

Medium Term Financial Plan (MTFP) 2019/20 to 2021/22

1. Introduction

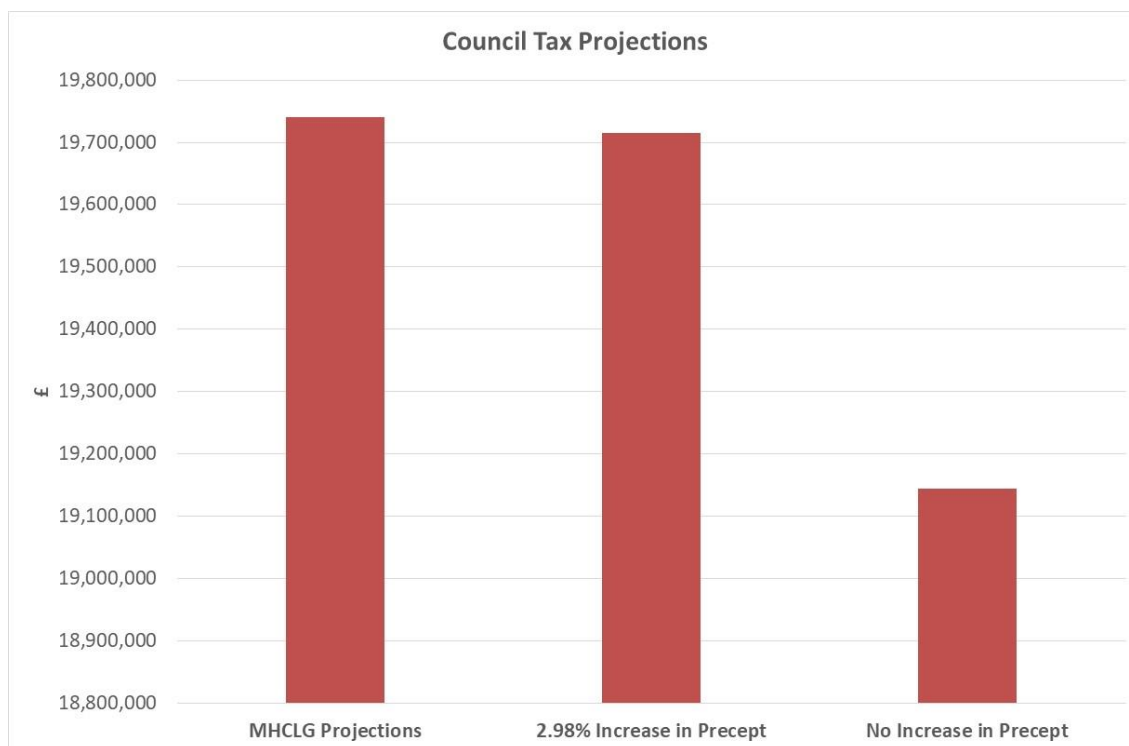
- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2019/20 to 2021/22.
- 1.2. The MTFP is closely linked to the Public Safety Plan (PSP) and Corporate Plan. The PSP sets out our strategic approach to the management of risk in the communities 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 2019 to 2020

- 2.1. This year's settlement announcement continued the important shift in the Government's principles announced in previous years. 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 2018/19 and 2019/20 for every authority. The headline change for BMKFA for was an increase of 2.7%:
- 2.3. 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 1.7% (actual increase was 1.57%)
 - That the Authority will increase its Band D council tax in 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:



- 3.3. The difference between a 2.98% increase in the precept and holding council tax at its current level for 2019/20 is £571k. 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 2016/17 and 2017/18 and by 2.99% in 2018/19, 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 also 3%).

- 3.7. The Authority currently sets a band D equivalent precept of £62.70 per annum (approx. £1.20 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 2.98% is shown in Appendix 3.
- 3.9. During 2018/19 BMKFA was a participant in the Buckinghamshire business rates pool. This allowed more rates to be retained locally and was budgeted to be worth an additional £104k to the Authority. It was noted in last year's report that the arrangement may be curtailed early subject to Government announcements on the move to retaining 100% of business rates locally. At this year's Provisional Settlement, it was confirmed that Buckinghamshire would be a pilot authority for 75% business rates retention, and therefore the business rates pool will not continue into 2019/20.

