

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 14 FEBRUARY 2024
REPORT OF: TREASURER
AUTHOR: PAUL VAUGHAN

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

Purpose of Report

1. The purpose of this report is to allow Members to:
 - a. Approve the Authority's Medium Term Financial Plan 2024-29;
 - b. Agree the Authority's 2024-25 budget (including the Net Budget Requirement);
 - c. Agree the Authority's 2024-25 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 set out in Appendix 1;
- [2] Agree the 2024-25 budget, including the Net Budget Requirement of £56,479k (as set out in Table 1 paragraph 11) which takes account of adjustments for inflation, growth, one off-items and savings (as detailed in Appendix 2);
- [3] Agree the proposed council tax precept increase of £2.61 at Band D (2.99%) and set a Band D council tax precept of £90.09 for 2024-25;
- [4] Agree the levels of council tax precept set out in Table 2, paragraph 30;
- [5] Approve the proposed Capital Programme for 2024-25 set out in Table 3, paragraph 31 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 set out in paragraphs 35.

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 2024. 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 the 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. The Provisional Local Government Finance Settlement, published on 18 December 2023, is a one-year only settlement, although supporting documentation from the Office of Budget Responsibility indicates that funding beyond 2024-25 (to 2028-29) is estimated to increase by 0.9% only. The potential impact of Government plans and commitments in the funding of the NHS, defence and other protected departments, suggest that Government funding of non-protected departments may fall. The Final Local Government Settlement for 2024-25 was confirmed by the ministerial statement on 5th February 2024.
4. The Government pays local authorities (including fire authorities) Section 31 Grants to counteract the impact of the Government's policy in respect of 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 introduced. 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 any local authority wish to increase council tax by more it would need to carry out a referendum and gain approval from local council tax payers. Members will be aware that the fire sector, including this Authority, has lobbied government to allow a £5 increase per Band D property as happened in 2023-24. Government has confirmed that the referendum limit for 2024-25 for fire authorities will be 2.99%, in line with the base position for local authorities. The difference in funding between an increase of 2.99% and £5 is around £950k. It is assumed that the 2.99% limit will apply only for one year, and that from 2024-25 the referendum limit for

the Authority will be 1.99%, as inflation is forecast to fall in future years.

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 are 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 these amounts in January each year. The Authority is required to pay its share of any deficit or will receive its share of any surplus. The Authority has a funding reserve in place which will be utilised to offset the impact of this in 2024-25 which is estimated to be a deficit £100k.
7. The Authority will receive two grants which are being treated as funding in 2024-25, being a continuation of the Service Grant (£66k), and, as a recognition that the Authority' spending power has not increased by a minimum level of 4% when compared to 2023-24, a Funding Guarantee Grant (estimated to be £880k). It is not assumed that these grants will continue beyond 2024-25.
8. Included in the MTFP and the proposed 2024-25 budget 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 – for 2024-25 a 4% increase has been included with 2% thereafter.
 - Price inflation – specific increases applied for known high inflation areas such as energy, business rates, occupational health and ICT with most 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 of the Authority's Treasury Management advisors;
 - Funding – while the main details of funding for 2024-25 are now known, the Office for Budget Responsibility has only estimated Government departmental spend at a high level. How this translates into funding for the Authority remains uncertain. An additional 0.9% has been assumed in the MTFP in Revenue Support Grant in 2024-25 onwards, but no increase is assumed in the Baseline Funding Level.

9. Both the MTFP and the proposed 2024-25 budget include the estimated on-going impact of inflationary pressures, but these remain subject to change given the uncertainty of the economic situation. In particular, the government's decision to limit Council Tax increases to 2.99% for 2024-25 has impacted the finances of the Authority significantly. However, this has been in part mitigated by other areas of the settlement, particularly the receipt of the Funding Guarantee Grant. This has allowed the Authority to include an assumption of a 4% increase in salaries in the 2024-25 budget. If the Authority is subject to significant rises in pay inflation (or other significant inflationary increases) in 2024-25 or later years, then if necessary, it would need to utilise reserves to offset any immediate in-year impact. It would then need to reconsider delivery of the Community Risk Management Plan. The budget building process includes sensitivity analysis, where officers consider the impact of different budget scenarios, including significant increases in expenditure. If it became necessary, savings plans to offset the impact of such a scenario would be presented to Members for consideration. The Authority would also need to consider whether capital proposals remain affordable.

Proposed Revenue Budget 2023-24

10. The proposed 2024-25 budget takes into account the Provisional Local Government Finance Settlement as published on 18 December 2023 and the final settlement announced on 5th February 2024. The Settlement includes the Government's Funding Assessment and grant allocations for 2024-25. An increase in the council tax precept of 2.99% at Band D is assumed which would generate additional funding of £1,402k compared to 2023-24, based on the tax bases of Band D equivalent properties. Of this increase, around £365k is due to the estimated increase in tax base. When all elements of funding are included – such as Revenue Support Grant and business rate income - the overall net revenue budget would increase by £4,735k compared to the previous year, including a 2024-25 Service Grant (including the Funding Guarantee) of £946.

