

Report considered by the Executive Committee – 7 February 2018



# Buckinghamshire & Milton Keynes Fire Authority

<b>MEETING</b>	Executive Committee
<b>DATE OF MEETING</b>	7 February 2018
<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) 2018/19 to 2020/21</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 2018/19 to 2020/21.</p> <p>The provisional settlement was announced on 19 December 2017 and is included in the funding assumptions. Final confirmation is expected in February 2018. Within the settlement it was announced that authorities without any specific council tax freedoms can increase Council Tax by up to 3% without the need for a referendum.</p> <p>Key assumptions are detailed in Section 4 of Annex A and are based on information received to date.</p> <p>Appendix 1 shows the base budget for 2017/18 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 members of the Executive Committee at the challenge sessions held on 19 October 2017 and 11 January 2018.</p> <p>Appendix 2 shows the latest summary of the capital programme for 2018/19 and approved schemes for the following 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 2.99%.</p> <p>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 presented in a revised Appendix 1 at the meeting.</p>
<b>ACTION</b>	Decision.

<p><b>RECOMMENDATIONS</b></p>	<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 £62.70 for a band D equivalent property (a 2.99% increase from 2017/18 - equal to 3.5p per week) and the revenue budget as set out in Appendix 1.</li> <li>3. Approve the capital programme as set out in Appendix 2.</li> </ol>
<p><b>RISK MANAGEMENT</b></p>	<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>
<p><b>FINANCIAL IMPLICATIONS</b></p>	<p>All financial implications are shown in the main body of the report.</p>
<p><b>LEGAL IMPLICATIONS</b></p>	<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>
<p><b>CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE</b></p>	<p>No direct impact.</p>
<p><b>HEALTH AND SAFETY</b></p>	<p>No direct impact.</p>
<p><b>EQUALITY AND DIVERSITY</b></p>	<p>No direct impact.</p>
<p><b>USE OF RESOURCES</b></p>	<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>
<p><b>PROVENANCE SECTION</b></p>	<p><b>Background</b></p>

<p><b>&amp; BACKGROUND PAPERS</b></p>	<p>Medium Term Financial Plan (MTFP) 2017/18 to 2019/20, Fire Authority, 15 February 2017:  <a href="http://bucksfire.gov.uk/files/2615/0816/2851/ITEM_7c_Medium_Term_Financial_Plan_201718_to_201920_Revised_Appendix_1.pdf">http://bucksfire.gov.uk/files/2615/0816/2851/ITEM_7c_Medium_Term_Financial_Plan_201718_to_201920_Revised_Appendix_1.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_BMKFA_Efficiency_Plan_Appendix.pdf">http://bucksfire.gov.uk/files/3414/7333/8081/ITEM_6_BMKFA_Efficiency_Plan_Appendix.pdf</a></p>
<p><b>APPENDICES</b></p>	<p>Annex A – Medium Term Financial Plan 2018/19 to 2020/21</p> <p>Appendix 1 – MTFP Budget Model</p> <p>Appendix 2 – Capital Programme Summary</p> <p>Appendix 3 – Council Tax Funding</p>
<p><b>TIME REQUIRED</b></p>	<p>30 minutes</p>
<p><b>REPORT ORIGINATOR AND CONTACT</b></p>	<p>Mark Hemming  <a href="mailto:mhemming@bucksfire.gov.uk">mhemming@bucksfire.gov.uk</a>                      01296 744687</p>