4. Risk Factors in Budget Assumptions

- 4.1. The budget proposed for 2019/20 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 the Authority had not yet received formal written notification of the continuation of the USAR grant for 2019/20, 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.
- 4.3. Savings and growth bids (including the impacts of those submitted in previous years) which have been subjected to challenge are included for 2019/20 and the base adjusted. 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:

	2018/19	2019/20	2020/21	2021/22
Pay inflation	2%	2%	2%	2%
CPI*	-	-	1.75%	1.75%
Council tax increase	2.99%	2.98%	2.99%	2.99%
Council tax base	1.38%	1.57%	1.6%	1.6%
Business tax base	0.75%	0.75%	0.75%	0.75%

* Non-pay inflation was not added to any budgets during 2018/19. The only non-pay inflation for 2019/20 is in relation to business rates, calculated on actual increases.

- 4.5. Pay inflation has increased and is now projected at 2% per annum, in line with the actual award for 2018/19. However, the Authority is aware that there is a high risk that the national agreement may set a level higher than this. 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, details of which are shown in Appendix 1(b).
- 5.2. The table at Appendix 2 details the approved capital programme for 2018/19, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2019/20 to give a total capital budget requirement of £7.4m for 2019/20.
- 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](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 forecast balances and reserves at year-end as per the budget monitoring report at the end of December 2018 are:
 - General Fund Balance - £1.5m
 - Earmarked Reserves - £1.5m
 - Capital Reserves - £3.4m

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.

9. Referendum Limit

9.1. A local referendum must be held, and won, for an authority to increase council tax by more than the amount specified in the principles. An authority proposing to set an excessive council tax level is required to make substitute calculations which will take effect if the proposed 'excessive' amount of council tax is rejected in a referendum. The substitute council tax level must be below the amount which is considered excessive under the principles

9.2. The higher rate of council tax will be payable unless and until it is overturned by a 'no' vote in the referendum. In the event that a referendum rejects the increase, the billing authorities would be able to issue new bills, offer refunds at the end of the year or allow credits against liability the following year, although individual council taxpayers would be entitled to a refund on demand.

9.3. One referendum has taken place to date. Surrey County Council proposed to hold a referendum on a 15% increase in council tax for 2017-18, but later dropped the proposal. The Bedfordshire Police and Crime Commissioner, Olly Martins, proposed a 15.8% increase in council tax for 2015-16 when the threshold was 2%. The poll was held on 7 May 2015. 91,086 voters (30.5%) supported the proposal, whilst 207,551 (69.5%) opposed it.

9.4. Schedule 1 of the Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012/444 prescribes the text of the question to be asked at a council tax referendum. Therefore the question asked of the voter by Bedfordshire's Police and Crime Commissioner was as follows:

'Part of the council tax in your area goes to the Bedfordshire Police and Crime Commissioner.'

For the financial year beginning on 1st April 2015 the Bedfordshire Police and Crime Commissioner has set an increase of fifteen point eight percent (15.8%) in the amount it charges.

If most voters choose 'yes', the increase will be 15.8%.

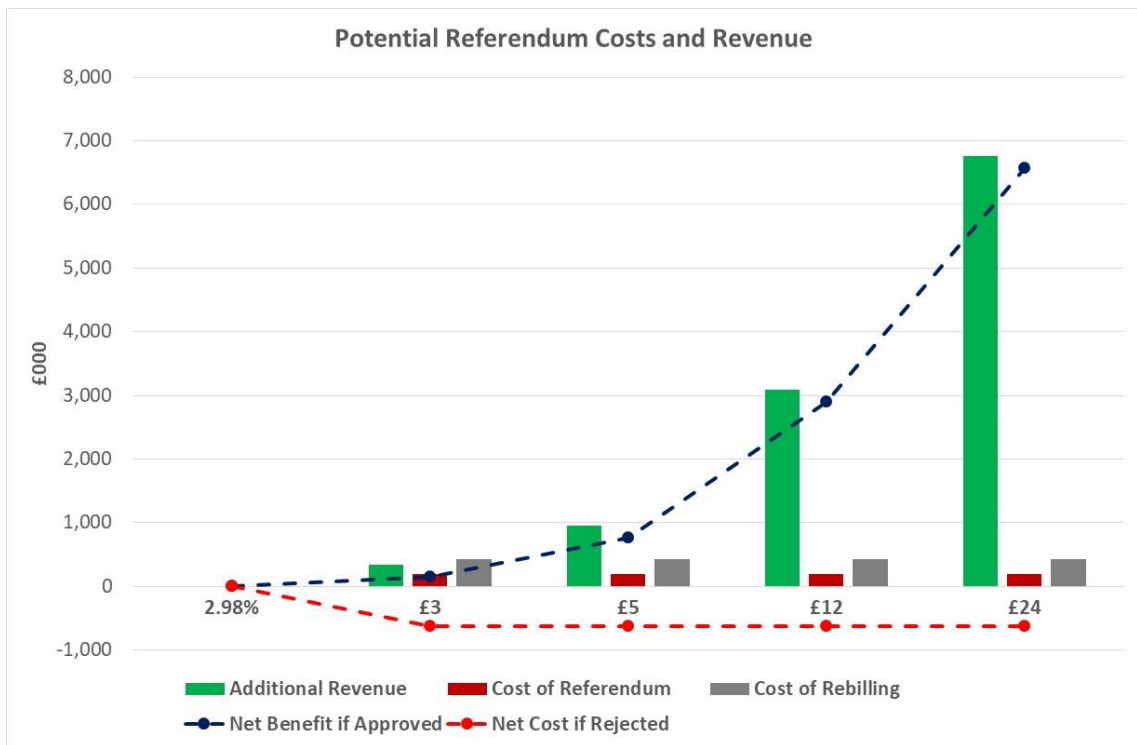
If most voters choose 'no', the increase will be 2.0% instead.

