

Addendum to Item 2 – Draft 2025-26 Budget Council Tax and Medium Term Financial Plan 2025-30

Purpose

To update Members on the Local Government Finance Policy Statement 2025 to 2026, which was released Thursday 28th November and how it impacts on the draft budget.

Key points from the Policy statement that impact Cheshire Fire Authority

- Fire Authorities can increase precept by £ 5
- Minimum Funding Guarantee grant will cease (worth £ 0.9m)- we had already excluded
- MHCLG ...”guarantee that no LA will see a reduction in their Core Spending Power”

The £ 5 precept limit is a very pleasant surprise as messaging prior to the Policy statement release was that it was unlikely. The letters and lobbying that the CFA sent out and took part would appear to have had a positive impact.

Impact to draft budget

The draft budget was constructed with a 2.99% increase in the Band D precept. Which would lift the precept from £ 90.09 to £ 92.78.

The current draft budget indicates the Service would have a deficit of approx. £1m.

A £ 5 increase in the Band D precept would lift the precept from £ 90.09 to £ 95.09. If approved this would yield a further £ 932k over the current level of funding in the draft budget and almost eliminates the deficit.

Budget risks

- Payroll assumption @ 2%- an additional 1% would cost a further £0.4m
- Employers National Insurance rate and threshold changes we have excluded- risk £1m-£0.8m
- Non-pay saving at 2% £ 0.3m, embedded within budget
- A number of savings have been factored in with the current precept at 2.99%
- Capital programme not resolved
 - increasing costs on modernisation programme
 - savings could be made by stopping appliance replacement programme
- Capital programme loans for Ellesmere Port and Warrington rebuilds were originally planned at 1.8% interest, current interest rates projection have increased costs by £ 0.3m per annum.

Consultation

Whilst there are still a number of moving parts to resolve in the budget, the general direction of travel shows that a precept increase is necessary. I would strongly recommend the precept increase by £5, this would allow the service to continue to function without making some significant saving cuts to the capital programme (and other areas) that would impact the Service in future years.