates multiplier but will continue to compensate local authorities (including fire authorities) by way of Section 31 Grants for funding lost as a result.
8. The Authority also receives a top-up grant from government for business rates. It also remains unclear whether this will be increased in 2024-25.

Council Tax

9. The Authority is a precepting authority which means that part of the council tax bill for each of the four local authorities within Cheshire provides funding to the Authority. It is the responsibility of the Authority to set the level of precept as part of the budget setting process.
10. In addition to the precept rate, funding from council tax can also change due to fluctuations in the taxbase. The taxbase is the number of council tax bills issued by the local authorities, adjusted for benefits, discounts and debt etc. As new houses are built or adjustments are made, the taxbase changes, affecting funding to the Authority, irrespective of whether the actual precept rate increases or not. The MTFP includes an assumed increase in taxbase in line with the latest estimates provided by the local authorities.
11. The referendum limit for Council Tax (not including adult social care precept) for local authorities is assumed to be 2.99%, but the government has not confirmed that this will be the limit for fire authorities. A 2.99% increase to the Authority's Band D Council Tax would take it to £90.09 per annum, an increase of £2.61 on 2023-24. Given the latest taxbase forecast this would yield around an estimated additional £1.4m, compared to 2023-24. This has now been assumed in the MTFP, but it is possible, that, once again, the government will allow an increase of £5 per annum. This would raise the precept for a Band D property to £92.48 per annum, the equivalent of 5.72%, and yield an estimated additional £2.3m compared to 2023-24.
12. In order for the Authority to make a decision about the council tax precept in February 2024 it will need to consult. Whilst it is not clear, at present, what will be included in the consultation, it could be expressed in the same way as in it was in 2023-24, i.e. an increase of 2.99% versus an increase of £5.

Medium Term Financial Plan (MTFP)

13. Appendix 1 shows the current MTFP and is derived using the following assumptions for the year 2024-25:

Pay inflation 4%

Non pay inflation, selected items:

Insurance 12%

Computer Software/Licences and Cleaning 10%

Electricity/Gas 10%

Blue Light Collaboration and Business Rates 6%

In general, inflation for other items is 2%

In the years following 2024-25, in general, pay and non pay inflation is assumed to be 2%.

14. Funding assumptions are included in the paragraphs above. In addition, the local authorities are in the process of estimating the surpluses and deficits on their Council Tax and Business Rates Collection Funds. The latest total position is estimated to be a deficit of £364k. It is proposed to meet this deficit from the Authority's reserves.
15. The MTFP has been compiled based on the assumption that the savings required in each year are agreed and delivered in full. Any savings not achieved will add to the following year's savings requirement.
16. In recent months, officers have developed a list of budget requirements and savings for the 2024-25 budget. These are currently being scrutinised by the Service Leadership Team, and more details of these items will be presented to Members for scrutiny at their Planning Day in January 2024. Early indications show that there are £1,833k in budget requirements and £2,125k in inflationary pressures, totalling £3,958k. This potential increase in cost is offset by the removal of one-off cost from the 2023-24 budget of £1,668k, savings of £239k, use of reserves of £629k, and increased funding of £508k, totalling £3,044k. This means that at present there is an estimated shortfall in the 2024-25 budget of £914k. Officers are considering a number of options as they seek to bring the budget into balance.
17. There is a separate report later on the agenda in relation to North West Fire Control (NWFC). This includes some proposals with financial implications which will affect the MTFP, but as they are not agreed their impact has not yet been included. The proposal to revise the percentages which each of the authorities who contribute to the costs of NWFC make would lead to an increase in the Authority's base budget of approximately £112k. The proposal to replace the mobilising system, based on the latest NWFC estimate of the capital costs would cost the Authority around £1.2m as a one-off, but it is proposed that this would be met from the Authority's reserves. There would be a further approximately £40k to be included in the Authority's base budget. Further proposals to increase capacity and meet enhanced requirements in standards, personal development and to revise the operating model, would cost the Authority £92k as a one-off and add £34k to the base budget.

