

CHESHIRE FIRE AUTHORITY MEDIUM TERM FINANCIAL PLAN 2024 TO 2029

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 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 Community Risk Management Plan (CRMP);
- 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 the public and stakeholders in an open and transparent manner

3. **FINANCIAL SCENARIO**

- 3.1 The MTFP takes account of 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, and a Funding Guarantee grant to ensure that the Authority achieves a minimum level of funding. A grant in respect of pension contributions which has previously been paid as a Section 31 Grant has been rolled into Revenue Support Grant.
- 3.4 On 18 December 2023 the Secretary of State for Levelling Up, Housing and Communities issued the 2024-25 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 2024-25 Services Grant worth £60k for the Authority and a Funding Guarantee Grant worth £880k.
- 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 2024-25 this is 2.99% 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 | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Government - Settlement Funding Assessment | (15,135) | (15,179) | (15,223) | (15,267) | (15,312) |
| Pension Grant (now core funding) | (2,104) | (2,123) | (2,142) | (2,161) | (2,181) |
| Section 31 Business Rates Grant | (2,596) | (2,596) | (2,596) | (2,596) | (2,596) |
| Collection Fund (surplus)/deficit - business rates | 19 | 0 | 0 | 0 | 0 |
| Precept (Council Tax) | (35,798) | (36,964) | (38,169) | (39,412) | (40,696) |
| Collection Fund (surplus)/deficit - council tax | 81 | 0 | 0 | 0 | 0 |
| Services Grant Allocation | (66) | 0 | 0 | 0 | 0 |
| Funding guarantee | (880) | 0 | 0 | 0 | 0 |
| Total Funding | (56,479) | (56,861) | (58,130) | (59,436) | (60,785) |

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 2024-25 a 4% increase has been included with 2% in the following years
- Price inflation –specific increases applied for known high inflation areas such as energy with 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.

4.2 Funding – while the details of funding in 2024-25 are now largely known, the settlement is for one year only. The government indicated that public sector funding

might expect to see increases of 0.9% from 2025-26 onwards and this has been included for Revenue Support Grant. No increases are assumed for Baseline Funding Level or the section 31 Grant in support of business rates. It is assumed that the Service Grant and Funding Guarantee grant will not be payable after 2024-25. For future years it is assumed that the Council Tax referendum limit will be set at 1.99%, in line with the government's inflation limit.

5. FINANCIAL FORECASTS 2024-2029

- 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 2024-25 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 2024-25 to 2028-29. The figures show the budget gap assuming a 2.99% increase at Band D for 2024-25 and a 1.99% increase to the council tax precept each year thereafter, as explained above. 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

| | 2024-25 £000 | 2025-26 £000 | 2026-27 £000 | 2027-28 £000 | 2028-29 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Base Budget | 50,076 | 56,275 | 56,861 | 58,130 | 59,436 |
| Inflation (pay related) | 1,486 | 773 | 788 | 804 | 822 |
| Inflation (non-pay) | 704 | 373 | 384 | 395 | 407 |
| Commitments | 2,895 | | | | |
| Growth - permanent | 1,606 | 500 | 500 | 760 | 760 |
| Growth - one off | 850 | 396 | 396 | 0 | 0 |
| Transfer to/from revenue reserves - one off items | (798) | (396) | (396) | 0 | 0 |
| Transfer to/from capital reserves | 152 | 0 | 0 | 0 | 0 |
| Identified Savings | (492) | | | | |
| Net budget | 56,479 | 57,920 | 58,533 | 60,089 | 61,425 |
| Funding: | | | | | |
| Government - Settlement Funding Assessment | (15,135) | (15,179) | (15,223) | (15,267) | (15,312) |
| Pension Grant (now core funding) | (2,104) | (2,123) | (2,142) | (2,161) | (2,181) |
| Section 31 Business Rates Grant | (2,596) | (2,596) | (2,596) | (2,596) | (2,596) |
| Collection Fund (surplus)/deficit - business rates | 19 | 0 | 0 | 0 | 0 |
| Precept (Council Tax) | (35,798) | (36,964) | (38,169) | (39,412) | (40,696) |
| Collection Fund (surplus)/deficit - council tax | 81 | 0 | 0 | 0 | 0 |
| Services Grant Allocation | (66) | 0 | 0 | 0 | 0 |
| Funding guarantee | (972) | 0 | 0 | 0 | 0 |
| Total Funding | (56,479) | (56,861) | (58,130) | (59,436) | (60,785) |
| Budget deficit | 0 | 1,059 | 403 | 653 | 640 |

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 need and are in line with the Authorities plans and priorities. A modest amount of growth is anticipated in the MTFP.

