

Cambridgeshire and Peterborough Fire Authority

Draft Medium Term Financial Strategy 2023 to 2027

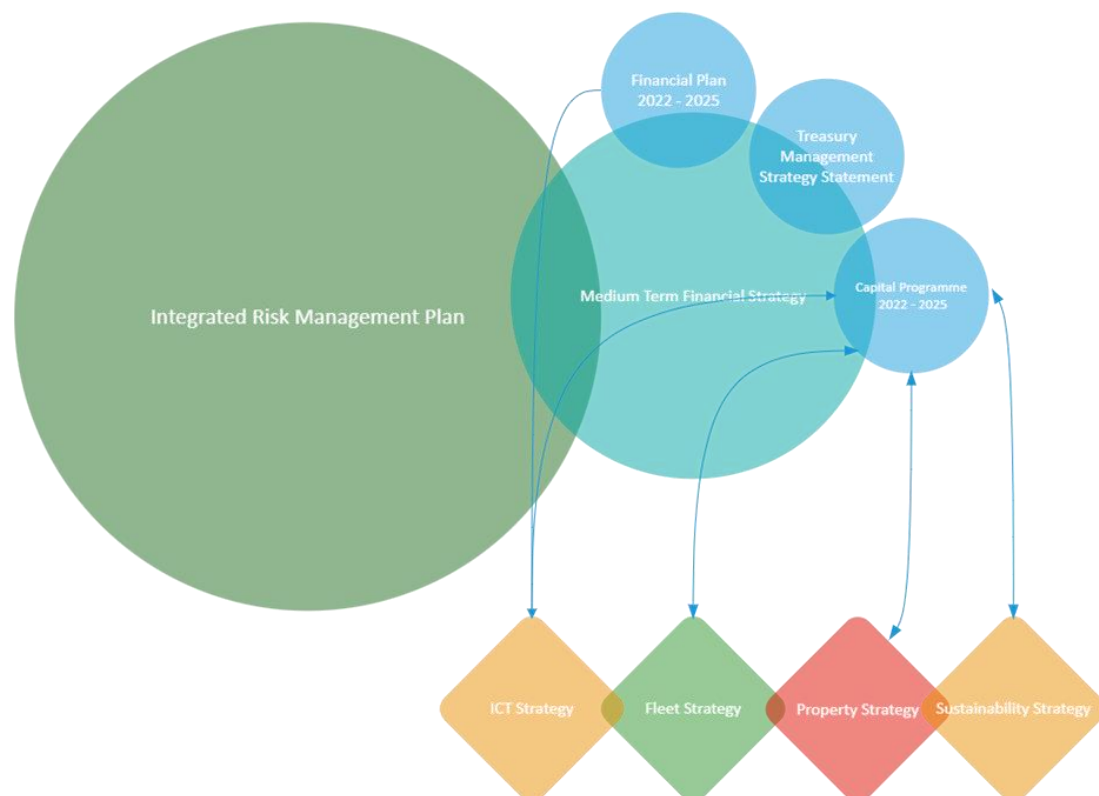
1. Introduction

1.1 The Need for a Financial Strategy

- 1.1.1 The financial environment in which the Authority operates is likely to be extremely challenging in the medium term. It is likely that the Authority will be faced with some extremely difficult decisions as the impact of the financial crisis is properly understood. To this end, the Service has prepared a Financial Business Continuity Plan for the Authority that outlines how budget cuts can be made and the impact they will have on service delivery if they are required.
- 1.1.2 The uncertainty around future funding arrangements beyond 2022, along with council tax capping limits and potential Authority decisions around referendum, all require the Authority to take proactive steps to control its own destiny to mitigate against the threat of having to react to external events.

1.2 Background

- 1.2.1 In developing a financial strategy the Authority must consider the factors that may influence the future needs and plans of the Service. The diagram below provides a picture of how different plans and strategies influence the financial strategy. The diagram is not exhaustive but does provide an overview of the key documents and plans that must be considered within the strategy.



- 1.2.2 Government continues to make assumptions and offer guidance around council tax capping limits where they assume they will be increased in line with inflation. This strategy assumes that increases in council tax will be approved by the Authority. However it is important to highlight that a 1% increase in council tax will broadly cover a 1% increase in employee costs. If council tax is set below employee inflation, then budget savings will be required to balance the budget.
- 1.2.3 The Integrated Risk Management Plan (IRMP) is the Service's overarching strategic plan that sets out the aims and objectives for the future. The financial strategy must consider and support the delivery of these aims and actions. Any future comprehensive savings review (CSR) programme will continue to focus on the most appropriate options for the Service to mitigate against the impact of potential future reductions in Government funding and constraints on council tax. The Financial Business Continuity Plan will detail where reductions can be made and the relative impact they will have on service delivery.
- 1.2.4 Revenue expenditure has been within budget each year for the last four years; this confirms the ability of the Authority to control expenditure. Considerable time and effort are spent ensuring that budget holders challenge current expenditure levels and project budgets are fully understood and funding allocated before any commitment is made.
- 1.2.5 The Authority holds reserves that are adequate to respond to the risks it currently faces. Part of this strategy is linked to considering the level of reserves the Authority holds in the medium term. However it should also be

noted that these reserves can only be used once and cannot fill an on-going budget gap.

