Going Concern Review

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis. Accounts drawn up under the Code therefore assume that a local authority's services will continue to operate for the foreseeable future.

COVID-19 has increased uncertainty over future funding available to all Local Governments, with the likely impact on the economy in the medium to long term unknown. The Authority is monitoring the financial impact of COVID-19 and where possible is seeking to mitigate the financial impact on the Authority. On 19 March 2020 the Government announced £1.6bn additional funding for Local Government to help them respond to COVID-19 pressures across all the services they deliver (the Authority was allocated £0.091m). In 2020/21, the government announced an additional £1.6bn funding of which the Authority was allocated £0.606m. Furthermore, the Authority received £0.104m which is a combination of additional COVID-19 funding (£0.070m) and a successful bid in the second tranche (£0.034m) of the COVID-19 contingency fund. As at the end of March 2021, the total spend in relation to direct costs associated with the impact of COVID-19 on the Authority were £0.658m, leaving a residual balance of £0.142m which will be transferred to the existing COVID-19 Reserve which was set-up in 2019/20 (this can be seen in the reserve statement).

Since 2010, as part of its efforts to reduce the size of the national budget deficit, the Government has made significant reductions to its funding for Fire and Rescue Services. However, the Authority's ability to offset reductions to Government funding has also been constrained by the imposition of council tax referendum limits. Without relaxation of the constraints imposed on the council tax referendum limits, the Authority will remain limited on influencing increases in funding streams.

As expected, there has been an economic downturn as a direct consequence of COVID-19, which has resulted in a reduction in Council tax base and a reduction in business rates collection. Most of the impact of this will be seen in 2021/22 as the budget for 2020/21 was set prior to COVID-19 and the Fire Authority received all the precepts and business rates funding as per the budget. As a direct consequence of this reduction in funding, the government have updated legislation to allow billing authorities and preceptors to phase the deficit over three years. In addition to this, the government will also fund 75% of irrecoverable collection fund losses due to COVID-19. Furthermore, an additional £670m un-ringfenced grant will be distributed to authorities in recognition of the increased costs of providing local council tax support following the COVID-19 Pandemic. This equates to £0.337m for the Authority and will be received in May 2021.

In terms of setting a balanced budget in future financial years, this will depend significantly on the uncertainty in Government funding and increasing cost pressures. It is therefore more important for the Authority to create various scenarios through the Medium-Term Financial Plan (MTFP) process, which will include both the revenue and capital programme (capital is funded by contributions from revenue). In December 2020, the Fire Authority approved the Capital and Financial Strategy which consider medium and longer-term scenarios, with a consideration of areas that could be enhanced or scaled back depending on the outcome of future funding settlements.

The MTFP will continue to be scrutinised in detail at two Officer and two Member challenge meetings throughout the financial year, before overall approval by the Fire Authority. If required, the Authority will make use of the usable reserves to ensure the Authority is able to set a balanced budget and smooth out the impact of funding reductions. However, utilising reserves will only be sustainable in the short to medium term. See below table showing a breakdown of the Authority's usable reserves, as reported in the financial statements.

31 March 2020 £000	Reserve Balances	31 March 2021 £000
(1,500)	General Fund Balance	(1,500)
(2,197)	Total Earmarked Reserves - Revenue	(2,422)
(1,442)	Total Earmarked Reserves - Capital	(2,611)
(5,139)	**Total Usable Reserves**	**(6,533)**

Cashflow and access to cash could potentially become an issue for the Authority during COVID-19. To mitigate the impact, the Authority has undertaken a review of the cashflow forecast up to 31 March 2023, with a number of assumptions surrounding income and expenditure. In addition, the Authority on a case-by-case basis will actively seek to hold cash and not reinvest maturing deals to ensure the Authority is able continue to pay members of staff and suppliers on time throughout the COVID-19 pandemic. As of 31 January 2022, the Authority had a cash and short-term investment balances of £17.012m and no requirement to borrow additional funds in order to pay short term liabilities.

During 2021-22 the government gave the option to the lowest eight charging fire and rescue authorities (FRAs) the flexibility to increase their band D precept by £5 in 2022-23 without the need to hold a referendum. This is to assist these FRAs in addressing immediate pressures and to maintain a sustainable income baseline for future years. Buckinghamshire & Milton Keynes Fire Authority was included within these eight FRAs.

In February 2022 at the Fire Authority meeting, the Authority agreed a £5 increase in its council tax, which means that the amount paid by a band D taxpayer will rise from £67.16 a year to £72.16 a year. This £5 increase, which equates to just under 10p a week, will come into effect on 1 April 2022. The Service's most recent report (December 2021) by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) noted in its summary that they "are encouraged by the service's work to improve value for money, but [we] still have concerns about the service's funding model as its limited reserves are being used to supplement funding of its response functions." The £5 increase in precept has resulted in approximately £1.15m additional funding compared to a precept increase of 2%.

The Authority thereby concludes that it is appropriate to prepare the financial statements on a going concern basis and that the Authority's functions and services will continue in operational existence for the next 12 months, from the date of the audit report. This is based on the Authority's ability to set a balanced budget and the cashflow forecasting position.