



Buckinghamshire & Milton Keynes Fire Authority

MEETING	Executive Committee
DATE OF MEETING	5 February 2020
OFFICER	Mark Hemming, Director of Finance and Assets
LEAD MEMBER	Councillor David Hopkins
SUBJECT OF THE REPORT	Medium Term Financial Plan (MTFP) 2020/21 to 2024/25
EXECUTIVE SUMMARY	<p>The main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2020/21 to 2024/25.</p> <p>The provisional settlement was announced on 20 December 2019 and is included in the funding assumptions. Final confirmation is expected in February 2019. Within the settlement it was announced that authorities without any specific council tax freedoms can increase Council Tax by up to 2% 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>Without sufficient time to undertake a full comprehensive spending review, the Government has effectively rolled-forward amounts within the settlement funding assessment for 2019/20 and increased these by the rate of inflation (i.e. zero real-terms increase). The exception to this is the pension grant funding, which is expected to be a flat-cash settlement (subject to official confirmation outside of the provisional settlement).</p> <p>Whilst it is welcome that the pension grant funding will continue for a further year (the previous MTFP forecast a one-off payment only) all funding will be subject to review next year as part of what is expected to be a three-year comprehensive spending review.</p> <p>This paper therefore shows two models, 1(a) and 1(b), which show the proposed budget and impact on the Authority should the pension grant be discontinued from 2021/22 respectively.</p> <p>Further uncertainty regarding pensions has been introduced by the ruling in December 2018 that the transitional arrangements introduced for the firefighters' schemes in 2015 were discriminatory. At the employment tribunal hearing on 18 December 2019 it was ruled that the claimants, members of the 1992 and 2006 firefighters' pension schemes, are now</p>

entitled to be treated as if they have remained members of their original pension scheme. However, it is too early at this stage to quantify the impact this may have on budgets in either the short or medium-term.

This year officers adopted a zero-based budget approach when developing the budget proposal for 2020/21. As opposed to the incremental approach, which looks at last year's budgets and adjusts them up or down, the zero-based approach looked at all budgets to ensure the correct amount of money is being spent in the correct areas. This approach has been developed alongside the new Public Safety Plan and feedback from our recent inspection report from HMICFRS.

Although our report noted that the inspectorate "would like to see improvements in the year ahead, but without increased funding, it is difficult to see where progress can be made" the zero-based budget approach has identified some key opportunities within the current budgetary constraints:

- Increasing the wholetime establishment by up to 20 firefighters in 2020/21, with the potential to increase by a further 10 in the following year (depending on the outcome of the comprehensive spending review)
- Increasing the Protection Team by 4 FTEs and introducing a Team Leader role and two further FTEs into the Prevention Team.
- Introducing a Head of Technology, Transformation and Programme Management Office (PMO) to manage the actions required following our inspection report.

The revenue budget for 2020/21 and indicative figures for future years are show in Appendix 1, which as noted earlier contains two models:

- Model 1(a) shows the forecast budgets and reserves positions if the pension grant is continued until 2024/25
- Model 1(b) shows the impact on the Authority should the pension grant be discontinued in 2021/22

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.

Appendix 2 shows the latest summary of the capital programme for 2019/20 and approved schemes for the following years.

Appendix 3 provides further detail on the level of council tax chargeable for each band if the Authority

	<p>accepts the recommendation to increase the band D equivalent amount by 1.98%.</p> <p>As well as the uncertainty regarding pensions noted above, there is also uncertainty regarding the upcoming Fair Funding Review, USAR funding and funding for Firelink/ESMCP.</p>
ACTION	Decision
RECOMMENDATIONS	<p>It is recommended that the Authority be recommended to:</p> <ol style="list-style-type: none"> 1(a) Note and have due regard to the report and Statement of the Chief Finance Officer (see section 8 of Annex A). 1(b) Approve a Council Tax precept of £65.85 for a band D equivalent property (a 1.98% increase from 2019/20 - equal to 2.5p per week) and the revenue budget as set out in Appendix 1(a). 1(c) Approve the capital programme as set out in Appendix 2. 2 Not hold a referendum to increase Council Tax above the 2% threshold for 2020/21 3 Note that a referendum may need to be considered for 2021/22 depending on the outcome of the Comprehensive Spending Review.
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> <p>Section 9 of last year's report (see Background Papers) detailed the risk of holding a referendum to increase Council Tax above the threshold.</p>
FINANCIAL IMPLICATIONS	All financial implications are shown in the main body of the report.
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> <p>The legal implications of holding a referendum to increase Council Tax above the threshold were</p>