1.3 The Economy

- 1.3.1 This strategy assumes that the economy will continue to grow in the medium term, with inflation in line with the Bank of England target. However as seen over the past 12 months, significant external factors have impacted inflation in the United Kingdom and across the world. It is anticipated that this volatility will continue throughout 2023. This will put significant pressure on the Authority's budget, particularly if council tax levels remain capped at a rate significantly below inflation.

1.4 External Factors

- 1.4.1 The county population continues to grow and the strategy must recognise and allow for pressures and potential opportunities that are created by an increased taxbase.

2. Financial Forecast

- 2.1 The five year financial forecast, included at Appendix 1, takes the Authority beyond the end of the current CSR period. The figures contained within the forecast are subject to significant external factors with earlier years being more certain based upon current known net expenditure and timing of specific events. Estimates beyond the current CSR period are highly speculative and will need to be further refined as we move forward.
- 2.2 The tax base assumes an increase of approximately 2% for the next financial year based upon the latest data received from collecting authorities. It is then forecast to grow by 1% per annum thereafter.
- 2.3 The Government continues to be committed to the localism agenda but also continues to provide clear guidance around council tax increases. A council tax referendum will be required for authorities where a 'reasonable' increase is not set. The term 'reasonable' is now defined by the Secretary of State who provides council tax capping limits. Currently the limit is suggested as 2.99% or £5 for fire authorities. The long term strategy will work within these parameters, unless the Authority specifically approves a revision.
- 2.4 Inflation continues to be an area of significant risk in the short term owing to the on-going global economic uncertainty. Inflation is based upon Treasury projections, except for pay inflation which has been set at 4%. It is worth highlighting that pay negotiations between the Fire Brigades Union and the National Joint Council do not commence until after the budget has been set and as we have seen in the current financial year, can bring significant risk where the difference between budgeted pay awards and actual is vastly different. All fuel and general inflation is monitored and updated annually based upon latest information.

- 2.5 A sensitivity analysis is presented in Appendix 3. This analysis looks to provide several scenarios that consider multiple assumptions on the key factors included within the financial forecast. They provide some indication on the financial impact a specific factor can have on the Authority's budget.

3. Preparing for the Potential Funding Challenge

- 3.1 The Service has been preparing for the potential challenges that a CSR may present. However the financial crisis has meant preparations have been accelerated. The Authority has been presented with an overall summary of the Financial Business Continuity Plan and this will be the primary document used for making decisions around future service levels.

4. The Medium Term Financial Strategy

4.1 Revenue Provision

- 4.1.1 The priorities of the Authority are laid out in the IRMP and Business Development Programme. Whilst the Authority will seek to accommodate additional requirements, these will be considered against the backdrop of the CSR and funding challenges. A project will only progress where there is a tangible benefit and funding exists.
- 4.1.2 The Authority's revenue expenditure plans will be published each year in the Authority's budget book, which will be prepared in association with the IRMP and Business Development Programme and will seek to ensure resources are allocated appropriately. Where there is competition for resources, those areas of the Service directly contributing to the purpose of the Authority will take priority, unless there are any overriding factors such as a legal imperative.
- 4.1.3 Significant planning has started on potential revenue savings, should the Service be impacted in the short to medium term by funding pressures and restrictions on funding.

4.2 Capital Programme

- 4.2.1 The capital programme will be reviewed annually by the Policy and Resources Committee and published in February alongside projected schemes for a further three years. The detailed programme will be presented to the Policy and Resources Committee in January; a summarised programme is attached at Appendix 2.
- 4.2.2 The Authority will seek to identify capital requirements in sufficient time to ensure that its assets are always adequate to support our needs, can be adequately resourced and fully funded.

- 4.2.3 Prior to approving capital schemes, whole life cost details must be considered and how the scheme fits with the capital programme and Asset Management Plan.
- 4.2.4 The Service has commenced a piece of work looking at sustainability and how it can achieve a position of net zero. This work will impact on how we use our buildings and fleet in the medium term. It is likely that investment will be required to enable us to fulfil the aim of achieving net zero. A detailed strategy and action plan will be presented alongside the final budget in February 2023.