## **Annex A – Medium Term Financial Plan (MTFP) 2018/19 to 2020/21**

### **1. Introduction**

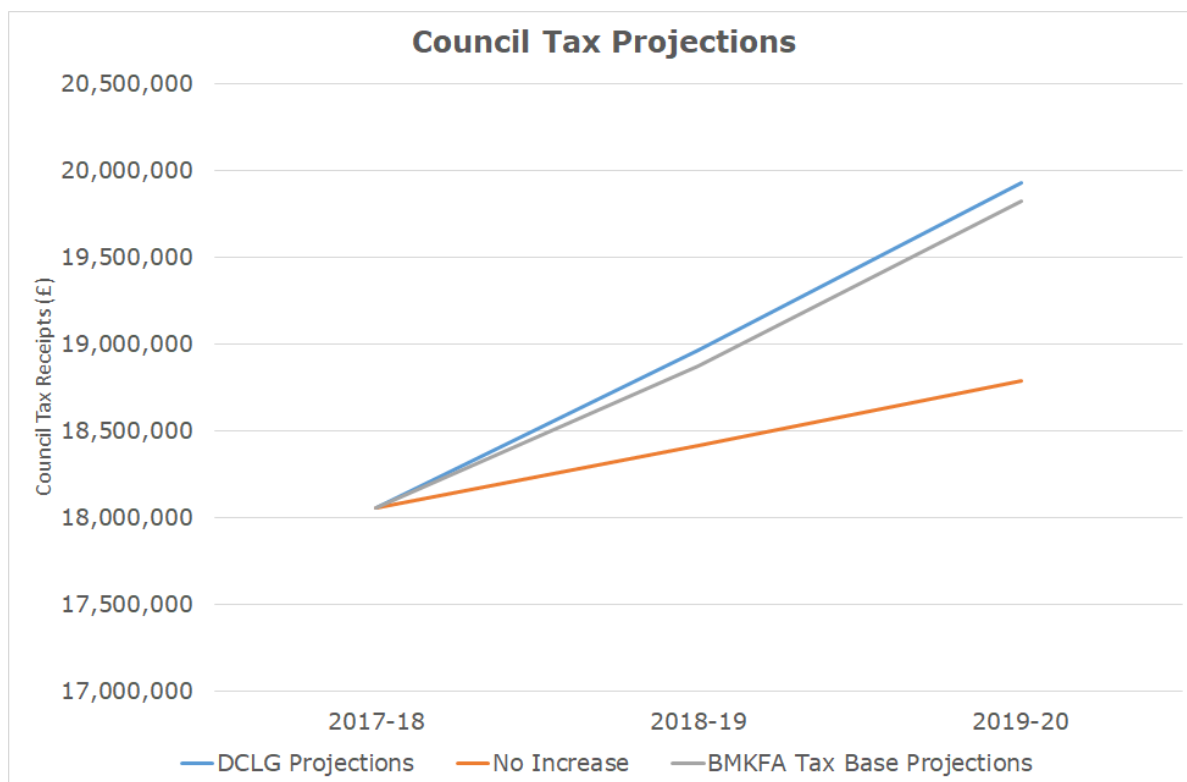
- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2018/19 to 2020/21.
- 1.2. The MTFP is closely linked to the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out our strategic approach to the management of risk in the communities 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 2018 to 2019**

- 2.1. This year's settlement announcement continued the important shift 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 this year's announcement, the Government published headline changes in core spending power between 2017/18 and 2018/19 for every authority. The headline change for BMKFA for was an increase of 1.5%. Indicative figures for 2019/20 have also been published.
- 2.3. However, this headline increase is based on two fundamental assumptions
  - That the growth in council tax base between 2017/18 and 2019/20 will be 2% per annum
  - That the Authority will increase its Band D council tax in 2018/19 and 2019/20 by 3%, which is the maximum increase permissible without triggering a referendum.
- 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 by the maximum amount permissible.
- 3.2. The chart below shows the council tax receipts assumed for BMKFA in the Government’s core spending power figures versus the amounts forecast based on local taxbase projections, and the amounts receivable if there was no increase in the Band D equivalent each year:



- 3.3. The cumulative difference between a 3% annual increase and holding council tax at its current level over the two year period is £1.7m. 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% in the last two years, 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, no specific additional precept flexibility was afforded to fire and rescue authorities. Authorities with no specific additional flexibility may however increase their Band D equivalent by up to 3% without triggering a referendum (last year this figure was 2%).

- 3.7. The Authority currently sets a band D equivalent precept of £60.88 per annum (approx. £1.17 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 2.99% is shown in Appendix 3.
- 3.9. For the year 2018/19, 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 £104k 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 2018/19 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 the USAR grant beyond 2018/19. Funding for 2018/19 will be paid before the end of March 2018. The potential discontinuation of USAR funding is a significant 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 2018/19 and the base adjusted. The savings figures include reductions in a number of budgets across the service, as well as additional income receivable from aerial telecommunications devices installed on a number of drill towers. Risks which have been identified are to be covered from the general reserves and the remaining contingency.
- 4.4. The detailed costings are based on the updated budget requirement including the annual uplift assumptions below:

	2017/18	2018/19	2019/20	2020/21
Pay inflation	1%	1%	1%	1%
RPI	2%	3%	3%	3%
CPI	1.75%	1.75%	1.75%	1.75%
Council tax base	1.7%	1.4%	1.6%	1.6%
Business tax base	0.75%	0.75%	0.75%	0.75%

- 4.5. Pay inflation has been projected at 1% per annum, in line with the assumptions contained within the Efficiency Plan. However, the Authority is aware that there is a high risk that the national agreement may set a level higher than 1%. For every additional 1% increase the cost to this Authority is approximately £180k each and every year. This would clearly have a significant adverse impact on the forecast position within the model.

