

Buckinghamshire & Milton Keynes Fire Authority



MEETING	Executive Committee
DATE OF MEETING	3 February 2016
OFFICER	David Sutherland, Director of Finance and Assets
LEAD MEMBER	Councillor Andy Dransfield
SUBJECT OF THE REPORT	Medium Term Financial Plan (MTFP) 2016/17 to 2019/20
EXECUTIVE SUMMARY	<p>The main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2016/17 to 2019/20.</p> <p>The provisional settlement was announced on 17 December 2015 and is included in the funding assumptions. Final confirmation is expected in February 2016.</p> <p>Key assumptions are detailed in section 4.5 of Annex A and are based on information received to date.</p> <p>Appendix 1 shows the base budget for 2015/16 with adjustments made for savings and growth to give the position for each future year. The savings and growth lines match the totals for those bids scrutinised by officers, Strategic Management Board and the Chair and Vice Chair of the Authority, the Chair of the Overview and Audit Committee and the Lead Member for Resources at the challenge sessions held on 26 October 2015 and 12 January 2015.</p> <p>Appendix 2 shows the latest summary of the capital programme for 2016/17 and approved schemes for the following three years.</p> <p>Appendix 3 provides further detail on the level of council tax chargeable for each band if the Authority accepts the recommendation to increase the band D equivalent amount by 1.98%.</p>
ACTION	Decision.
RECOMMENDATIONS	<p>It is recommended that the Authority be recommended to:</p> <ol style="list-style-type: none"> 1. Note and have due regard to the report and Statement of the Chief Finance Officer (see section 8 of Annex A). 2. Approve a Council Tax precept of £59.70 for a band D equivalent property (a 1.98% increase from 2015/16 - equal to 2.2p per week) and the

	<p>revenue budget as set out in Appendix 1.</p> <p>3. Approve the capital programme as set out in Appendix 2.</p>
RISK MANAGEMENT	<p>Management of our Financial resources is a key risk to the Authority. By projecting forward and monitoring our financial plans, we are in a better position to avoid and mitigate the risk of adverse financial consequences.</p>
FINANCIAL IMPLICATIONS	<p>All financial implications are shown in the main body of the report.</p>
LEGAL IMPLICATIONS	<p>The Local Government Act 2003 gives the responsible finance officer, namely the Chief Finance Officer of the Combined Fire Authority under s112 of the Local Government Finance Act 1988, the responsibility to report to Members of the Authority on their assessment of the robustness of the estimates used within the budget and on the adequacy of reserves.</p> <p>Members must take account of the advice of the Chief Finance Officer in respect of the above and the highlighted associated risks before considering the recommendations as set out in the report.</p>
CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION	<p>No direct impact.</p>
HEALTH AND SAFETY	<p>No direct impact.</p>
EQUALITY AND DIVERSITY	<p>No direct impact.</p>
USE OF RESOURCES	<p>The Medium Term Financial Plan, including capital and revenue budgets, identifies the financial resources required projected into the future based on the delivery of specific aims and objectives of the Authority as set out in the Public Safety Plan (PSP). Members, Senior Management Board and many staff have been involved in agreeing priorities and the budget setting process over the preceding months.</p>
PROVENANCE SECTION & BACKGROUND PAPERS	<p>Background</p> <p>Realignment of Reserve Balances to Facilitate the Medium Term Financial Plan, Executive Committee, 18 November 2015:</p> <p>http://bucksfire.gov.uk/files/7314/4612/0201/ITEM_6_.Reserve_Balances_Update_Post_Pre-Brief.pdf</p>

APPENDICES	Annex A – Medium Term Financial Plan 2016/17 to 2019/20 Appendix 1 – MTFP Budget Models Appendix 2 – Capital Programme Summary Appendix 3 – Council Tax Funding
TIME REQUIRED	30 minutes
REPORT ORIGINATOR AND CONTACT	Mark Hemming mhemming@bucksfire.gov.uk 01296 744687