4.3 Funding

- 4.3.1 The Authority's projected net expenditure is funded from Government grant and council tax.
- 4.3.2 The Government grant is determined by the allocation of a fixed sum across all local authorities.
- 4.3.3 The Authority will continue to monitor the Government's approach to the spending review and the impact of any future changes.
- 4.3.4 The level of council tax will be determined each year after considering the short term financial position and an assessment of the long term outlook. The Authority will try to ensure that the level of council tax is sufficient to provide an appropriate level of service without causing the local taxpayer any undue hardship.
- 4.3.5 The strategy is to keep council tax at or below deemed acceptable increases. If funding significantly changes as a result of the formula review or unforeseen events cause the general reserve to dip below a perceived prudent level, (currently 6%), then the impact on increasing this fund to local council taxpayers will not be more than 0.5% per annum.

4.4 Financial Contingency Planning

- 4.4.1 The Authority holds a general reserve to provide contingency against unforeseen events such as a higher than usual level of operational activity or period of industrial action. This reserve may also be used to fund short term delays in realising on-going budget cuts.
- 4.4.2 Earmarked reserves are created to provide a contingency against foreseeable events that have a reasonable degree of likelihood but where timing is uncertain. The major reserves held by the Authority relate to operational firefighter recruitment to manage establishment levels within budget, financial business continuity reserve and ill health pension payments.

4.4.3 The level of working balances will be maintained at a level that provides the Authority's Treasurer with an adequate safeguard against the risk of cash flow interruptions.

4.4.4 The medium term reserve will be included within the budget book for 2023/24.

MEDIUM TERM FINANCIAL PLAN 2023/24 TO 2026/27

2023/2024 Description	Prior Year Budget £'000	Inflation £'000	Adjustments £'000	2023/2024 Budget £'000	Comments
Wholetime Firefighters Pay	14,178	478	440	15,096	1) Prior year inflation budgeted 2%, expecting minimum of 5%, additional £250k. (2) Seconded officer(s) added, offset in other income £91k, (3) Additional bank holiday £14k, (4) Allowances for training staff £50k, (5) ERD CPD added £37k, (6) New pension levy £5k, (7) Two fewer members offset partially by more competent members -£27k
Retained Firefighters Pay	3,024	88	155	3,267	1) Prior year inflation budgeted 2%, expecting minimum of 5%, additional £56k, (2) £38k prior year budget incorrect rates, (3) ERD CPD added £14k, (4) Resilience payments missed prior year £34k, (5) Assisted Trainers budget added £17k
Fire Control Pay	1,773	53	34	1,860	Prior year inflation budgeted 2%, expecting 5%, additional £40k, NI rate reduced back to 13.8%
Management & Support Staff Pay	7,319	289	26	7,634	1) Prior year inflation budgeted 2%, between 5% and 6.3% awarded +£240k mostly offset by approximately 7 fewer staff [FTE]
Training & Other Staff Related Costs	473	39	(83)	429	1) Training reduced by £64k (change in how courses are delivered), (2) compensation reduced by £14k
Total Staffing Costs	26,767	947	572	28,286	
		4%			
Premises Running Costs	1,507	301	54	1,862	Utility and service costs above inflation
Insurances, Supplies and Services Costs	5,033	325	668	6,026	
Transport Costs	519	131	73	723	Fuel summer spare conditions expected to continue
Service Charges	156	7	6	169	expected increase in cross-boarder charges
Capital Financing Costs	771	0	(223)	548	no RCCO budgeted
Total Supplies, Servicing and Financing costs	7,986	764	578	9,328	
Total Costs	34,753	1,711	1,150	37,614	
Shared Services Income	(1,112)	(104)	107	(1,109)	Beds/CFRS staff allocation changed
S.33 Grants	(1,963)	0	355	(1,608)	from £421k to £316k, (3) Protection Grant £163k added in, (4) Firelink grant reduced by £80k
Other income	(451)	(10)	(24)	(485)	Firebreak & sprinkler income added in as costs also added in above
RSG	(2,897)	0	(293)	(3,190)	12/12/22 Govt notice states increases with CPI (10.1% for Sept22).
National Non-domestic Rates	(3,362)	(340)	201	(3,501)	info pending from authorities
NNDR top-up Grant	(2,754)	0	(890)	(3,644)	12/12/22 Govt notice states increases with CPI (10.1% for Sept22). S.31 deficit not included in 22/23 - added in but data pending from Districts
Transfers to/from Reserves	0	0	0	0	
Total Income before Fire Authority Precepts	(12,539)	(454)	(544)	(13,537)	
Funded by Fire Authority Precept	22,214	1,257	606	24,077	
Tax Base and growth	296307	1.7%	4966	301273	
Band D Tax	£ 74.97	6.6%	£ 4.95	£ 79.92	
Total Precept £000's	£ 22,214	8.4%	£ 1,864	£ 24,078	