Do you want the Bedfordshire Police and Crime Commissioner to increase the amount it charges by 15.8%?'

- 9.5. The one referendum held so far, by Bedfordshire's Police and Crime Commissioner coincided with the poll conducted for the parliamentary general election. , is estimated to have cost £600,000. The Bedfordshire PCC covers three unitary local authorities and a population of some 640,000. An impact assessment on the scheme, published by the Department for Communities and Local Government in January 2011, set out the estimated costs of other referendums including the elected regional assembly referendum in the North East, mayoral referendums and non-binding council tax referendums. 'A more recent estimate of costs comes from Tower Hamlets council, where estimates from the Chief Finance Officer suggest that "the cost of holding a stand-alone mayoral referendum is estimated at up to £250,000. If combined with the Council elections the additional cost is estimated at approximately £70,000." A number of non-binding referendums on Council Tax have already been held, and can offer some guide to potential costs. A referendum on Council Tax in Milton Keynes in 1999 cost around £70,000 – referendums in 2001 cost £150,000-200,000 in Croydon and £120,000 in Bristol. This is the most relevant and reliable data available as these are the only years where formal Council Tax referendums have been held by local authorities, none having been held since then'. The impact assessment concluded: 'it seems reasonable to estimate the range of costs of such referendums as £85,000 - £300,000. Actual costs will vary depending on the size of the authority and whether the referendum is combined with a local election. For example, these figures do not apply to certain major precepting authorities such as police, fire & rescue authorities and the GLA which are typically larger than a principal local authority'. The paper also noted examples of rebilling costs for recently-capped authorities, such as £380,000 for Lincolnshire Police Authority in 2008/09 (£1.22 per household) and £626,000 for Surrey Police Authority in 2009/10 (£1.29 per household)¹.

¹ [Localism Bill: provision for referendums to veto excessive Council Tax increases Impact assessment](#)

9.6. The chart below shows the potential costs and additional revenue for a number of Council Tax increases. The cost of the referendum is based on the mid-point of the amounts noted above (i.e. £192,500) and the rebilling costs based on the average cost per household (i.e. £1.26 per household):



Appendix 1(a) – MTFP Model 1(a)

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.

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Base Budget	28,210	28,675	30,591	30,887
Pay Adjustment	366	366	366	366
Inflation Adjustment	0	48	86	86
Savings	-311	-240	0	0
Growth	906	1,318	50	0
Previous year Savings and Growth Adjustments	-646	574	-206	-68
Revenue Contribution to Capital	150	-150	0	0
Net Budget Requirement	28,675	30,591	30,887	31,271
Revenue Support Grant	-2,633	-3,321	0	0
Business Rates	-5,421	-5,477	-7,284	-6,920
Council Tax Receipts Surplus/Deficit	-389	-278	-250	-250
Business Rates Pooling/Levy Account Surplus*	-104	-78	0	0
Fire Specific Grants (USAR/Firelink)	-1,097	-1,097	-1,097	-1,097
Council Tax Receipts	-18,848	-19,715	-20,629	-21,587
Use of Reserves	-183	-366	0	0
Total Funding Available	-28,675	-30,332	-29,260	-29,854
Shortfall/(Surplus) for Year	0	259	1,627	1,417
Cumulative Savings Requirement	0	259	1,886	3,303