Annex A – Medium Term Financial Plan (MTFP) 2016/17 to 2019/20

1. Introduction

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2016/17 to 2019/20.
- 1.2. The MTFP is closely linked to the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out our strategic approach to the management of risk in the communities we serve. The Corporate Plan sets out how we intend to equip and develop our organisation and its people to meet the challenges that we face. The MTFP details the resources available to facilitate these plans and how the plans contribute to reducing future operating costs.
- 1.3. As part of the Fire Authority's Terms of Reference and MTFP, the Authority reviews and sets a balanced budget each year in line with corporate priorities. The MTFP is expressed as a detailed annual budget for the first year, with outline indicative budgets for the following three years.
- 1.4. Under Section 25 of the Local Government Act 2003 the Chief Finance Officer (as S.112 Chief Finance Officer of the Local Government Finance Act 1988) is required to report to Members on:
 - The robustness of the estimates made for the purposes of the calculations of the budget
 - The adequacy of the proposed financial reserves
- 1.5. The Local Government Act 2003 requires that Members have regard to the report in making their decisions (see section 8).
- 1.6. Section 42A of the Local Government Finance Act 1992 also requires the Authority to have regard to the level of reserves for meeting estimated future expenditure when calculating the net budget requirement.

2. Local Government Finance Settlement 2015/16

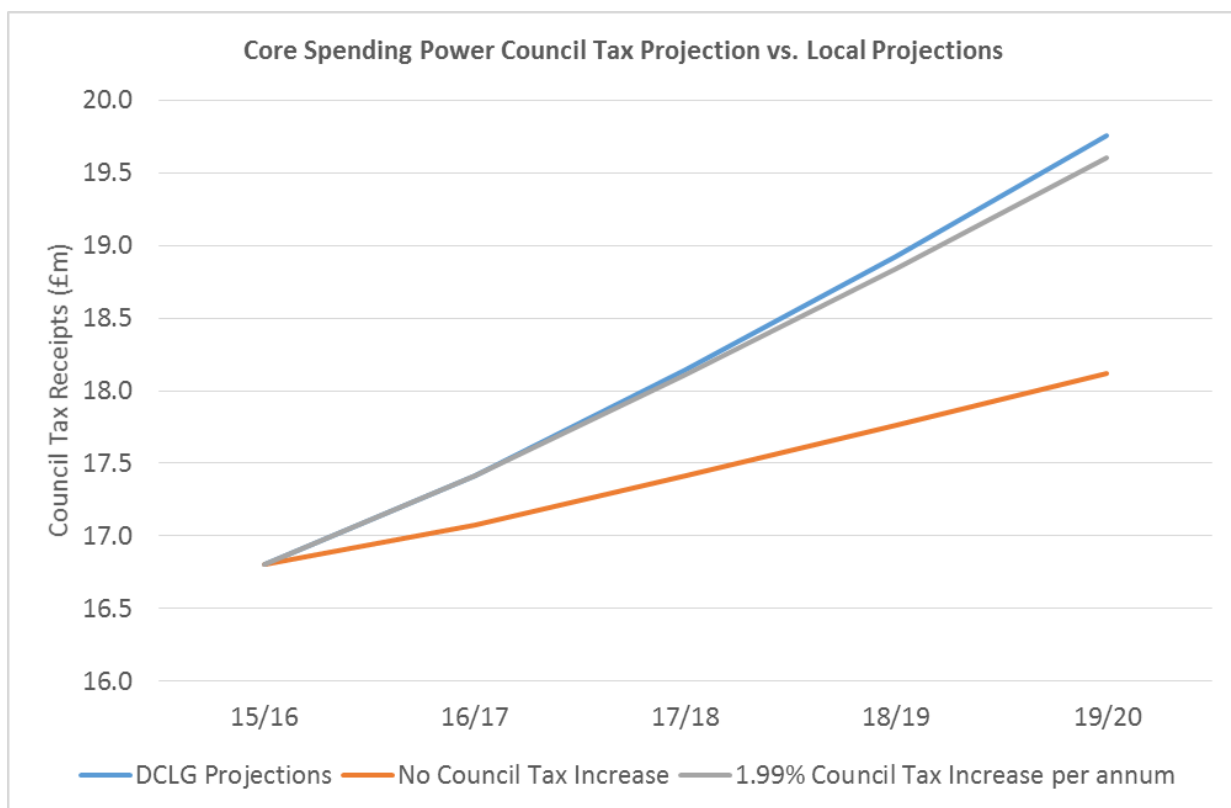
- 2.1. The settlement announcement set out some important shifts in the Government's principles. Most noticeably, there has been a shift away from freezing council tax to using council tax to generate additional funding.
- 2.2. As part of the announcement, the Government published headline changes in core spending power between 2015/16 and 2019/20 for every authority. The headline change for BMKFA for was an increase of 1.2%.
- 2.3. However, this headline increase is based on two fundamental assumptions
 - That the average growth in council tax base between 2013-14 and 2015-16 will continue until 2019-20
 - That authorities will increase their Band D council tax in line with the forecast for inflation each year, which is an annual average increase of 1.75%
- 2.4. Underlying the core spending power figures is a decrease of 57% in revenue support grant that we receive between 2015/16 and 2019/20.
- 2.5. The Government also announced its commitment to a longer term settlement and will offer any authority that wishes to take it up a four-year funding

