

### CHESHIRE FIRE AUTHORITY MEDIUM TERM FINANCIAL PLAN - 2021 TO 2026

#### 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.

- **Be Inclusive** - by acting fairly, with integrity, respect and without prejudice
- **Do the Right Thing** - by holding each other to account for ensuring high standards of professionalism in everything we do

- **Act with Compassion** - by being understanding and offering help to each other and to our communities with warmth, patience and kindness
- **Make a Difference** - by making an impact in our organisation and in our communities in whatever ways we can, for as many people as we can

## 2. THE BUDGET STRATEGY 2021-22

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);
- Set 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 impact of the Covid-19 pandemic.
- 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 and again in 2020, which would have provided some certainty over funding in the medium term but in the Chancellor's statement only a one-year settlement was provided with the full spending review postponed until 2021, due to the impact of Covid-19.
- 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 available, 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, discounts etc. These vary each year and the MTFP includes assumptions for these changes based on discussions and forecasts supplied by the local authorities.
- 3.5. As a result of the Covid-19 pandemic, the taxbases have, for the first time, fallen in some cases due to increases in benefits claimed, anticipated collection rate and bad debt provisions, all of which impact on the taxbase calculation. As a result, the amount of funding from the council tax precept will be less than previously forecast – whether the amount charged is increased or not. This is being carefully monitored with the four local authorities, and future year's assumptions updated as further data becomes available.
- 3.6. In recent years the Government has set a limit on the amount by which a local authority can increase its Council Tax each year, without being required to carry out a local referendum. As part of the Local Government Finance Settlement announced in December 2020, the limit is set at 2% for 2021/22. The Authority may increase its Council Tax above this level, but can only do so after approval by the local electorate through a referendum.
- 3.7. Each year Council Tax 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 one-off surplus or deficit on the fund which is accounted for within the calculation of the following year's net budget requirement, but the actual amounts are not declared until mid-January each year. Given the impact of the Covid-19 pandemic on the economy and therefore, on the ability of local authorities to recover council tax, there is a clear risk to the collection funds achieving their forecast income levels.

3.8. In past MTFPs there has been an assumption included that each of the four local authorities would declare surpluses for which the Authority would receive its share - which has always been over achieved. However, this is no longer appropriate under the current pandemic and as such, the MTFP has been updated to reflect the forecast deficits, spread over three years in line with the Government's regulations.

3.9. 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 its budget setting process.

<b>Table 1 - Funding</b>	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Government - Settlement Funding Assessment	-13,710	-13,710	-13,710	-13,710	-13,710
Section 31 Business Rates Grant	-1,341	-780	-780	-780	-780
Section 31 Collection Fund Deficit (Coronavirus) Grant	-1,974	0	0	0	0
Section 31 LCTS Grant	-505	0	0	0	0
Collection Fund - business rates	2,031	104	104	100	100
Precept (Council Tax)	-30,787	-31,506	-32,341	-33,230	-34,231
Collection Fund - council tax	84	124	124	0	0
<b>Total Funding</b>	<b>-46,202</b>	<b>-45,768</b>	<b>-46,603</b>	<b>-47,620</b>	<b>-48,621</b>
Council taxbase	380,701	381,988	384,458	387,342	391,215
Precept (Council Tax - Band D)	£80.87	£82.48	£84.12	£85.79	£87.50
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 – 0% in 2021/22 in line with Government's announcement and 1% for the following two years, rising to 1.5% and finally 2.5% per annum
- 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
- Funding – in terms of Government funding post 2021/22, there is no certainty. A spending review is forecast for 2021 but with the impact of Covid-19 on the economy and the national debt level, the actual economic outlook remains challenging. As such the MTFP currently shows no increase to funding outside of precept options.

5. FINANCIAL FORECASTS 2021-26

- 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 2025/26. 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.

