



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	8 February 2017
<b>OFFICER</b>	David Sutherland, Director of Finance and Assets
<b>LEAD MEMBER</b>	Councillor Peter McDonald
<b>SUBJECT OF THE REPORT</b>	<b>Medium Term Financial Plan (MTFP) 2017/18 to 2019/20</b>
<b>EXECUTIVE SUMMARY</b>	<p>The main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2017/18 to 2019/20.</p> <p>The provisional settlement was announced on 15 December 2016 and is included in the funding assumptions. Final confirmation is expected in February 2017.</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 2016/17 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 Chairman of the Authority, the Chairman of the Overview and Audit Committee and the Lead Members for Finance, Human Resources and Property and Resource Management at the challenge sessions held on 24 October 2016 and 12 January 2017.</p> <p>Appendix 2 shows the latest summary of the capital programme for 2017/18 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>
<b>ACTION</b>	Decision.
<b>RECOMMENDATIONS</b>	<p>It is recommended that the Authority be recommended to:</p> <ol style="list-style-type: none"> <li>1. Note and have due regard to the report and Statement of the Chief Finance Officer (see section 8 of Annex A).</li> <li>2. Approve a Council Tax precept of £60.88 for a band D equivalent property (a 1.98% increase</li> </ol>

	<p>from 2016/17 - equal to 2.3p per week) and the revenue budget as set out in Appendix 1.</p> <p>3. Approve the capital programme as set out in Appendix 2.</p>
<b>RISK MANAGEMENT</b>	<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>
<b>FINANCIAL IMPLICATIONS</b>	<p>All financial implications are shown in the main body of the report.</p>
<b>LEGAL IMPLICATIONS</b>	<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>
<b>CONSISTENCY WITH THE PRINCIPLES OF COLLABORATION</b>	<p>No direct impact.</p>
<b>HEALTH AND SAFETY</b>	<p>No direct impact.</p>
<b>EQUALITY AND DIVERSITY</b>	<p>No direct impact.</p>
<b>USE OF RESOURCES</b>	<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>
<b>PROVENANCE SECTION &amp; BACKGROUND PAPERS</b>	<p><b>Background</b></p> <p>Medium Term Financial Plan (MTFP) 2016/17 to 2019/20, Fire Authority, 3 February 2016:  <a href="http://bucksfire.gov.uk/files/9214/5564/0122/ITEM_7_c_Medium_Term_Financial_Plan.compressed.pdf">http://bucksfire.gov.uk/files/9214/5564/0122/ITEM_7_c_Medium_Term_Financial_Plan.compressed.pdf</a></p> <p>Four Year Settlement and Efficiency Plan, Executive Committee, 21 September 2016:  <a href="http://bucksfire.gov.uk/files/3414/7333/8081/ITEM_6">http://bucksfire.gov.uk/files/3414/7333/8081/ITEM_6</a></p>

	<a href="#">_BMKFA Efficiency Plan Appendix.pdf</a>
<b>APPENDICES</b>	Annex A – Medium Term Financial Plan 2017/18 to 2019/20 Appendix 1 – MTFP Budget Models Appendix 2 – Capital Programme Summary Appendix 3 – Council Tax Funding
<b>TIME REQUIRED</b>	30 minutes
<b>REPORT ORIGINATOR AND CONTACT</b>	Mark Hemming <a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a> 01296 744687

