

ROBUSTNESS OF ESTIMATES

Section 25 of the Local Government Act 2003 places a requirement on the “Chief Finance Officer” of an Authority to report on the robustness of the estimates used in preparing the budget. There is then a requirement for the Authority to have regard to the report of the Chief Finance Officer when making decisions on its budget.

At Cheshire Fire Authority, the Chief Finance Officer is the Treasurer.

The Authority has a medium term planning process which takes account of service demands and the financial scenario covering a 5 year period to 2025. Alongside this, future capital programmes are planned taking into account forecast Government funding, borrowing limits and council tax. For 2020/21 borrowing levels have also been guided by the prudential indicators for 2020-23.

For 2020/21, full consideration of these issues had led to:

- Policy and expenditure proposals that reflect the Local Government Finance Settlement together with the on-going revenue impact of new capital projects, whilst recognising the outstanding issues and uncertainties.
- A proposed capital financing budget based on the 2020/21 capital programme.

In assessing the robustness of the proposals for 2020-21 and the estimates on which they are based, the Treasurer has been assured that:

- the budget proposals are based on the advice of service managers (supported by finance staff) or are based upon or supported by information that the Treasurer considers reasonable to accept
- the budget proposals have been fully endorsed by Service Management Team members and the implications on performance, if any, have been identified and assessed
- the proposed budget provides for all known future developments either within the revenue budget itself or as part of the Reserves Strategy

When using estimates in preparing the budget every effort is taken to ensure that they take into account the most up to date data. However, it should be noted that there are a number of areas where the actual impact could vary from the estimates used in setting the budget. The main areas are:

- Pay awards, pension increases, national reviews of pay and inflation
- Service financial performance (i.e. variances on budgets)
- Ability to achieve projected savings
- Operational demands

To provide for all potential scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need. For 2020/21 £924k has been provided for pay and price increases.

There are many factors that can affect financial performance in year including under or over-achievement of efficiency savings, income and other financial targets. The Authority takes a number of steps to minimise the impact by:

- Seeking wherever possible to explore in full the implications and achievability of policy and expenditure options before the budget is set;
- Promoting a robust approach to financial management requiring budget holders to monitor expenditure against budget and to take early action in reporting and responding to projected variances;
- Quarterly reporting of the projected budgetary outturn supplemented by monthly exception reports to prompt remedial action if necessary; and
- Creation of appropriate and proportionate contingencies.

It should be noted that while every effort is taken to ensure the budget is balanced, there is always the possibility of spending variances occurring. This is one of the reasons why the Authority holds reserves against unanticipated cost pressures

Based on the advice and assurance set out above and the process by which the budget has been constructed, the Treasurer is satisfied that the estimates are robust and can be relied upon for approval as part of the proposed budget.