

CHESHIRE FIRE AUTHORITY MEDIUM TERM FINANCIAL PLAN - 2020 TO 2025

1. INTRODUCTION

1.1. The purpose of the Medium Term Financial Plan (MTFP) is to provide the Authority, staff, the public and other stakeholders' information on the financial outlook and the estimated available financing over the next five years. The MTFP takes into account future high level potential revenue and capital expenditure over the period based upon current information.

1.2. The Authority has set out its vision for a Cheshire where there are no deaths, injuries or damage from fires and other emergencies, with a mission to help create safer communities, to rescue people and protect economic, environmental and community interests.

1.3. From this the following aims and objectives have been developed:

To protect our communities and reduce local risks we will:

- Maintain a detailed understanding of our communities and carry out risk analysis and assessment to identify the people and property most at risk
- Deliver campaigns and projects to reduce antisocial behaviour and increase awareness of fire and road safety
- Ensure fire safety legislation is implemented effectively.

In responding to emergencies we will:

- Ensure plans and resources are in place to provide a flexible, efficient and resilient response to emergency incidents
- Use intelligence and data to match resources to risk and demand
- Ensure the safety of our people by providing them with the right equipment, training and skills.

In developing an excellent organisation we will:

- Ensure our workforce is competent and able to deliver our vision
- Inform and involve our communities and our staff in developing services and policies which are open, transparent and accountable
- Deliver value for money services which maximise community safety and minimise our impact on the environment.

1.4. Linked to the above are the core values of Cheshire Fire and Rescue Service.

- **Aiming for excellence** - Constantly seeking ways to improve the things that we do and the way that we do them.
- **Developing and respecting our people** - Valuing our people and constantly developing their diverse range of talents, learning from all that we do
- **Delivering our promise** - Acting with integrity and taking personal responsibility for making the right thing happen

- **Putting customers first** - Ensuring that our people and communities are at the heart of all that we do, striving to meet their differing needs and expectations
- **Promoting equality and diversity** - Embracing diversity and finding ways to improve our services and the safety and prospects for individuals and communities
- **Working together** - Working in partnership with others for the future of Cheshire and its citizens

2. THE BUDGET STRATEGY 2020/21

2.1. With the above vision, statements and objectives in mind, the purpose of this 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; and
- The main financial risks facing the organisation.

2.2. The above determines the 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 Integrated Risk Management Plan (IRMP);
- Achieves a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies 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;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;
- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

3. FINANCIAL SCENARIO

- 3.1. It is imperative that the MTFP takes account of the regional, national and global economic climates, particularly in light of uncertainty over medium to long-term funding and the vote to leave the European Union and should consider how impacts might be managed and/or mitigated.
- 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).
- 3.3. Government funding is provided through a 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. A three year spending review had been expected in 2019 which would have provided some certainty over funding but in the Chancellor's statement only a one year settlement was provided with the full spending review postponed until 2020.
- 3.4. A precept is levied on the council tax to partly fund the fire and rescue services in Cheshire 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 funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits, discounts etc. These vary each year and the MTFP includes assumptions for these changes based on discussions, past performance and forecasts supplied by the local authorities.
- 3.5. In recent years the Government has set a cap on the amount by which a local authority can increase its Council Tax each year. The cap which applied to this Authority was previously 2%, but for the 2018/19 and 2019/20 financial years the cap was increased to 3%. The Authority may increase its Council Tax above this level, but can only do so after approval by the local electorate through a referendum. In the 2020/21 Local Government Settlement, the capping rules set a 2% limit on council tax increases for Fire Authorities.
- 3.6. Each year Council Tax and retained Business Rate 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 rates. This can lead to a surplus or deficit on the fund which is accounted for within the calculation of the net budget requirement. The Authority receives or pays its share of the surplus or deficit on these collections funds.
- 3.7. Based on the above, the following table sets out the forecast funding available over the period of the MTFP. Although there are proposed increases in council tax included within this table, the actual decision to increase or not remains with the Authority each year as part of their budget setting process.