Future Years +1	2023/2024	Inflation	other adjustments	Forecast 24/25	
Wholtime Firefighters Pay	15,096	453	0	15,549	
Retained Firefighters Pay	3,267	98	0	3,365	
Fire Control Pay	1,860	56	0	1,916	
Management & Support Staff Pay	7,634	229	(12)	7,851	lump sum pension payment fixed for next 3 years
Training & Other Staff Related Costs	429	13	65	507	additional PHEM training (£65k)
Total Staffing Costs	28,286	849	53	29,188	
		3%			
Premises Running Costs	1,862	56	(2)	1,916	lease fixed for 5 years
Insurances, Supplies and Services Costs	6,026	181	(383)	5,824	
Transport Costs	723	22	0	745	
Service Charges	169	5	0	174	
Capital Financing Costs	548	0	(8)	540	interest +£31k, RCCO -£39k
Total Supplies, Servicing and Financing costs	9,328	264	(393)	9,199	
		3%			
Total Costs	37,614	1,113	(340)	38,387	
Shared Services Income	(1,109)	(33)	0	(1,142)	
S.33 Grants	(1,608)	0	357	(1,251)	Fire Pensions Admin Grant reducing 67%
Other income	(485)	(15)	52	(448)	Interest received reduced from £70k to £20k as rates and amount invested expected to reduce
RSG	(3,190)	0	(95)	(3,285)	
National Non-domestic Rates	(3,501)	0	0	(3,501)	
NNDR top-up Grant	(3,644)	0	(80)	(3,724)	
Transfers to/from Reserves	0	0	0	0	
Total Income before Fire Authority Precepts	(13,537)	(48)	234	(13,351)	
Funded by Fire Authority Precept	24,077	1,065	(106)	25,036	
Tax Base and growth	301273	1.02%	3078	304351	
Band D Tax £ per house	£ 79.92	2.93%	£ 2.34	£ 82.26	
Total Precept £000's	£ 24,078	29.9%	£ 7,203	£ 25,036	

	Forecast 24/25	Inflation	Inflation & other adjustments	Forecast 25/26	
Future Years +2					
Wholtime Firefighters Pay	15,549	311	0	15,860	
Retained Firefighters Pay	3,365	67	0	3,432	
Fire Control Pay	1,916	38	0	1,954	
Management & Support Staff Pay	7,851	157	(8)	8,000	lump sum pension payment fixed for next 3 years
Training & Other Staff Related Costs	507	10	(65)	452	additional PHEM training (£65k) not required in 25/26
Total Staffing Costs	29,188	583	(73)	29,698	
		2%			
Premises Running Costs	1,916	38	0	1,954	
Insurances, Supplies and Services Costs	5,824	116	193	6,133	
Transport Costs	745	15	0	760	
Service Charges	174	3	0	177	
Capital Financing Costs	540	11	37	588	borrowing MRP
Total Supplies, Servicing and Financing costs	9,199	183	230	9,612	
		2%			
Total Costs	38,387	766	157	39,310	
Shared Services Income	(1,142)	(23)	0	(1,165)	
S.33 Grants	(1,251)	0	365	(886)	Fire Pensions Admin Grant reducing
Other income	(448)	(9)	0	(457)	
RSG	(3,285)	0	0	(3,285)	
National Non-domestic Rates	(3,501)	0	0	(3,501)	
NNDR top-up Grant	(3,724)	0	0	(3,724)	
Transfers to/from Reserves	0	0	0	0	
Total Income before Fire Authority Precepts	(13,351)	(32)	365	(13,018)	
Funded by Fire Authority Precept	25,036	734	522	26,292	
Tax Base and growth	304351	2.01%	6104	310455	
Band D Tax £ per house	£ 82.26	2.95%	£ 2.43	£ 84.69	
Total Precept £000's	£ 25,036	59.2%	£ 14,833	£ 26,292	