	<p>detailed in last year's report (see Background Papers).</p> <p>By operation of the Local Government (Structural Changes) (Finance) Regulations 2008 [2008/3022] the shadow authority for Buckinghamshire will be the billing authority for the purposes of Council Tax for 2020/21 (across Buckinghamshire) and will be the body to which the Authority's precept should be notified.</p>
CONSISTENCY WITH THE PRINCIPLES OF THE DUTY TO COLLABORATE	No direct impact.
HEALTH AND SAFETY	No direct impact.
EQUALITY AND DIVERSITY	No direct impact.
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>Medium Term Financial Plan (MTFP) 2019/20 to 2021/22 and Revised Appendices, Fire Authority, 6 February 2019:</p> <p>https://bucksfire.gov.uk/files/9515/4841/6166/ITEM_8_Medium_Term_Financial_Plan_2019-20gb.pdf</p> <p>https://bucksfire.gov.uk/files/7215/4946/7873/ITEM_8_Revised_Appendices.pdf</p>
APPENDICES	<p>Annex A – Medium Term Financial Plan 2020/21 to 2024/25</p> <p>Appendix 1(a) – MTFP Budget Model 1(a)</p> <p>Appendix 1(b) – MTFP Budget Model 1(b)</p> <p>Appendix 2 – Capital Programme Summary</p> <p>Appendix 3 – Council Tax Funding</p>
TIME REQUIRED	20 minutes
REPORT ORIGINATOR AND CONTACT	<p>Mark Hemming</p> <p>mhemming@bucksfire.gov.uk</p> <p>01296 744687</p>

Annex A – Medium Term Financial Plan (MTFP) 2020/21 to 2024/25

1. Introduction

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2020/21 to 2024/25.
- 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.
- 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 four 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 2020 to 2021

- 2.1. Without sufficient time to undertake a full comprehensive spending review, the Government has effectively rolled-forward amounts within the settlement funding assessment for 2019/20 and increased these by the rate of inflation (i.e. zero real-terms increase). The exception to this is the pension grant funding, which is expected to be a flat-cash settlement (subject to official confirmation outside of the provisional settlement).
- 2.2. Whilst it is welcome that the pension grant funding will continue for a further year (the previous MTFP forecast a one-off payment only) all funding will be subject to review next year as part of what is expected to be a three-year comprehensive spending review.
- 2.3. As part of this year's announcement, the Government published headline changes in core spending power between 2019/20 and 2020/21 for every authority. The headline change for BMKFA for was an increase of 3.2%:
- 2.4. However, this headline increase is based on two fundamental assumptions:
 - That the growth in council tax base between 2018/19 and 2019/20 will be 1.58% (actual increase was 1.75%)
 - That the Authority will increase its Band D council tax in 2019/20 by 1.99%, which is the maximum increase permissible without triggering a referendum.

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 continue to increase council tax every year by the maximum amount permissible.
- 3.2. The difference between a 1.98% increase in the precept and holding council tax at its current level for 2020/21 is just under £400k for the year. This is approximately equivalent to the cost of employing eight wholetime firefighters.
- 3.3. Council tax was increased by 2.99% in 2018/19 and by 2.98% in 2019/20.
- 3.4. Despite this Authority's response to the settlement consultation and the concerns noted by the inspectorate, 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 2% without triggering a referendum (last year this figure was 3%).
- 3.5. The Authority currently sets a band D equivalent precept of £64.57 per annum (approx. £1.24 per week). This is significantly below the national average and is the lowest precept of any non-metropolitan combined fire authority.
- 3.6. 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.
- 3.7. It is not recommended to hold a referendum to increase Council tax above the threshold for 2020/21. However, this option may need to be considered for 2021/22, depending on the outcome of the Comprehensive Spending Review.

4. Risk Factors in Budget Assumptions

- 4.1. The budget proposed for 2020/21 at Appendix 1 has been compiled by looking in detail at current spending and future plans.
- 4.2. This year officers adopted a zero-based budget approach when developing the budget proposal for 2020/21. As opposed to the incremental approach, which looks at last year's budgets and adjusts them up or down, the zero-based approach looks at all budgets to ensure the correct amount of money is being spent in the correct areas. This approach has been developed alongside the new Public Safety Plan and feedback from our recent inspection report from HMICFRS.
- 4.3. Although our report noted that the inspectorate "would like to see improvements in the year ahead, but without increased funding, it is difficult to see where progress can be made" the zero-based budget approach has identified some key opportunities within the current budgetary constraints:
 - Increasing the wholetime establishment by 20 firefighters in 2020/21, with the potential to increase by a further 10 in the following year (depending on the outcome of the comprehensive spending review)
 - Increasing the Protection Team by 2 FTEs and introducing a Team Leader role into the Prevention Team.
 - Introducing a Head of Technology, Transformation and Programme Management office to manage the actions required following our inspection report.