settlement to 2019-20. This requires the authority to produce an efficiency plan, although the detailed requirements of this are yet to be announced. It is also not clear at this stage how this four-year settlement will be affected by potential reductions to fire specific grants.

- 2.6. The announcement also stated that by the end of the Parliament local government will retain 100% of business rate revenues to fund local services.
- 2.7. For the purposes of the MTFP it is assumed that this will simply shift the balance of funding between government funding and business rates, although no detail of this policy has been announced and it does present a transfer of risk from central to local government.

3. Council Tax and Business Rates

- 3.1. In publicly declaring core spending power figures, the Government has clearly set an expectation that local authorities will increase council tax every year during the current spending review period.
- 3.2. The chart below shows the council tax receipts assumed for BMKFA in the Government’s core spending power figures versus the amounts receivable from a council tax freeze each year and a 1.99% increase each year:



- 3.3. The cumulative difference between a 1.99% annual increase and holding council tax at its current level over the four year period is £3.6m. It is also important to consider that all the Public Safety Plan objectives up to 2020 are assumed to be met as part of the financial planning.
- 3.4. The Authority has taken a responsible approach and frozen council tax in every year from 2010/11 to 2014/15 and decreased it by 1% in 2015/16. This was despite having the option to increase council tax by up to £5.00 (equivalent to an 8.46% rise) in 2013/14 without the need to undertake a local referendum.

- 3.5. Although all previous council tax freeze grants (for 11/12, 13/14, 14/15 and 15/16) will be maintained, the Government has withdrawn the offer of freeze grants for all future years.
- 3.6. There is no change in the referendum threshold from previous years, which continues to be 2%.
- 3.7. The Authority currently sets a band D equivalent precept of £58.54 per annum (approx. £1.12 per week). This is significantly below the national average and is the lowest precept of any combined fire authority.
- 3.8. Council tax chargeable for each band should the Authority resolve to increase the band D equivalent amount by 1.98% is shown in Appendix 3.
- 3.9. For the year 2016/17, BMKFA has agreed to enter into a Buckinghamshire business rates pool. This allows more rates to be retained locally and is estimated to be worth around £164k to the Authority. However, the longevity of this pool is subject to local agreement, and is dissolved if one participant decides to withdraw. It may also be curtailed early subject to Government announcements on the move to retaining 100% of business rates locally.

4. Risk Factors in Budget Assumptions

- 4.1. The budget proposed for 2016/17 at Appendix 1 has been compiled by looking in detail at current spending and future plans. Savings opportunities and growth bids compared to last year's budget have been identified and subjected to senior officer and Member challenge. As far as possible, bids and savings have been matched to the priorities outlined in the corporate plan.
- 4.2. At the time of writing there is no information available on the continuation or otherwise of USAR grant. The Authority received a letter in early December, informing us that the Incident Response Unit (IRU) was being withdrawn from service at the end of the month. This and other informal information means that we are currently anticipating the USAR grant to be withdrawn in full over the medium term. A verbal update will be provided as part of the consideration of Appendix 1.
- 4.3. Indicative figures for council tax bases and surpluses on council tax funds have so far been received from four out of the five billing authorities. There is a risk that growth in the council tax base throughout the county may fall short of those assumed in the model.
- 4.4. Savings and growth bids (including the impacts of those submitted in previous years) which have been subjected to challenge are included for 2016/17 and the base adjusted. The savings figures include (amongst others) all reductions in staff numbers in line with the Public Safety Plan and workforce plan, savings from utilising the transformation funding relating to Milton Keynes and the reduction in the level of contingency. Other risks which have been identified are to be covered from the general reserves and the remaining contingency.
- 4.5. The forecast underspend for 2015/16 as at the end of quarter 2 was £1.7m. Statutory accounting and contingency accounted for £0.9m of this amount. Provisional forecasts for Q3 reduce the forecast underspend slightly to £1.3m, of which £0.9m still relates to statutory accounting and contingency.