## **Annex A – Medium Term Financial Plan (MTFP) 2017/18 to 2019/20**

### **1. Introduction**

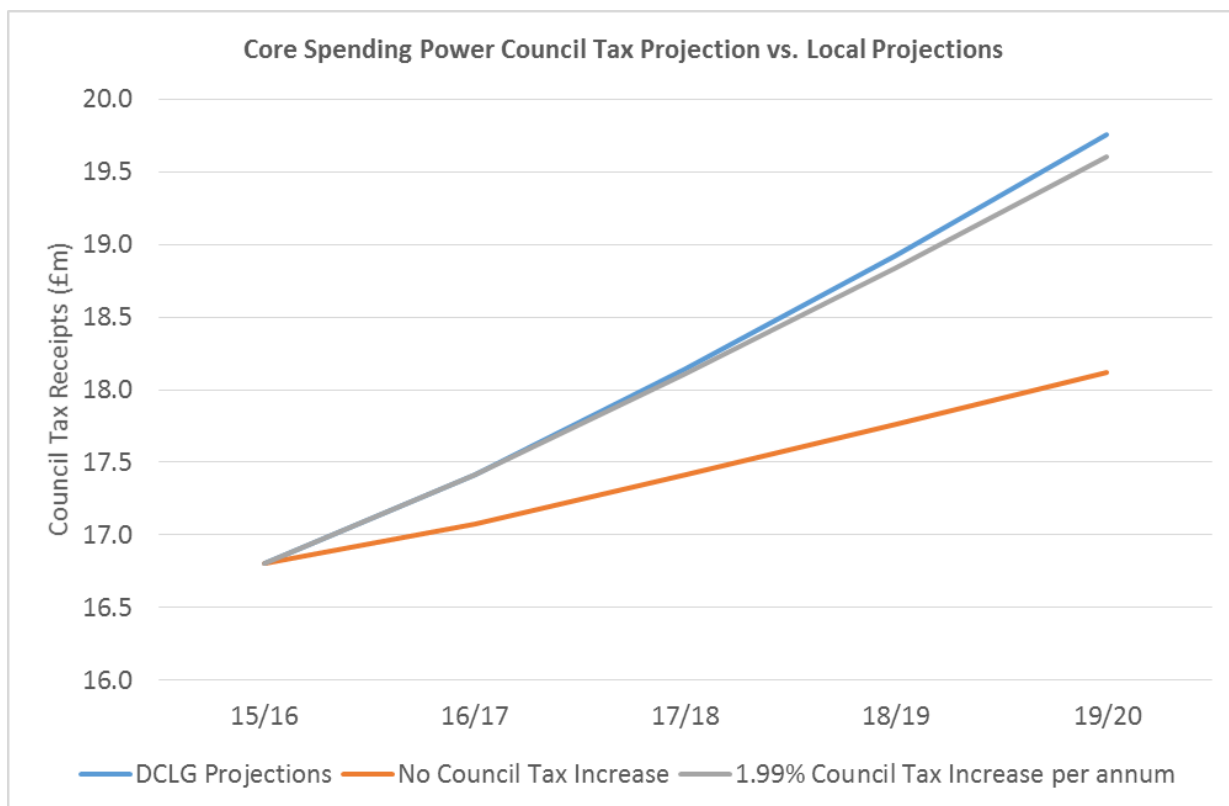
- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2017/18 to 2019/20.
- 1.2. The MTFP is closely linked to the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out our strategic approach to the management of risk in the communities 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 two 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 2017 to 2018**

- 2.1. This year's settlement announcement continued the important shifts in the Government's principles announced last year. Most noticeably, the shift away from freezing council tax to using council tax to generate additional funding has continued.
- 2.2. As part of the last year's 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%. As the Authority has accepted the four-year settlement offer, the figures and assumptions have not changed with this year's announcement.
- 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.

### 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. Council tax was increased by 1.98% last year, in response to the aforementioned shift in Government policy away from providing a Council Tax Freeze Grant.
- 3.6. Despite this Authority’s response to the settlement consultation, 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 £59.70 per annum (approx. £1.14 per week). This is significantly below the national average and is the lowest precept of any non-metropolitan 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 2017/18, BMKFA has agreed to continue with the 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 2017/18 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. Funding for 2016/17 was initially only confirmed for 6 months, before the remaining six month's funding was confirmed later in the year. The potential discontinuation of USAR funding is the biggest financial risk facing the Authority at present.
- 4.3. Savings and growth bids (including the impacts of those submitted in previous years) which have been subjected to challenge are included for 2017/18 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.
- 4.4. The forecast underspend for 2016/17 as at the end of November was £1.2m (including amounts already transferred to reserves during the year). The vast majority of this variation relates to operational staffing and contingency. Both of these budgets are being reduced significantly for 2017/18.