- 4.4. At the time of writing the Authority had not yet received formal written notification of the continuation of the USAR grant for 2020/21, but it is expected imminently. However, the potential discontinuation of USAR funding in future years is a significant financial risk facing the Authority at present. As noted earlier, there is also a risk that the pension grant may not continue beyond 2020/21.
- 4.5. Pay inflation is projected at 2% per annum, in line with the actual award for 2019/20. However, the Authority is aware that there is a risk that the national agreement may set a level higher than this. For every additional 1% increase the cost to this Authority is approximately £200k each and every year. This would clearly have a significant adverse impact on the forecast position within the model.
- 4.6. Further uncertainty regarding pensions has been introduced by the ruling in December 2018 that the transitional arrangements introduced for the firefighters' schemes in 2015 were discriminatory. At the employment tribunal hearing on 18 December 2019 it was ruled the claimants, members of the 1992 and 2006 firefighters' pension schemes, are now entitled to be treated as if they have remained members of their original pension scheme. However, it is too early at this stage to quantify the impact this may have on budgets.
- 4.7. Areas where budgets have changed significantly from previous years have been subject to a series of challenges by Officers and Members. Risks which have been identified are to be covered from the reserves.
- 4.8. The detailed costings are based on the updated budget requirement including the annual uplift assumptions below:

	2020/21	2021/22	2022/23	2023/24	2024/25
Pay inflation	2%	2%	2%	2%	2%
CPI	1.6%	1.6%	1.6%	1.6%	1.6%
Council tax increase	1.99%	1.99%	1.99%	1.99%	1.99%
Council tax base	1.6%	1.6%	1.6%	1.6%	1.6%
Business tax base	0.75%	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, details of which are shown in Appendix 1(a).
- 5.2. The table at Appendix 2 details the approved capital programme for 2019/20, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2020/21 to give a total capital budget requirement of £1.5m for 2020/21.
- 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 Members during the MTFP process.

7. Adequacy of Reserves

- 7.1. A paper detailing our Reserves Strategy was approved by the Executive Committee at its meeting on 14 March 2018 (https://bucksfire.gov.uk/files/4215/2024/7103/ITEM_5_Reserves_Strategy_2_018-19.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 latest forecast balances and reserves at year-end are:

- General Fund Balance - £1.5m
- Earmarked Reserves - £1.4m*
- Capital Reserves - £0.6m

* The earmarked reserves balance excludes the amount held by Oxfordshire County Council relating to the Thames Valley Fire Control Service.

This represents a decrease of £3.4m 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 controls 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 2019/20 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(a) – MTFP Model 1(a)

The model below is based on the assumptions detailed in Sections 3 and 4 and all significant budget movements have been subjected to officer and Member scrutiny as noted in Section 6.1. The statutory deadline for the billing authorities to provide Council Tax and business rates information to the Authority is 31 January. Any changes to these figures will be presented in a revised Appendix 1 at the meeting.

Medium Term Financial Plan	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget			31,070	31,871	32,756	33,671
Pay Adjustment			418	433	439	448
Inflation Adjustment			78	78	78	78
Corporate Core	1,421	1,349		1	-28	-45
Statutory Accounting and Contingency	782	589				
Delivery, Corporate Development and Planning	19,891	21,513	403	156	-12	
People and Organisational Development	2,715	2,298	-96	10		
Finance and Assets	3,857	4,264	-100			
Revenue Contribution to Capital	1,666	1,046	98	218	438	463
Transfers to Reserves		11		-11		
Net Budget Requirement	30,332	31,070	31,871	32,756	33,671	34,615
Council Tax Receipts	-19,715	-20,460	-21,199	-21,964	-22,759	-23,583
Council Tax Receipts Surplus/Deficit	-278	-308	-250	-250	-250	-250
Revenue Support Grant/Business Rates	-7,841	-7,988	-8,108	-8,228	-8,348	-8,468
Fire Specific Grants (USAR/Firelink)	-1,097	-1,106	-1,106	-1,106	-1,106	-1,106
Pension Grant Funding	-1,035	-1,208	-1,208	-1,208	-1,208	-1,208
Transfers from Reserves	-366	0	0	0	0	0
Total Funding Available	-30,332	-31,070	-31,871	-32,756	-33,671	-34,615
Shortfall/(Surplus) for Year	0	0	0	0	0	0
Cumulative Savings Requirement	0	0	0	0	0	0
General Fund Balance	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
Other Earmarked Reserves (excluding Control Room Res.)	-1,428	-1,439	-1,439	-1,428	-1,428	-1,428
Earmarked Capital Reserves	-575	-2,137	-1,815	-1,211	-1,795	-2,592
Total	-3,503	-5,076	-4,754	-4,139	-4,723	-5,520

