

CAMBRIDGESHIRE AND PETERBOROUGH FIRE AUTHORITY

DRAFT MEDIUM TERM FINANCIAL STRATEGY 2024 to 2028

1. Introduction

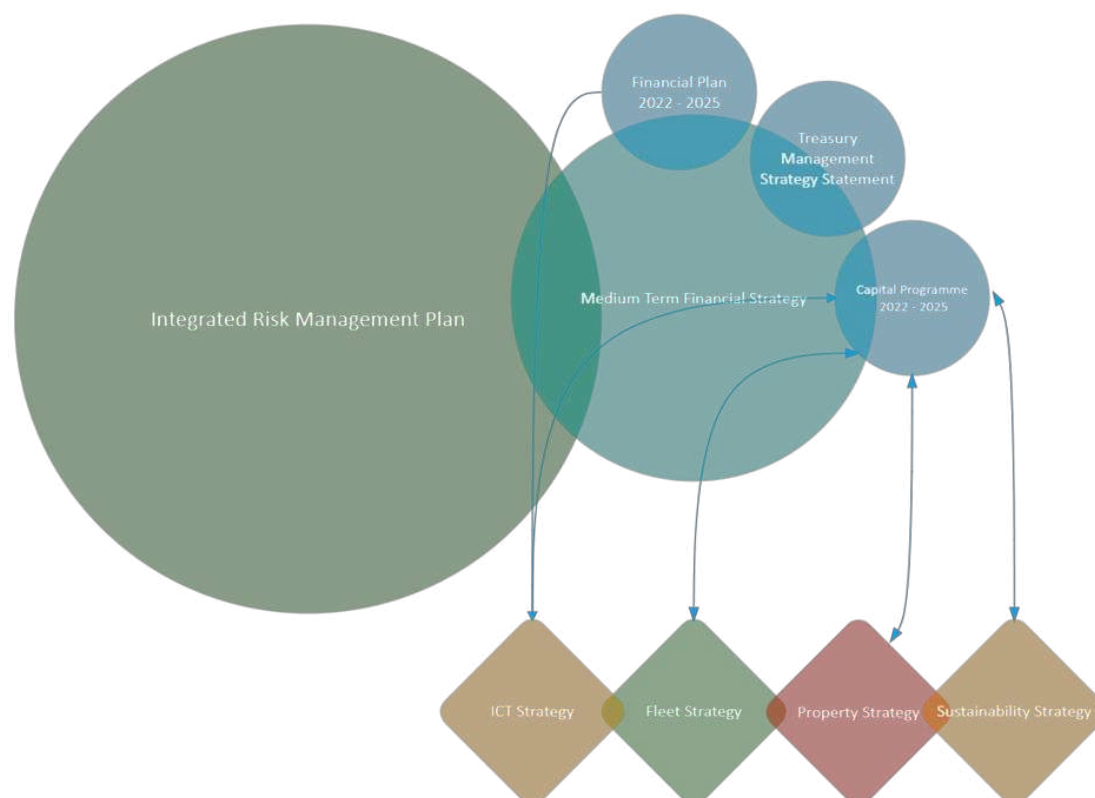
1.1 The Need for a Financial Strategy

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 2023, 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 Community Risk Management Plan (CRMP) 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 2024. 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. 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 five-year 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 1.6% 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%. 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 are monitored and updated annually based upon latest information.

3. Preparing for the Potential Funding Challenge

- 3.1 The Service is prepared for the potential challenges that a CSR may present. The Authority's Financial Business Continuity Plan is reviewed annually 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 CRMP 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. The major challenge for the Service and Authority will be in financial year 2024/25, when the effect of the cessation of the Combined

Fire Control will need to be funded. At present, this creates a financial pressure in excess of £900k.

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 2024.

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 2024/25.