* Business Rates Pooling for 2018/19 and Levy Account Surplus for 2019/20

Appendix 1(b) – MTFP Model 1(b)

The model below is as per Model 1(a) but with reductions to the Revenue Contribution to Capital (RCCO) in order to balance the budget. The impact on the capital programme is that by 2024/25 the amount remaining in the RCCO Reserve will be almost zero. Effectively, this means that from 2019/20 the Authority will only be able to fund essential property work and replacement of vehicles and equipment, with no funding available for future investment (unless the Authority chose to borrow in order to finance that, although further savings would need to be found to fund the revenue cost of additional borrowing).

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Base Budget	28,210	28,675	30,332	29,260
Pay Adjustment	366	366	366	366
Inflation Adjustment	0	48	86	86
Savings	-311	-240	0	0
Growth	906	1,318	50	0
Previous year Savings and Growth Adjustments	-646	574	-206	-68
Revenue Contribution to Capital	150	-409	-1,368	210
Net Budget Requirement	28,675	30,332	29,260	29,854
Revenue Support Grant	-2,633	-3,321	0	0
Business Rates	-5,421	-5,477	-7,284	-6,920
Council Tax Receipts Surplus/Deficit	-389	-278	-250	-250
Business Rates Pooling/Levy Account Surplus*	-104	-78	0	0
Fire Specific Grants (USAR/Firelink)	-1,097	-1,097	-1,097	-1,097
Council Tax Receipts	-18,848	-19,715	-20,629	-21,587
Use of Reserves	-183	-366	0	0
Total Funding Available	-28,675	-30,332	-29,260	-29,854
Shortfall/(Surplus) for Year	0	0	0	0
Cumulative Savings Requirement	0	0	0	0

* Business Rates Pooling for 2018/19 and Levy Account Surplus for 2019/20

Revenue Contribution to Capital – Model 1(a)	2,075	1,925	1,925	1,925
Revenue Contribution to Capital – Model 1(b)	2,075	1,666	298	508

Appendix 2 – Capital Programme

The table below summarises the capital programme from 2018/19 through to 2021/22 and is based on the revenue contribution to capital levels shown in Model 1(b):

Capital Programme Summary	Approved Budget 2018/19 £000	Provisional Outturn 2018/19 £000	Slippage 2018/19 £000	Budget Requests 2019/20 £000	Total Budget Requirement 2019/20 £000	Budget Requests 2020/21 £000	Budget Requests 2021/22 * £000
Property	942	550	0	500	500	500	500
Property Review	12,333	6,154	6,040	0	6,040	0	0
Fire Appliances & Equipment	1,199	1,096	90	646	736	641	891
Support	142	141	0	75	75	75	75
Total Expenditure	14,616	7,941	6,130	1,221	7,351	1,216	1,466
Funding b/fwd		-8,596			-3,379	-3,140	-2,222
In year funding		-2,724			-7,112	-298	-508
Funding (Available) / Deficit		-3,379			-3,140	-2,222	-1,264

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

Capital Programme Summary	Budget Requests 2022/23	Budget Requests 2023/24 ** £000	Budget Requests 2024/25 £000
Total Expenditure	1,466	1,716	1,466
Funding b/fwd	-1,264	-589	69
In year funding	-791	-1,058	-1,390
Funding (Available) / Deficit	-589	69	145

* For 2021/22 the budget requests for Property and £750k (out of £891k) for Fire Appliances and Equipment are to be approved. The remainder are only indicative requirements at this stage.

** This contains an indicative amount of £500k for replacement of Breathing Apparatus

Appendix 3 – Council Tax Rates

If the band D equivalent council tax were increased by 2.98% for 2019/20, 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	0.83	3.59	43.05
B	7/9	0.96	4.19	50.22
C	8/9	1.10	4.78	57.40
D	9/9	1.24	5.38	64.57
E	11/9	1.51	6.58	78.92
F	13/9	1.79	7.77	93.27
G	15/9	2.06	8.97	107.62
H	18/9	2.48	10.76	129.14

This would represent an annual increase of £1.25 per annum on a band A, £1.87 per annum on a band D and £3.74 per annum on a band H property.