Appendix 1(b) – MTFP Model 1(b)

The model below is as per Model 1(a) but shows the impact that losing the pension grant funding from 2021/22 would have on the Authority's level of forecast reserves:

Medium Term Financial Plan	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Base Budget			31,070	30,727	32,689	33,087
Pay Adjustment			418	433	439	448
Inflation Adjustment			78	78	78	78
Corporate Core	1,421	1,349		1	-28	-45
Statutory Accounting and Contingency	782	589				
Delivery, Corporate Development and Planning	19,891	21,513	403	156	-12	
People and Organisational Development	2,715	2,298	-96	10		
Finance and Assets	3,857	4,264	-100			
Revenue Contribution to Capital	1,666	1,046	-1,046	1,295	-79	250
Transfers to Reserves	0	11		-11		
Net Budget Requirement	30,332	31,070	30,727	32,689	33,087	33,818
Council Tax Receipts	-19,715	-20,460	-21,199	-21,964	-22,759	-23,583
Council Tax Receipts Surplus/Deficit	-278	-308	-250	-250	-250	-250
Revenue Support Grant/Business Rates	-7,841	-7,988	-8,108	-8,228	-8,348	-8,468
Fire Specific Grants (USAR/Firelink)	-1,097	-1,106	-1,106	-1,106	-1,106	-1,106
Pension Grant Funding	-1,035	-1,208				
Transfers from Reserves	-366		-64	-1,141	-624	-411
Total Funding Available	-30,332	-31,070	-30,727	-32,689	-33,087	-33,818
Shortfall/(Surplus) for Year	0	0	0	0	0	0
Cumulative Savings Requirement	0	0	0	0	0	0
General Fund Balance	-1,500	-1,500	-1,500	-1,500	-1,099	-688
Other Earmarked Reserves (excluding Control Room Res.)	-1,428	-1,439	-1,375	-223	0	0
Earmarked Capital Reserves	-575	-2,137	-671	0	0	0
Total	-3,503	-5,076	-3,546	-1,723	-1,099	-688

Appendix 2 – Capital Programme

The table below summarises the capital programme from 2019/20 through to 2022/23 and is based on the revenue contribution to capital levels shown in Model 1(a):

Capital Programme Summary	Approved Budget 2019/20 £000	Provisional Outturn 2019/20 £000	Slippage 2019/20 £000	Budget Requests 2020/21 £000	Total Budget Requirement 2020/21 £000	Budget Requests 2021/22 £000	Budget Requests 2022/23 * £000
Property	500	500	0	500	500	500	500
Property Review	7,741	7,741	0	0	0	0	0
Fire Appliances & Equipment	1,181	889	268	641	909	891	1,391
Support	113	113	0	75	75	75	75
Total Expenditure	9,535	9,243	268	1,216	1,484	1,466	1,966
Funding b/fwd		-4,080			-575	-2,137	-1,815
In year funding		-5,738			-3,046	-1,144	-1,362
Funding (Available) / Deficit		-575			-2,137	-1,815	-1,211

The table below shows indicative future year's budgets and anticipated funding through to 2024/25:

Capital Programme Summary	Budget Requests 2023/24	Budget Requests 2024/25 £000
Total Expenditure	1,216	1,466
Funding b/fwd	-1,211	-1,795
In year funding	-1,800	-2,263
Funding (Available) / Deficit	-1,795	-2,592

* This contains an indicative amount of £500k for replacement of Breathing Apparatus – a future business case will require approval before commencement of that project.

Appendix 3 – Council Tax Rates

If the band D equivalent council tax were increased by 1.98% for 2020/21, 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	0.84	3.66	43.90
B	7/9	0.98	4.27	51.22
C	8/9	1.12	4.88	58.53
D	9/9	1.26	5.49	65.85
E	11/9	1.54	6.71	80.48
F	13/9	1.82	7.93	95.12
G	15/9	2.10	9.15	109.75
H	18/9	2.53	10.98	131.70

This would represent an annual increase of £0.85 per annum on a band A, £1.28 per annum on a band D and £2.56 per annum on a band H property.