- 4.5. 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%	1.7%	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 2016/17, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2017/18 to give a total capital budget requirement of £8.5m for 2017/18.
- 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 Chairman of the Authority, the Chairman of the Overview and Audit Committee and the Lead Members for Finance, Human Resources and Property and Resource Management 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)). There have been no subsequent events that require the level of the General Fund determined at that time to be adjusted at present.
- 7.2. The forecast balances and reserves at year-end as per the budget monitoring report at the end of November 2016 are:
- General Fund Balance - £2.0m
  - Earmarked Reserves - £1.75m
  - Capital Reserves - £3.4m
- 7.3. The above figure assumes that the recommendation to transfer an additional amount of £200k to the Revenue Contribution to Capital Reserve is approved. No further transfers to or from reserves are required at this point in time.

## **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 2017/18 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 Model

The model below is 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 continue to be received for the medium-term, although as noted previously, its potential discontinuation represents a very significant risk to the Authority. 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.

	<b>2015/16 £000</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>
Base Budget	27,499	28,827	28,323	28,173	27,799
Pay Adjustment	213	565	245	183	183
Inflation Adjustment	88	90	140	88	86
Savings	-1,096	-559	-2,184	-140	0
Growth	728	1,309	1,565	-560	560
Previous year savings & growth adjustments	-888	-824	24	55	0
Contingency	1,309	-669	-140	0	0
Revenue Contribution to Capital	887	-416	200	0	0
<b>Net Budget Requirement</b>	<b>28,740</b>	<b>28,323</b>	<b>28,173</b>	<b>27,799</b>	<b>28,628</b>
Govt Funding	-5,170	-4,507	-3,352	-2,630	-2,290
Business Rates	-5,158	-4,874	-4,949	-5,123	-5,314
Council Tax Receipts Surplus/Deficit	-329	-265	-276	0	0
Council Tax Freeze Grant (15/16) then NNDR Pooling	-182	-164	-164	0	0
Fire Specific Grants (USAR/Firelink)	-1,099	-1,099	-1,074	-1,074	-1,074
Council Tax Receipts	-16,802	-17,414	-18,054	-18,846	-19,607
Use of Reserves			-250		
<b>Total Funding Available</b>	<b>-28,740</b>	<b>-28,323</b>	<b>-28,119</b>	<b>-27,673</b>	<b>-28,285</b>
Shortfall for year	0	-0	55	127	343
Cumulative savings requirement	0	-0	54	181	524

## Appendix 2 – Capital Programme

The table below summarises the capital programme from 2016/17 through to 2020/2021:

Capital Programme Summary	Approved Budget 2016/17 £000	Provisional Outturn 2016/17 £000	Slippage 2016/17 £000	New Budget Requests 2017/18 £000	Total Budget Requirement 2017/18 £000	New Budget Requests 2018/19 £000	New Budget Requests 2019/20 £000	New Budget Requests 2020/21 £000
Property	694	545	150	500	650	500	500	500
Property Review	140	0	140	0	140	0	0	0
Milton Keynes Review	11,785	825	10,960	0	10,960	0	0	0
Fire Appliances & Equipment	3,518	2,490	996	747	1,743	641	646	641
Support	314	314	0	87	87	87	87	87
<b>Total Expenditure</b>	<b>16,451</b>	<b>4,173</b>	<b>12,246</b>	<b>1,334</b>	<b>13,580</b>	<b>1,228</b>	<b>1,233</b>	<b>1,228</b>
<b>Funding b/fwd</b>		<b>-9,209</b>			<b>-7,613</b>	<b>-335</b>	<b>-1,044</b>	<b>-1,748</b>
<b>In year funding</b>		<b>-2,577</b>			<b>-6,302</b>	<b>-1,937</b>	<b>-1,937</b>	<b>-1,937</b>
<b>Funding (Available) / Deficit</b>		<b>-7,613</b>			<b>-335</b>	<b>-1,044</b>	<b>-1,748</b>	<b>-2,457</b>

### 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 2017/18. This is due to the effect of rounding on small numbers.

If the band D equivalent council tax were increased by 1.98% for 2017/18, 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	0.78	3.38	40.59
B	7/9	0.91	3.95	47.35
C	8/9	1.04	4.51	54.12
D	9/9	1.17	5.07	60.88
E	11/9	1.43	6.20	74.41
F	13/9	1.69	7.33	87.94
G	15/9	1.95	8.46	101.47
H	18/9	2.34	10.15	121.76

This would represent an annual increase of 79p per annum on a band A, £1.18 per annum on a band D and £2.36 per annum on a band H property.