18. Members should also be aware that officers are considering how best to fund the proposed new fire stations at Ellesmere Port and Warrington in the lifetime of the new CRMP, which will impact significantly on the Authority's MTFP.
19. Members will see that the MTFP assumes a council tax increase of 2.99% from 2024-25 onwards. Obviously, this is only illustrative at this point, and whilst the MTFP in future years includes an allowance for budget pressures and inflation, these remain fairly speculative.

Capital Programme

20. Up to 2014, the Authority received capital grants from the Government in support of its capital programme. Since then, all capital investment has been funded from the Authority's own resources unless specific funding was available. Members will be aware that the Authority's current Treasury Management Strategy shows that the Authority's capital programme is funded by a mix of borrowing and by using the Authority's reserves, and updated versions of the Treasury Management and Capital Strategies will be considered by Members at the Authority meeting in February 2024.
21. Members will be aware that the current capital programme includes the rebuild of Crewe Fire Station, which has now been completed, the continuing Fire Station Modernisation Programme and the programme to refurbish the Authority's houses, as well as the acquisition of vehicles and equipment. As mentioned above, officers are also considering the rebuild of the fire stations at Ellesmere Port and Warrington and how these might be funded. An updated Capital Programme will be included on the agenda for the Authority meeting in February 2024.

Reserves

22. Section 25 of the Local Government Act 2003 requires the Treasurer to present a report assessing the adequacy of the unallocated reserves in the context of operational demands together with the corporate and financial risks facing the Authority. This will be presented as part of the budget report in February 2024.
23. 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 neither too excessive nor too modest. Members need to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate given the current funding arrangements and proposed spend.
24. A Reserves Strategy was approved by the Authority in February 2023. This set out the reserves held and their intended usage. An updated version will be presented to the Authority in February 2024.

Risks

25. Whilst every effort is made to ensure that the assumptions used in the MTFP are reasonable, there will always be some risk of inaccuracy. When any material change takes place the MTFP is updated and reported to the Authority.

26. Although there are indications that the Government funding will be in line with the last spending review, it does not detail individual organisation's allocations so until the actual financial settlement is published each December, there remains a risk that the amount may change.
27. The four Local Authorities will not finalise the position on their taxbases and business rates until January. There is therefore a risk that the forecast for the taxbases used in the MTFP for council tax and forecasts for business rates allocated to the Authority may prove to be different.

Legal Implications

28. The Authority is required to approve a balanced budget and set its precept charge on the council tax by mid-February 2024.

Equality and Diversity Implications

29. 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

30. 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

Appendix 1

Cheshire Fire Authority

Medium Term Financial Plan.

	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
MTFP	£000	£000	£000	£000	£000	£000
Base budget	50,076	50,076	52,560	54,191	55,831	57,542
Inflation		2,125	1,145	1,172	1,199	1,229
Growth/Committed		1,512	500	500	500	500
One- off	1,668	322	0	0	0	0
Savings		(239)	0	0	0	0
Transfer to/ (from) rev reserves		(629)	0	0	0	0
Total expenditure budget	51,744	53,166	54,205	55,863	57,530	59,271
SFA (RSG and Business Rates)	(14,332)	(14,432)	(14,479)	(14,526)	(14,573)	(14,621)
Section 31 Business Rates	(2,388)	(2,388)	(2,388)	(2,388)	(2,388)	(2,388)
Council Tax	(34,396)	(35,796)	(37,324)	(38,917)	(40,581)	(42,314)
Other	(628)	364	0	0	0	0
Total funding	(51,744)	(52,252)	(54,191)	(55,831)	(57,542)	(59,323)
Budget deficit	0	914	14	32	(13)	(52)
Precept (Council Tax - Band D)	87.48	90.09	92.79	95.56	98.42	101.36
Forecast % increase	6.06	2.99	2.99	2.99	2.99	2.99