	Forecast 25/26	Inflation	Inflation & other adjustments	Forecast 26/27	
Future Years +3					
Wholetime Firefighters Pay	15,860	317	0	16,177	
Retained Firefighters Pay	3,432	69	0	3,501	
Fire Control Pay	1,954	39	0	1,993	
Management & Support Staff Pay	8,000	160	(9)	8,151	lump sum pension payment fixed for next 3 years
Training & Other Staff Related Costs	452	9	8	469	additional training requirements every 3 years
Total Staffing Costs	29,698	594	(1)	30,291	
		2%			
Premises Running Costs	1,954	39	30	2,023	Property valuations every 4-5 years £12k, grounds remedial works following site inspections £20k
Insurances, Supplies and Services Costs	6,133	123	(143)	6,113	
Transport Costs	760	15	0	775	
Service Charges	177	4	0	181	
Capital Financing Costs	588	12	75	675	additional borrowing for capital programme - loan interest
Total Supplies, Servicing and Financing costs	9,612	193	(38)	9,767	
		2%			
Total Costs	39,310	787	(39)	40,058	
Shared Services Income	(1,165)	(23)	0	(1,188)	
S.33 Grants	(886)	0	338	(548)	Fire Pensions Admin Grant reduced to nil
Other income	(457)	(9)	0	(466)	
RSG	(3,285)	0	0	(3,285)	
National Non-domestic Rates	(3,501)	0	0	(3,501)	
NNDR top-up Grant	(3,724)	0	0	(3,724)	
Transfers to/from Reserves	0	0	0	0	
Total Income before Fire Authority Precepts	(13,018)	(32)	338	(12,712)	
Funded by Fire Authority Precept	26,292	755	299	27,346	
Tax Base and growth	310455	1.00%	3105	313560	
Band D Tax £ per house	£ 84.69	2.98%	£ 2.52	£ 87.21	
Total Precept £000's	£ 26,292	29.8%	£ 7,825	£ 27,346	

MEDIUM TERM CAPITAL PROGRAMME 2023/24 TO 2026/27				
	Forecast £ 2023/24	Forecast £ 2024/25	Forecast £ 2025/26	Forecast £ 2026/27
Vehicle Replacement Programme				
Emergency Fleet	303,520	869,680	887,070	904,820
Silver Fleet	596,460	864,770	320,590	700,310
Other	-	-	14,400	-
Total Vehicles	899,980	1,734,450	1,222,060	1,605,130
Capital Equipment Programme	53,340	160,880	164,110	225,640
Land and Buildings Capital Programme				
Reburbishments and upgrades	1,515,000	726,150	945,540	589,390
New Land and Buildings				
Total Land and Buildings	1,515,000	726,150	945,540	589,390
IT and Communications Capital Programme				
Tangible Assets	100,000	360,500	320,440	80,370
Intangible Assets	430,000	-	-	321,480
	530,000	360,500	320,440	401,850
Total Capital Expenditure	2,998,320	2,981,980	2,652,150	2,822,010
Financed By:-				
Loan	-	697,980	-	2,153,010
Capital Receipts	2,959,000	1,954,000	2,205,000	219,000
Revenue Contribution to Capital Outlay (RCCO)	711,620	330,000	447,150	450,000
Transfers to/from Capital Reserves	(672,300)			
Capital Grants	-	-	-	-
Total Resources	2,998,320	2,981,980	2,652,150	2,822,010



Summary Cost v Income Analysis

2022/23				2023/24			
	Additional to 2022/23 budget	£'000's	select inflation		Additional to 2022/23 budget	£'000's	input inflation
Payroll costs - Uniformed*	421	19,441	5.0%		830	19,850	4.0%
- Senior Officers	15	522	5.00%	5.0%	31	538	4.0%
- Support Mgt	98	3,443	5.00%		202	3,547	4.0%
- Support LG	146	3,622	1,925.00	6.3%	255	3,732	4.0%
- Reduction in NI %	-76	-76	5.00%				
	604				1318		Movement per yr 715
Fuel & utility costs	144	866	50.0%		750	1,472	70.0%
Other Costs	427	7,686	8.0%		657	7,917	3.0%
TOTAL COSTS	1174	35,504			2726	37,056	
				Total Cost Movement year on year 1552			
	growth/no. of houses/% growth	296307			5926	302233	2.00%
Council Tax	[band D rate] £ 74.97	(22,214)		£ 77.21	(23,335)	£ 2.24	2.99%
Bus.rates & Grants	#*	(11,160)		**	(10,554)		0.0%
Other Income		(1,416)			(1,416)		0.0%
TOTAL INCOME		(34,790)				(35,305)	
				Income Growth -515			
Savings Options (inflated):-							
Level 1 savings		(292)	TBC		(211)		
Level 2 savings	No		TBC	No			
Level 3 savings	No		TBC	No			
Level 4 savings		0			0		
Level 5 savings		0			0		
SAVINGS		(292)			(211)		
(SURPLUS)/DEFICIT		422			1,539		