<b>Table 2 – Financial forecasts</b>	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Base Budget	43,792	43,442	44,205	45,039	46,056
Inflation	321	634	645	813	1,146
Estimated Growth - permanent	279	500	500	500	500
Net impact of 2020/21 one-off items	-474	0	0	0	0
Net impact of 2021/22 one-off items	24	-24	0	0	0
Transfer to revenue reserves - base budget	1,215	64	64	64	64
Transfer to capital reserves - base budget	1,544	1,500	1,500	1,500	1,500
<b>Net Budget</b>	<b>46,701</b>	<b>46,116</b>	<b>46,914</b>	<b>47,916</b>	<b>49,266</b>
Funding:					
Government - Settlement Funding Assessment	-13,710	-13,710	-13,710	-13,710	-13,710
Section 31 Business Rates Grant	-1,341	-780	-780	-780	-780
Section 31 Collection Fund Deficit (Coronavirus) Grant	-1,974	0	0	0	0
Section 31 LCTS Grant	-505	0	0	0	0
Collection Fund - business rates	2,031	104	104	100	100
Precept (Council Tax)	-30,787	-31,506	-32,341	-33,230	-34,231
Collection Fund - council tax	84	124	124	0	0
<b>Total Funding</b>	<b>-46,202</b>	<b>-45,768</b>	<b>-46,603</b>	<b>-47,620</b>	<b>-48,621</b>
<b>Budget Shortfall</b>	<b>499</b>	<b>348</b>	<b>311</b>	<b>296</b>	<b>645</b>

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 through the Service Management Team to ensure they reflect genuine unavoidable 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

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 table shows that 64% is spent on employees pay with the remaining funding spent on non-pay items.

<b>Table 3: Type of Expenditure</b>	<b>% Split</b>
Employees Pay	64
Pensions & Other Employee Costs	3
Premises	6
Transport	3
Supplies and Services	9
Agency and Contracted Services	11
Finance Resources	2
Contribution to capital reserves	2
<b>Total</b>	<b>100</b>

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 2021/22 whilst ensuring these budgets are at a sustainable level for the future.

7.3. The outcome of the Whole Service Review informed the current approved Integrated Risk Management Plan (IRMP) 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.

7.4. 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 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. The diagnostic process enables officers to advise the Authority about linking funding decisions to priorities in the strategic plan.

## 8. RISKS & SENSITIVITY ANALYSIS

8.1. 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 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 by approximately £150k per annum.
- Likewise a 0.5% movement in the firefighter pay award would have a potential £250k impact on the budget gap.

8.2. In December 2018, the Court of Appeal has ruled that the Government's changes to firefighters pensions were discriminatory on the grounds of age. This has been accepted by the Government and the remedy is currently being calculated and agreed. However, the final costs and source of funding remain uncertain.

## 9. INDICATIVE CAPITAL PROGRAMME

9.1. In addition to the revenue budgets, a programme of capital investment is proposed within the MTFP. Funding for these 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.

<b>Table 4 – Indicative Capital Programme</b>	<b>2021/22 Estimate £000</b>	<b>2022/23 Estimate £000</b>	<b>2023/24 Estimate £000</b>	<b>2024/25 Estimate £000</b>	<b>2025/26 Estimate £000</b>
Annual Replacement Schemes:					
Fleet Vehicles	1,150	954	978	960	960
Operational Equipment	28	350	350	350	350
ICT & Communications	0	50	50	50	50
New Schemes:					
Estates – ERP Station Builds	0	0	0	0	0
Estates – Training Centre	0	0	0	0	0
Estates – Chester FS	0	0	0	0	0
Estates – Crewe FS	900	6,000	0	0	0
Estates – FS Modernisation	5,800	3,000	3,000	0	0
Estates – Houses Modernisation	350	0	0	0	0
Estates – Wilmslow Facility	0	3,000	0	0	0
Provision for New Projects	0	0	0	250	250
<b>Capital Expenditure</b>	<b>8,228</b>	<b>13,354</b>	<b>4,378</b>	<b>1,610</b>	<b>1,610</b>
<u>Financed by:</u>					
General capital grants	0	0	0	0	0
Capital Receipts	450	0	0	0	0
Capital Reserves & Revenue Contributions	3,778	5,354	2,378	1,610	1,610
Borrowing	4,000	8,000	2,000	0	0
<b>Total Funding</b>	<b>8,228</b>	<b>13,354</b>	<b>4,378</b>	<b>1,610</b>	<b>1,610</b>