

CHESHIRE FIRE AUTHORITY

MEETING OF: CHESHIRE FIRE AUTHORITY
DATE: 4TH DECEMBER 2024
REPORT OF: TREASURER & HEAD OF FINANCE
AUTHOR: JAMES CUNNINGAHM

SUBJECT: DRAFT 2025-26 BUDGET;
COUNCIL TAX AND MEDIUM TERM FINANCIAL
PLAN 2025-30

Purpose of Report

1. To present the Authority's draft 2025-26 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 2025-26.

Recommended: That Members

- [1] note the information and assumptions relating to the draft 2025-26 budget setting together with the draft Medium Term Financial Plan; and
- [2] consider whether officers should arrange a consultation in relation to the council tax precept for 2025-26 and what they should consult upon.

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 2025. This report provides the context in which the 2025-26 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 should be noted there are still a number of variables that will not be confirmed until December 2024 and January 2025; as such some of the budget assumptions and elements of the MTFP will need to be re-assessed once this information is available. It would not be surprising if there are changes to the draft MTFP compared to the one presented with the final budget report in February 2025.

Information

4. The Authority receives 3 main sources of funding: Council tax (as a precepting authority), a share of Business Rates (NNDR) and from Central Government (Revenue Support Grant). Approximately two-thirds of its funding comes from Council Tax, a further 23% from Business Rates and 12% from Central Government.

5. It should be noted that the Revenue Support Grant (RSG) was amended last year to include a Government support grant to fund firefighter pension contributions. Whilst the headline value of the RSG is £6.9m, only £4.8m was available to fund the Service, the remainder was to fund pension costs.

Government Funding

6. The Chancellor delivered her Autumn Budget on the 30th October 2025, setting out the new Government's plans for the economy and substantial investment programmes for the country.
7. The Chancellor intends to increase Government spending by around 2% of GDP, on average, over the next five years. Approximately one-third of the additional spend will go on the Government's investment programme for transport, housing and research and development. The remaining additional spending will go to boost departmental day-to-day spending. The spending limits for departments will increase by £33 billion between 2024/25 and 2025/26; a third of which is earmarked for Health and Social Care; with Education receiving 13%; Scottish Government and Ministry of Housing, Communities and Local Government (MHCLG) each accounting for a further 5%. As such a number of departments will see a real terms reduction in funding. It is not clear how this will affect Fire Services.
8. The Authority receives a share of the Business Rates raised by its constituent local authorities. In the Budget the Chancellor announced that she would continue to freeze the rate of the small business multiplier, but raise the standard multiplier in line with inflation. This should mean a slight increase in the Authority's funding from its share of Business Rates, but we will not have precise figures until our four local Unitary Authorities complete their NNDR1 business rates estimates at the end of January 2025. As such no increase has been included in the MTFP at this point.
9. The Budget also confirmed that the Government would maintain the Section 31 grant to compensate local authorities for the cost of the small business rate multiplier being frozen.
10. The Chancellor also announced that she wanted to create a fairer business rate system. In the most part this is to support the "High Street" with lower tax rates for Retail, Hospitality and Leisure, but a higher multiplier to all properties with a rateable value of £500,000 or above. However, these changes will not come into effect until 2026/27. We have not factored these changes into the MTFP, until we have further detail from the collecting authorities.
11. In addition to collecting a share of Business Rates and receiving the Section 31 grant, the Authority receives a further top-up (business rates baseline) grant from MHCLG. There has been no indication if this will be increased in 2025-26.
12. The Funding Guarantee Grant was provided by the Government last year, to "level-up" local authorities' core spending power. It is believed that this was a "one-off" grant and therefore it has not been included in the MTFP. It was worth £0.9m in 2024-25

Council Tax

13. 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.
14. 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.
15. The referendum limit for Council Tax (not including adult social care precept) for local authorities is normally announced in the Local Government Policy statement, which is generally released in early December. However, the Housing Minister announced on the 14th November 2025 that the Government will continue with the previous Government's policy of a core Council Tax referendum limit of 3% (with an additional 2% for adult social care). Councils will only be able to raise more if they hold a successful referendum for a higher rate. We are assuming the limit will also apply to Fire Authorities.
16. An increase of 2.99% to the Authority's Band D Council Tax would take the charge from £ 90.09 (in 2024-25) to £ 92.78, an increase of £ 2.69. This would be expected to yield a further £ 1.6m (including the estimated change in the underlying taxbase).
17. Last year the Authority consulted on a flat £5 increase per Band D property as an alternative to a 2.99% increase. Whilst there was a positive response from the consultation central Government kept the 2.99% limit. A £5 increase in 2025-26 would yield £2.6m compared to 2024-25. Whilst this could be included in the consultation, the Government appear unlikely to consider this as an option in the December policy statement. Therefore, the draft budget is based upon a 2.99% increase.
18. In order for the Authority to make a decision about the Council Tax precept in February 2025 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 2024-25, *i.e.* an increase of 2.99% versus an increase of £5. Members are asked to indicate how they would like Officers to frame any consultation.