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 As mentioned earlier in the report, the Authority 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 Community Risk Management Plan.

7.2 This process also allows rigorous scrutiny of budgets to help identify the opportunities for potential savings.

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 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 1% in the level of SFA, the impact would be either a reduction or increase in the budget gap of £152k.
- For every 1% above or below the proposed 2.99% Band D council tax increase, the impact would be a change in funding by approximately £347k per annum.
- Likewise, a 1% movement in the firefighter pay award would have a potential impact of around £290k.

8.2 The MTFP does indicate that savings will be required in the years after 2024-25 given the assumptions used, in particular in 2025-26. The Authority recognises the challenge that this poses. The iterative priority based budgeting process used by the Authority models scenarios which include potential reductions in funding and increases in expenditure, and ensures that officers develop plans to manage budget pressures if required. Spending plans are scrutinised, avenues for additional income explored and potential efficiencies are identified.

8.3 This means that during the process of budget preparation, officers consider what impact on the budget and the MTFP changing the assumptions underpinning the MTFP would make. Officers are then tasked with identifying the potential impact of changes on the delivery of their service and how changes might be accommodated.

8.4 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 is being remedied. The financial implications are not wholly known at this point as the final costs are unclear and the source of funding remains uncertain. It is likely that the government will fund remedies, but there are other potential costs which may fall on the Authority. In addition there are other future pension costs,

particularly in relation to employer contributions, which may be significant and for which funding has not been clearly identified.

8.5 The Authority has in place equipment replacement strategies which reflect the Authority's desire to ensure that Firefighters are equipped with the best possible equipment. The funding of such strategies remains challenging and will require careful management in the future.

8.6 The Authority has now included in its MTFP and Capital Strategy the replacement of Ellesmere Port and Warrington Fire Stations. Significant risks remain, both in terms of costs and funding. The Authority will monitor progress on the development of plans for these stations closely to ensure that they remain affordable.

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:

| | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|-------------|-------------|-------------|-------------|-------------|
| | Estimate | Estimate | Estimate | Estimate | Estimate |
| | £000 | £000 | £000 | £000 | £000 |
| Expenditure: | | | | | |
| Annual Replacement Schemes: | | | | | |
| Fleet Vehicles | 1640 | 65 | 1005 | 1005 | 1005 |
| Operational Equipment | 0 | 350 | 350 | 350 | 350 |
| ICT & Communications | 50 | 50 | 50 | 50 | 50 |
| New Schemes: | | | | | |
| Estates – ERP Station Builds | 0 | 0 | 0 | 0 | 0 |
| Estates – Training Centre | 0 | 0 | 0 | 0 | 0 |
| Estates – Chester FS | 0 | 0 | 0 | 0 | 0 |
| Estates – Crewe FS | 0 | 0 | 0 | 0 | 0 |
| Estates – FS Modernisation | 3000 | 3000 | 0 | 0 | 0 |
| Estates – Poynton Drill Tower | 0 | 0 | 0 | 0 | 0 |
| Estates – Houses Modernisation Programme | 250 | 250 | 250 | 0 | 0 |
| Estates – Wilmslow Emergency Services Facility | 0 | 0 | 0 | 0 | 0 |
| Estates- Ellesmere Port & Warrington | 0 | 0 | 8000 | 8000 | 0 |
| Provision for New Project | 250 | 250 | 250 | 250 | 250 |
| Capital Expenditure | 5190 | 3965 | 9905 | 9655 | 1655 |
| Financed by: | | | | | |
| General capital grants | 0 | 0 | 0 | 0 | 0 |
| Capital Receipts | 0 | 0 | 1500 | 1500 | 0 |
| Contributions from Partners | 0 | 0 | 0 | 0 | 0 |
| Use of Reserves/Revenue Financing | 4940 | 3715 | 3655 | 3655 | 1655 |
| Borrowing | 250 | 250 | 4750 | 4500 | 0 |
| Total Funding | 5190 | 3965 | 9905 | 9655 | 1655 |

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