

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 statutory requirement is reinforced by the Prudential Code, which requires authorities to have regard to affordability when considering recommendations about future capital programmes.

The Authority has a medium term planning process that takes account of service demands and the financial scenario covering a 5 year period to 2026. The aim of the Medium Term Financial Plan is to provide a realistic and sustainable plan that reflects the Authority’s priorities and anticipates the future impact of current decisions. Alongside this, future capital programmes are planned taking into account forecast Government funding, borrowing limits and council tax.

For 2021/22, 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 2021/22 capital programme.

In assessing the robustness of the proposals for 2021/22 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 reviewed and 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. There is however always the potential for the actual impact to vary from the estimates used in setting the budget, particularly as a result of:

- Variations in the rate of price inflation, pay awards and pension increases
- Service financial performance (i.e. variances on budgets)
- Ability to deliver policy proposals and/or achieve projected savings
- Unforeseen additional operational demands and activities

There are two specific assumptions that relate to 2021/22:

- The Government Spending Review 2020 included the intention to “pause headline pay awards” in the public sector (other than NHS staff) in 2021/22, as a response to spending pressures from Coronavirus. The Authority’s budget for 2021/22 assumes that this will apply to all staff and therefore there is no budget provision for a pay award.
- The continuing Coronavirus pandemic could have a significant impact on the financial position of the Authority. As well as closely monitoring the level of any additional expenditure, the Authority will continue to seek Special Grant funding from the Home Office to meet any additional expenditure. The 2021/22 Budget includes provisions relating to expenditure incurred as a result of the pandemic and it is assumed that any unbudgeted expenditure will be offset by Special Grant and/or will be met from reserves.

The potential for unanticipated events to occur that may impact on the budget, reinforce the importance of prudent financial management including:

- 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
- Maintaining an appropriate and proportionate contingency, as part of the General Reserve, to cushion the impact of unexpected events and emergencies.

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.