Medium Term Financial Plan (MTFP)

19. Appendix 1 shows the current MTFP and is derived using the following assumptions for the year 2025-26:

Pay inflation 1.7%, based on September 2025 CPI rate of inflation

Non pay inflation, selected items:

Interest payable and MRP in line with the Treasury Management paper

Computer Software/Licences and Cleaning 4%
Utilities 5%
Blue Light Collaboration 4%

In general, inflation for other items is 1.7%

In the years following 2024-25, in general, pay and non pay inflation is assumed to be 2%. It is noted that the most recent CPI data for the year to October 2025 showed an increase to 2.3%

20. 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 small surplus (£30k). It is proposed to pass this surplus the Authority's reserves.
21. 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.
22. In recent months, officers have developed a list of budget requirements and savings for the 2025-26 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 2025. Whilst there are £1.0m of proposed savings, other areas have generated £1.4m in budget requirements, in addition to inflationary pressures. Currently we are estimating a shortfall of £ 967k on the 2025-26 budget. Officers are considering a number of options as they seek to bring the budget into balance.
23. The Authority is one of four partners comprising NorthWest Fire Control (NWFC), the costs of which are shared between the partners. It was agreed and budgeted for Cheshire's share increased to 19.8% in 2024-25. Officers are aware of some cost pressures for NWFC and are awaiting the company draft budget for running costs, but have incorporated a small growth in this budget. In addition, there is a wider capital project for the replacement of the call handling and mobilising system. We are awaiting the outcome of the current tender process before we will have any certainty over the cost of the programme. Currently the MTFP will maintain the previous year's tender cost assumptions.
24. 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. However estimates for the increase in Revenue cost for additional interest payable and MRP have been incorporated in the MTFP.

Capital Programme

25. 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. The Autumn budget stated that there would be significant capital investment, however it is not clear if any of this investment would come to Fire over Health and Education

budgets. Therefore, we have assumed no Capital Grant money available in the MTFP.

26. The Authority's current Treasury Management Strategy shows that the capital programme is funded through a mix of Public Works Loan Board borrowing, use of the Authority's reserves and a contribution from the revenue budget. Updated versions of the Treasury Management and Capital Strategies will be considered by Members at the Authority meeting in February 2025.
27. Members were updated on the current pressures on the Capital Programme at a recent Member Planning Day, in particular the Fire Station and house modernisation programmes. Two fire stations are currently undergoing modernisation work and there are 5 stations remaining in the Programme. Officers are currently scrutinising the cost of the remaining Programme and what can be achieved. In addition, the Authority is committed to the rebuild of the Ellesmere Port and Warrington Fire Stations. An updated Capital Programme will be considered by Members at the Authority's meeting in February 2025.

Reserves

28. 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 2025.
29. 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.
30. Members were given an overview of the current reserves held by the Authority at a recent Planning Day. Officers are currently scrutinising the earmarked reserves and have identified opportunities to reduce some reserve levels. This would enable the Capital Reserve to be increased to help support the Capital Programme. The revised Reserves Strategy will be presented to the Authority in February 2025.

Risks

31. 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.
32. 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.
33. 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.

34. Changes to Employer National insurance rates and the secondary threshold levels were also announced in the Autumn budget. Whilst the Government was clear that Local Authorities would be compensated to mitigate these increased costs, there is no further information available as yet to know the mechanism and calculation of the level of compensation. It could take the form of a total exemption or compensation via a grant, however as we have experienced in the past with grant funding it may not always make up the shortfall. The full impact of the National Insurance changes we estimated to be somewhere between £0.8m -£1m. This is not currently reflected in the MTFP.
35. Dependent on the mechanism of compensation for the changes in Employers NI this will could change the gross amounts of cost and funding, similar to the change in the Pension compensation moving to the RSG funding in 2024-25.

Legal Implications

36. 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

37. 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 these will be considered as each is assessed.

Environmental Implications

38. 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 considered as each is assessed.

**CONTACT: DONNA LINTON, GOVERNANCE AND CORPORATE PLANNING
MANAGER**

TEL: 07776297806

BACKGROUND PAPERS: NONE

Appendix 1
Cheshire Fire Authority

Medium Term Financial Plan

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
	£000	£000	£000	£000	£000	£000
Base Budget	50,076	56,767	58,413	59,641	60,867	62,033
Inflation	2,190	1,205	1,153	1,177	1,201	1,225
Savings	-492	-959	-295	-302	-308	0
Growth	4,501	1,400	370	351	273	174
One-off	850	593	396			
Tfr to/(from Rev reserves)	-798					
Tfr to/from cap	152	-396	-396			
TOTAL EXPENDITURE	56,479	58,610	59,641	60,867	62,033	63,432
Council Tax	-35,798	-37,460	-38,583	-39,796	-41,046	-42,337
Business Rates	-10,279	-10,279	-10,279	-10,279	-10,279	-10,279
Section 31 Business Rates	-2,596	-2,826	-2,926	-3,026	-3,126	-3,226
Revenue Support Grant	-6,960	-7,078	-7,199	-7,321	-7,445	-7,572
Other	-846					
TOTAL FUNDING	-56,479	-57,643	-58,987	-60,422	-61,896	-63,414
Budget Deficit/Surplus	0	967	654	445	137	18

Precept (Council Tax- Band £ 90.09	£ 92.78	£ 94.63	£ 96.51	£ 98.43	£ 100.39
Forecast % increase	2.99%	1.99%	1.99%	1.99%	1.99%
Forecast £ increase	£ 2.69	£ 1.85	£ 1.88	£ 1.92	£ 1.96