Funding:	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Government - Settlement Funding Assessment	(13,643)	(13,650)	(13,843)	(14,040)	(14,241)
Section 31 Business Rates Grant	(780)	(550)	(410)	(260)	(120)
Collection Fund (surplus)/deficit - business rates	(7)	100	100	100	100
Precept (Council Tax)	(30,141)	(31,054)	(31,994)	(32,961)	(33,959)
Collection Fund (surplus)/deficit - council tax	(260)	(100)	(100)	(100)	(100)
Total Funding	(44,831)	(45,254)	(46,247)	(47,261)	(48,320)
Council tax base	380134.1	384000.8	387898.7	391828.1	395789.2
Precept (Council Tax - Band D)	£79.29	£80.87	£82.48	£84.12	£85.80
Forecast % increase	1.99%	1.99%	1.99%	1.99%	1.99%

4. FINANCIAL ASSUMPTIONS

4.1. 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 inflation – 2% per annum throughout the MTFP period
- Price inflation – in line with the Office of National Statistics and known specific increases
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates set by the Treasury Management Advisors.

5. FINANCIAL FORECASTS 2020-25

5.1. It is important to note that the MTFP is a high level strategy document which summarises plans over the medium term based upon current projections and assumptions. As additional updated information becomes available it will be subject to change. A certain amount of detailed budget information is presented, such as the table below. However, this should be regarded as indicative and illustrative. The MTFP will inform the Authority's budget setting process, as will other tools such as consultation with residents. The figures quoted here will be amended and refined as additional information comes to light and the detailed annual budgets are developed.

5.2. Based on current information, priorities and assumptions, the table below sets out an indicative budget for 2020/21 to 2024/25. The figures show the budget gap assuming a 1.99% increase in the Fire element of council tax for all years, should the Authority approve this level of increase. Savings will need to be identified to meet these predicted shortfalls.

<u>Financial Forecasts</u>	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget	42,889	44,171	44,450	45,343	46,257
Inflation	924	944	964	991	1,012
Growth - permanent	2,003	300	300	300	300
One-off items (net change)	-433	-709	0	0	0
Movement in Reserves	802	1,039	904	1,004	1,104
	46,185	45,745	46,618	47,638	48,673
Funding:					
Government - Settlement	(13,643)	(13,650)	(13,843)	(14,040)	(14,241)
Funding Assessment					
Section 31 Business Rates	(780)	(550)	(410)	(260)	(120)
Grant					
Collection Fund (surplus)/deficit - business rates	(7)	100	100	100	100
Precept (Council Tax)	(30,141)	(31,054)	(31,994)	(32,961)	(33,959)
Collection Fund (surplus)/deficit - council tax	(260)	(100)	(100)	(100)	(100)
Total Funding	(44,831)	(45,254)	(46,247)	(47,261)	(48,320)
Budget Shortfall (before savings)	1,354	492	371	377	353

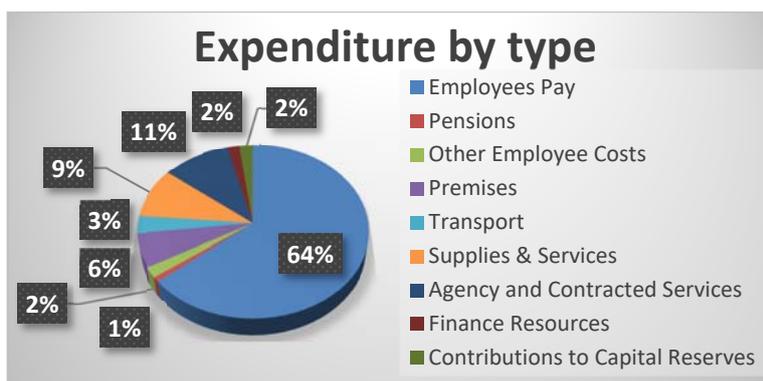
6. GROWTH

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 is scrutinised by the Service Management Team to ensure they reflect genuine growth and are in line with the vision, objectives and plans of the Fire Authority. Business cases are produced and shared with Members as part of the budget setting process.