- 4.6. The detailed costings are based on the updated budget requirement including the annual uplift assumptions below:

	2016/17	2017/18	2018/19	2019/20
Pay inflation	1%	1%	1%	1%
RPI	0.8%	2%	3%	3%
CPI	1.75%	1.75%	1.75%	1.75%
Council tax base	1.6%	2%	2%	2%
Business tax base	0.75%	0.75%	0.75%	0.75%

5. Capital

- 5.1. The revenue impact of the capital programme has been factored into the base revenue budget requirement. This includes an annual revenue contribution to capital of £1.9m.
- 5.2. The table at Appendix 2 details the approved capital programme for 2015/16, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2016/17 to give a total capital budget requirement of £8.5m for 2016/17.
- 5.3. The Authority should also take cognisance of the prudential indicators when approving the capital programme (submitted as a separate paper at this meeting).

6. Scrutiny and Challenge Process

- 6.1. All budget changes have been determined based on a series of challenge panels held by officers and then by the Chair and Vice Chair of the Authority, the Chair of the Overview and Audit Committee and the Lead Member for Resources during the MTFP process.

7. Adequacy of Reserves

- 7.1. A paper ensuring the adequacy of reserves to support the MTFP was approved by the Executive Committee at its meeting on 18 November 2015 ([http://bucksfire.gov.uk/files/7314/4612/0201/ITEM 6 . Reserve Balances - Update Post Pre-Brief.pdf](http://bucksfire.gov.uk/files/7314/4612/0201/ITEM_6_._Reserve_Balances_-_Update_Post_Pre-Brief.pdf)).
- 7.2. The forecast balances and reserves at year-end contained within that paper were:
- General Fund Balance - £2.0m
 - Earmarked Reserves - £1.75m
 - Capital Reserves - £3.4m
- 7.3. There have been no subsequent events that require the level of reserves determined at that time to be adjusted at present.

8. Statement of the Chief Finance Officer

- 8.1. The purpose of this statement is to comply with the requirements of the Local Government Act 2003 whereby the Chief Finance Officer, in the Fire Authority's case the Director of Finance and Assets and Chief Finance Officer, must report on:
- The robustness of the estimates made for the purposes of the calculations of the budget and;
 - The adequacy of the proposed financial reserves;
 - In recommending the budget to the Authority, Members must take the advice of the Chief Finance Officer in respect of the above and the associated risks as highlighted within the report.
- 8.2. Given the level of the General Fund Balance and earmarked reserves available, the prudent approach to the budget setting process for the next financial year and the tighter controls introduced for budget management, it is my conclusion as Chief Finance Officer for the Authority that there is sufficient capacity in the reserves to cope with the financial risks the Authority faces for 2016/17 and future years and that the methodology applied provides the necessary assurance to the Authority about the robustness of the estimates used in constructing the budget.

Appendix 1 – MTFP Models

The two alternative models below show the difference between council tax increases of close to 1.99% every year as opposed to freezing the council tax every year. The models are based on the assumptions detailed in Section 4.5 and all growth and savings bids have been subjected to officer and Member scrutiny as detailed in section 6.1. It is assumed that the USAR grant will decrease to zero by 2019/20 in equal amounts each year. This assumption is being kept under review and a verbal update will be provided at the meeting. It should also be noted that the figures for council tax and business rates are provisional. The statutory deadline for the billing authorities to provide this information to the Authority is 31 January. Any changes to the figures will be notified at the meeting.