11. Based on all the above information and assumptions, the following table sets out the proposed 2024-25 budget.

Table 1 – Budget Proposals 2024-25		£000
Budget	Base Budget	50,076
	Inflation	2,190
	Commitments (Appendix 2)	2,895
	Growth (Appendix 2)	1,606
	One-off items (Appendix 2)	850
	Budget Requirement before savings and reserve movements	57,617
	Identified savings (Appendix 2)	(492)
	Transfers from revenue reserves (Appendix 2)	(798)
	Transfer to capital reserve (Appendix 2)	152
Proposed Budget Requirement		56,479

Funding	Revenue Support Grant	(6,960)
	Business Rates Top Up Grant	(5,562)
	Local Business Rates Income	(4,717)
	Precept (Council Tax) - at 2.99% Band D increase	(35,798)
	Collection Fund deficit - business rates	19
	Collection Fund deficit - council tax	81
	Section 31 Business Rates Grant	(2,596)
	Funding Guarantee Grant	(880)
	Services Grant 2024-25	(66)
Total Funding (Net Budget Requirement)		(56,479)

Precept (Council Tax - Band D)	£90.09
Increase from 2023-24 Band D of £87.48	£2.61

12. As the above table shows, this delivers a balanced budget as required by law. Should the Authority wish to propose a council tax precept that is lower than 2.99%, further savings would be required. For example, a 1.99% increase (rather than 2.99%) would reduce funding by approximately £350k.

Commitments

13. Commitments reflect the impact of previous decisions that have a financial consequence in 2024-25 or are due to legal, or regulatory changes. These are set out in Appendix 2.

14. Up until 2023-24, the government has included as a Section 31 (discretionary) grant an amount of £2,104k to offset the cost of a previous increase in firefighter pension employer contributions. This has previously been presented in the budget in such a way that it nets off against costs. From 2024-25, this grant will be added into the Revenue Support Grant, which is shown in the Authority's budget as funding. In order to make the necessary formatting changes, there is a requirement to include the gross expenditure in the budget for the first time in 2024-25. In addition, there is a funding adjustment of £374k from previous years included in the budget.
15. The 2023-24 budget included an allowance for a pay increase of 6% in respect of the Grey Book pay award for 2022-23, which at the time the 2023-24 budget was approved had not been agreed. The final pay award for 2022-23 was for 7% and so an additional 1% (£290k) is included in the 2024-25 budget. The 2023-24 budget also included an allowance for a pay increase of 5% in 2023-24. The pay award agreed for Green Book employees for 2023-24 was in fact slightly less than 7%. The additional approximately 2% (£127k) is therefore now included in the 2024-25 budget.

Growth Proposals

16. A number of growth proposals are presented for approval in Appendix 2. These were considered by Members at the Member Planning Day on 10th January 2024.
17. The Authority includes an allowance in its budget calculations, which reduces the budget and is intended to reflect the impact of establishment levels, the relationship between the number of competent firefighters and number that are in development, the number of firefighters in the pension scheme and the potential impact of the policies relating to maternity and paternity. Monitoring firefighters' pay budgets indicates that the provision is not currently in line with actual spend and it is proposed to reduce it by £400k. The impact of the allowance will continue to be monitored.
18. The estimated impact of the borrowing required to support the capital programme, specifically in relation to Crewe Fire Station, the purchase of houses at Wilmslow and the continuing programme of modernising the Authority's houses is £299k, given current assumptions. The potential impact of the cost of replacing Ellesmere Port and Warrington Fire Stations is discussed as part of the MTFP proposals and the Capital Strategy in Appendices 1 and 3.
19. At the Fire Authority meeting in December 2023 Members agreed proposals in respect of updating the service provided to the Authority by North West Fire Control. The impact on the base revenue budget is included as a growth item (£280k).
20. At the Member Planning Day on 10 January 2024, Members received a

presentation on the introduction of a revised Talent Management Scheme which requires the realignment of budgets currently used to fund firefighter apprentices, with the required growth item (£135k) being more than offset by savings (£282k).

21. Other significant base budget growth proposals include changes to support services previously delivered through Blue Light Collaboration, (£108k); IT infrastructure costs (£100k); revenue running costs of the proposed Incident Command Support Unit (£93k); and the estimated increase in business rates at Crewe Fire Station (£75k).