## **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 2017/18, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2018/19 to give a total capital budget requirement of £13.7m for 2018/19.
- 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 members of the Executive Committee 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 2017 are:
  - General Fund Balance - £2.3m
  - Earmarked Reserves - £2.3m
  - Capital Reserves - £5.8m

This represents a decrease of £1.2m from the balances held at the start of the year.

## **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 2018/19 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 Sections 3 and 4 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 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 presented in a revised Appendix 1 at the meeting.

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Base Budget	28,323	28,210	28,379	29,072
Pay Adjustment	258	183	183	183
Inflation Adjustment	140	0	86	86
Savings	-2,184	-311	0	0
Growth	1,589	793	14	-176
Previous year savings & growth adjustments	24	-646	560	-30
Contingency	-140	0	0	0
Revenue Contribution to Capital	200	150	-150	0
<b>Net Budget Requirement</b>	<b>28,210</b>	<b>28,379</b>	<b>29,072</b>	<b>29,135</b>
Government Funding	-3,348	-2,633	-2,286	-1,307
Business Rates	-5,124	-5,308	-5,511	-5,497
Council Tax Receipts Surplus/Deficit	-276	-389	0	0
Business Rates Pooling	-164	-104	0	0
Fire Specific Grants (USAR/Firelink)	-1,097	-1,097	-1,097	-1,097
Council Tax Receipts	-18,051	-18,848	-19,720	-20,433
Use of Reserves	-150	0	0	0
<b>Total Funding Available</b>	<b>-28,210</b>	<b>-28,379</b>	<b>-28,614</b>	<b>-28,334</b>
<b>Shortfall for Year</b>	<b>0</b>	<b>0</b>	<b>458</b>	<b>801</b>
<b>Cumulative Savings Requirement</b>	<b>0</b>	<b>0</b>	<b>458</b>	<b>1,259</b>

## Appendix 2 – Capital Programme

The table below summarises the capital programme from 2017/18 through to 2020/21:

<b>Capital Programme Summary</b>	<b>Approved Budget 2017/18 £000</b>	<b>Provisional Outturn 2017/18 £000</b>	<b>Slippage 2017/18 £000</b>	<b>Budget Requests 2018/19 £000</b>	<b>Total Budget Requirement 2018/19 £000</b>	<b>Budget Requests 2019/20 £000</b>	<b>Budget Requests 2020/21 £000</b>
Property	650	250	400	500	900	500	500
Property Review	12,463	700	11,763	0	11,763	0	0
Fire Appliances & Equipment	2,976	2,592	300	641	941	646	641
Support	129	117	0	75	75	75	75
<b>Total Expenditure</b>	<b>16,218</b>	<b>3,659</b>	<b>12,463</b>	<b>1,216</b>	<b>13,679</b>	<b>1,221</b>	<b>1,216</b>
<b>Funding b/fwd</b>		<b>-8,648</b>			<b>-8,076</b>	<b>-962</b>	<b>-1,666</b>
<b>In year funding</b>		<b>-3,087</b>			<b>-6,565</b>	<b>-1,925</b>	<b>-1,925</b>
<b>Funding (Available) / Deficit</b>		<b>-8,076</b>			<b>-962</b>	<b>-1,666</b>	<b>-2,375</b>

### Appendix 3 – Council Tax Rates

If the band D equivalent council tax were increased by 2.99% for 2018/19, the following rates would apply to properties in each band:

<b>Bands</b>	<b>Proportion of Band D Charge</b>	<b>Per Week (£)</b>	<b>Per Month (£)</b>	<b>Per Year (£)</b>
A	6/9	0.80	3.48	41.80
B	7/9	0.94	4.06	48.77
C	8/9	1.07	4.64	55.73
D	9/9	1.20	5.23	62.70
E	11/9	1.47	6.39	76.63
F	13/9	1.74	7.55	90.57
G	15/9	2.00	8.71	104.50
H	18/9	2.40	10.45	125.40

This would represent an annual increase of £1.21 per annum on a band A, £1.82 per annum on a band D and £3.64 per annum on a band H property.