Council tax increase of 1.99% every year

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Base Budget	28,386	27,431	27,796	27,723	27,116
Contingency	1,309	1,309	640	640	640
Reduction in Contingency	0	-669	0	0	0
Pay Adjustment	213	565	222	224	204
Inflation Adjustment	88	90	103	88	86
Net Growth/(Savings)	-1,256	-290	-398	-919	-20
Net Budget Requirement	28,740	28,436	28,363	27,756	28,026
Revenue Support Grant	-5,170	-4,420	-3,240	-2,630	-2,290
Business Rates	-5,158	-5,300	-5,435	-5,627	-5,837
Council Tax Receipts Surplus/Deficit	-329	-225	0	0	0
Council Tax Freeze Grant (15/16) then NNDR Pooling (16/17)	-182	-164	0	0	0
Fire Specific Grants (USAR/Firelink)	-1,099	-883	-667	-451	-235
Council Tax Receipts	-16,802	-17,414	-18,117	-18,846	-19,607
Total Funding Available	-28,740	-28,407	-27,459	-27,554	-27,969
Shortfall for year	0	29	904	202	57
Cumulative savings requirement	0	29	934	1,136	1,193

Council tax freeze every year

	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Base Budget	28,386	27,431	27,796	27,723	27,116
Contingency	1,309	1,309	640	640	640
Reduction in Contingency	0	-669	0	0	0
Pay Adjustment	213	565	222	224	204
Inflation Adjustment	88	90	103	88	86
Net Growth/(Savings)	-1,256	-290	-398	-919	-20
Net Budget Requirement	28,740	28,436	28,363	27,756	28,026
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Council Tax Freeze Grant (15/16) then NNDR Pooling (16/17)	-182	-164	0	0	0
Fire Specific Grants (USAR/Firelink)	-1,099	-883	-667	-451	-235
Council Tax Receipts	-16,802	-17,076	-17,417	-17,766	-18,121
Total Funding Available	-28,740	-28,069	-26,759	-26,474	-26,483
Shortfall for year	0	367	1,604	1,282	1,543
Cumulative savings requirement	0	367	1,972	3,254	4,797

The difference between the cumulative savings requirements in the two models is **£3.6m**.

Appendix 2 – Capital Programme

The table below summarises the capital programme from 2015/16 through to 2019/20. The in-year funding for 2015/16 includes not only the revenue contribution to capital, but also the transformation funding, partner contribution and reallocation of some revenue reserve balances to capital as approved by the Executive Committee in November 2015:

Capital Programme Summary	Approved Budget 2015/16 £000	Provisional Outturn 2015/16 £000	Slippage 2015/16 £000	New Budget Requests 2016/17 £000	Total Budget Requirement 2016/17 £000	New Budget Requests 2017/18 £000	New Budget Requests 2018/19 £000	New Budget Requests 2019/20 £000
Property	1,744	618	977	500	1,477	0	0	0
Fire Appliances and Equipment	1,444	1,530	0	2,626	2,626	641	641	646
Support	673	524	30	110	140	87	87	87
Control Room Project	800	800	0	0	0	0	0	0
Milton Keynes Transformation Bid	4,448	175	4,273	0	4,273	0	0	0
Total Expenditure	9,109	3,647	5,280	3,236	8,516	728	728	733
Funding b/fwd		-5,031			-8,849	-3,516	-4,725	-5,934
In year funding		-7,465			-3,183	-1,937	-1,937	-1,937
Funding (Available)/Deficit		-8,849			-3,516	-4,725	-5,934	-7,138

Appendix 3 – Council Tax Rates

Although the projected headline increase in the model is 1.99%, the actual percentage increase (to two decimal places) would be 1.98% in 2016/17. This is due to the effect of rounding on small numbers.

If the band D equivalent council tax were increased by 1.98% for 2016/17, the following rates would apply to properties in each band:

Bands	Proportion of Band D Charge	Per Week (£)	Per Month (£)	Per Year (£)
A	6/9	0.76	3.32	39.80
B	7/9	0.89	3.87	46.43
C	8/9	1.02	4.42	53.07
D	9/9	1.14	4.98	59.70
E	11/9	1.40	6.08	72.97
F	13/9	1.65	7.19	86.23
G	15/9	1.91	8.29	99.50
H	18/9	2.29	9.95	119.40

This would represent an annual increase of 77p per annum on a band A, £1.16 per annum on a band D and £2.32 per annum on a band H property.