One-off Growth Proposals

22. There are also some temporary, one-off growth items as set out in Appendix 2. Some of these will be funded from reserves.
23. In relation to North West Fire Control, in addition to the costs recommended to be added to the base budget, there are some one-off costs required. Of these, £396k relate to the procurement of a new mobilising system. This is the first-year cost of a three year programme, with the impact built into the MTFP.
24. The Public Service Telephone Networks require updating on the Authority's fire stations (£124k) to continue to support the level of communication required.
25. Other one-off growth items include an estimate for costs relating to the implementation of the CRMP (£56k), replacing foam concentrate (£46k), particulate flashhoods (£35k), additional temporary HR work (£24k) and refreshing some of the sets at Safety Central (£24k).

Proposed Savings

26. 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 levels in 2024-25. Proposals for savings totalling £492k have been identified which provide a balanced budget position. A full list of the proposed savings is included in Appendix 2.
27. As discussed in paragraph 20 above, there is a saving in the apprentice budget (£282k), with further savings from the impact of senior salary changes (£87k) and the discontinuation of remaining COVID budgets (£57k). Review of other revenue budgets has identified a number of other small savings.

Use of reserves

28. As well as including one off-growth proposals, Appendix 2 also identifies those which are intended to be funded from reserves. Reserve funding is also intended to be used to enhance the Protection service in 2024-25, and as mentioned in paragraph 6, to offset collection fund deficits. There may be further use of reserves in 2024-25, for example in relation to McCloud administration costs, Protection prosecutions, and in support of the Station Modernisation Programme, but these have not been specifically identified in the budget as they remain uncertain and difficult to estimate.
29. The Authority's funding includes a £66k Services Grant, and it is assumed that this will not be continued in future years. In order to offset future potential funding issues, it is proposed to transfer this to reserves. In addition, it is also proposed to transfer £152k from the revenue budget to the capital reserve as a one-off to assist with future capital funding, especially in relation to the replacement fire stations that are required at Ellesmere Port and Warrington.

Council Tax Precept

30. 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 2023-24, the overall taxbase has increased by 4,172.28 (last year the increase was 5,744.36). The following table shows the proposed level of precepts for each local authority and the individual amount levied for each Council Tax band, based on the assumption of a 2.99% increase to £90.09 for Band D.

	Number of Band D Equivalentents	Precept on Collection Fund £
Cheshire East	160,151.52	14,428,051
Cheshire West & Chester	129,059.20	11,626,943
Halton	36,409.00	3,280,087
Warrington	71,738.00	6,462,876
TOTAL	397,357.72	35,797,957

Band	Proposed 2024-25 £	Actual 2023-24 £	Change per year £	Change per week £.p
A	60.06	58.32	1.74	0.03
B	70.07	68.04	2.03	0.04
C	80.08	77.76	2.32	0.04
D	90.09	87.48	2.61	0.05
E	110.11	106.92	3.19	0.06
F	130.13	126.36	3.77	0.07
G	150.15	145.80	4.35	0.08
H	180.18	174.96	5.22	0.10

Capital Strategy

31. In addition to the revenue budgets, a programme of capital investment is proposed for 2024-25. Funding for this comes from receipts from the sale of assets, reserves held by the Authority and, when necessary, borrowing. Details of the proposed capital budget for 2024-25 is shown in the following table together with the proposed funding. Further details are included in the Capital Strategy attached to this report as Appendix 3.

Table 3 - Proposed Capital Programme	2024-25 £000
Annual Replacement Schemes:	
Fleet Vehicles	1,093
Provision for new projects	250
ICT & Communications	50
Existing Schemes:	
Fleet Vehicles	547
Fire Station modernisation	3,000
House modernisation	250
Capital Expenditure	5,190
<u>Financed by:</u>	
General Capital Grants	0
Capital Receipts	0
Capital Reserves and Revenue Contributions	4,940
Borrowing	250
Total Funding	5,190

32. 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 Authority is planning to complete a programme of modernisation and, where necessary, replacement of its fire stations during the lifetime of the MTFP. The impact of the funding to complete this programme has been included in the MTFP and now includes the fire stations at Ellesmere Port and Warrington. More detail is included in the Capital Strategy in Appendix 3.

Reserves Strategy

33. 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.
34. 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

35. 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 its revenue budget.
 - 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).
36. Performance against these targets will be reported to Members as part of the quarterly financial reviews.

Robustness of Estimates

37. 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

38. The proposed budget 2024-25 as set out in this report relies upon, in part, the Local Government Finance Settlement, which was again a one-year settlement. Savings have been identified through a thorough review of departmental budgets with the intention to protect and ensure continuity of service delivery.
39. The Local Government Finance Settlement for 2024-25 includes Council Tax Referendum Principles that allow for an increase in council tax of up to 2.99% at Band D. This level has not been exceeded.
40. 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 2.99%, the net budget requirement will amount to £56,479k.

Financial Implications

41. This report considers financial matters.

Legal Implications

42. 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

43. 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

44. 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.

CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING MANAGER
TEL [01606] 868804
BACKGROUND PAPERS: NONE