6.2. Where growth is temporary and there are specific earmarked reserves set aside to support the associated spend, these reserves will be used to fund the growth. This growth is subject to the same scrutiny as permanent growth.

7. PROPOSED SAVINGS / EFFICIENCY PLAN

7.1. As part of the review of expenditure and the potential for further efficiencies and savings, it is important to understand how the Authority currently spends its funding. The following chart shows that 64% is spent on pay with the remaining funding spent on non-pay items.



- 7.2. A full and in-depth review has been undertaken of all non-pay budgets, challenging what is held and how it is spent. This has provided savings for 2020/21 whilst ensuring these budgets are at a sustainable level for the future.
- 7.3. During 2020/21 the Authority carried out a 'Whole Service Review' to align the provision of services to future resources and priorities. This review outcome is expected to set the future direction of the Service for the period 2020-2024 (the Integrated Risk Management Plan [IRMP] is currently subject to consultation). The review was developed using the Community Risk Management model and was informed by incident data, risks, statistics, information sources and feedback, as well as the outlook for public finances.
- 7.4. The outcome of this review has been used to inform the IRMP. The draft IRMP has now been published covering the period from 2020 to 2024. The plan provides information on the risks facing Cheshire Fire and Rescue Service and details how the organisation is structured and operates to mitigate these risks. It also details how Cheshire Fire Authority is funded and outlines plans over the next four years.
- 7.5. With the forecasts showing that further year on year savings may be required and to ensure that the limited resources are directed to support the Authority's priorities, the Service has introduced Priority Based Budgeting (PBB). PBB provides a comprehensive review of the entire Authority's budget, identifying and ranking the services provided on the basis of the Authority's priorities. This diagnostic process enables the Authority to link funding decisions to priorities in the IRMP.

8. RISKS AND SENSITIVITY ANALYSIS

- 8.1. At the autumn 2017 budget, the Chancellor announced a full spending review would be undertaken in 2019 which will affect future Government funding. However, this review was not forthcoming and as a result of the General Election in December 2019, has been postponed until spring 2020. The potential impact of this review on the forecast budgets is not clear at this stage, therefore the actual position going forward could significantly change.
- 8.2. 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 the Financial Forecasts table. 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 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £68k.
 - For every 0.5% above or below the proposed 1.99% Band D council tax increase post 2021, the impact would be a change in funding levels of approximately £150k per annum.
 - Likewise a 0.5% movement in the firefighter pay award would have a potential £250k impact on the budget gap.

8.3. In December 2018, the Court of Appeal has ruled that the Government's changes to pensions with regard to judges and firefighters were discriminatory on the grounds of age. This has been accepted by the Government and a tribunal will now take place to decide upon the appropriate remedy. Therefore, the financial impact of the case remains unclear and this MTFP will be updated as and when further information is available.

9. INDICATIVE CAPITAL PROGRAMME

9.1. In addition to the revenue budgets, a programme of capital investment is proposed within the MTFP. Funding for the programme comes from reserves held by the Authority 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.

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
<u>Expenditure:</u>					
Annual Replacement Schemes:					
Fleet Vehicles	1,665	1,138	954	978	960
Operational Equipment	100	350	350	350	350
ICT & Communications	520	50	50	50	50
New Schemes:					
Builds					
Estates – ERP Station	0	0	0	0	0
Estates – Training Centre	3,446	0	0	0	0
Estates – Chester FS	4,014	0	0	0	0
Estates – Crewe FS	1,750	4,000	0	0	0
Estates – FS	2,250	2,750	500	1,150	0
Modernisation					
Estates – Poynton Drill Tower	0	0	0	0	0
Estates – Houses	350	350	0	0	0
Modernisation					
Capital Expenditure	14,095	8,638	1,854	2,528	1,360
<u>Financed by:</u>					
General capital grants	0	0	0	0	0
Capital Receipts	350	450	0	0	0
Capital Reserves & Revenue Contributions	7,343	4,188	1,854	2,528	1,360
Borrowing	6,402	4,000	0	0	0
Total Funding	14,095	8,638	1,854	2,528	1,360