



Buckinghamshire & Milton Keynes Fire Authority

Meeting and date: Executive Committee 8 February 2023

Report title: Medium Term Financial Plan (MTFP) 2023/24 to 2027/28

Lead Member: Councillor Matthew Walsh

Report sponsor: Mark Hemming

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Action: Decision

Recommendations:

That the recommendations below be approved for submission to the Authority:

1. It is recommended that:
 - (a) the report and Statement of the Chief Finance Officer (see section 8 of Annex A) be noted.
 - (b) a Council Tax precept of £77.16 for a band D equivalent property (equal to an increase of 10p per week) and the revenue budget as set out in Appendix 1 be approved.
 - (c) the capital programme as set out in Appendix 2 be approved.

Executive summary:

The main report (Annex A) presents the proposed revenue and capital Medium Term Financial Plan (MTFP) for the financial years 2023/24 to 2027/28. The MTFP is closely linked to the Financial Strategy which is the link between the organisation's long-term service objectives and its financial capacity. Buckinghamshire Fire and Rescue Service (BFRS) long-term service objectives are set out in the Public Safety Plan (PSP) and Corporate Plan.

On 12 December 2022, the Government published the local government finance policy statement 2023-24 to 2024-25, which sets out the intentions for the local government finance settlement for the next two years. The provisional settlement was announced on 19 December 2022, which detailed the funding allocations that have been incorporated into our MTFP. Final confirmation of the settlement is expected in February 2023.

There has been a significant change in the Council tax precept flexibility for Fire and Rescue Authorities (FRAs). The referendum threshold has increased from 2% to 3% throughout the MTFP. Furthermore, the government proposes additional precept flexibility to FRAs to increase their precept by up to £5 for 2023/24 only without the need to hold a referendum. This additional flexibility is welcomed and will help fund towards the increased inflationary pressures we have seen in particular the rising cost of utilities.

Revenue Support grant will increase in line with Consumer Price Index (CPI) whilst the Firelink grant will reduce by 20% and the pension grant funding will continue on a flat-cash basis. Local authorities will be compensated for the freeze in the Small Business Rates

Multiplier in 2023/24, seeing the sum of Baseline Funding Levels (BFLs) and an increase in compensation grant for under indexation of the Small Business Rates Multiplier rise in line with CPI.

The Service was verbally notified in January 2023 that the grant funding for the Urban Search and Rescue (USAR) capability hosted at Aylesbury will end on 31 March 2024. This will reduce the amount of fire specific grant funding from 2024/25 onward by a further £817k per annum, meaning no fire specific grant funding will be from 2026/27 onward. This very recent development has been reflected in the figures shown in Appendix 1. With the support of the local MPs, the Fire Authority will be challenging this decision to reinstate the funding for USAR to ensure we still have this capability beyond 2023/24.

Key assumptions are detailed in Section 4 of Annex A and are based on information received to date.

The Department for Levelling Up, Housing and Communities (DLUHC) had previously committed to carry out a review of the distribution of formulas and a reset of accumulated business rates growth but have now confirmed that these will not be implemented in this Spending Review period.

The Services grant which is a unringfenced grant will continue to be distributed to all tiers of the government, however it has reduced from £822m to £464m. The distribution methodology will remain the same and the reduction relates to the government's decision to reverse the National Insurance increases. The funding is in recognition of the range of vital services delivered by all tiers of the government across the country. This grant will be unringfenced with local authorities best placed to understand local priorities. Provisional figures published 19 December 2022 show that Buckinghamshire Fire and Rescue Service will receive £0.199m, which has been reflected in our projections under the heading Services Grant. The longer-term future of this grant remains uncertain so the current assumption is that this grant will remain in place for 2023/24 only.

Council tax collection funds have been improving since the start of the pandemic where they were adversely impacted, and we saw the tax base reduce. Last year we saw the council tax base increase by 2.19% and we have seen another year of continued growth averaging at 2.15%.

This year the budget setting process involved the Lead Members who were provided with the detailed budget and assumptions. The budget setting process was scrutinised by Officers and Lead Members to ensure only proposals which added value for money and in line with our Corporate Plan and PSP priorities were approved.

The revenue budget for 2023/24 and indicative figures for future years are shown in Appendix 1.

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 2023. 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 2022/23 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 accepts the recommendation to increase the band D by £5.

Financial implications: All financial implications are shown in the main body of the report.

Risk management: 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.

Legal implications: 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.

Members must have regard to the report 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.

Privacy and security implications: No direct impact.

Duty to collaborate: No direct impact.

Health and safety implications: No direct impact.

Environmental implications: No direct impact.

Equality, diversity, and inclusion implications: No direct impact.

Consultation and communication: None.

Background papers:

Medium Term Financial Plan (MTFP) 2022/23 to 2026/27 and Revised Appendices, Fire Authority, 16 February 2022:

<https://bucksfire.gov.uk/documents/2022/02/fa-item-9b-16022022.pdf/>

<https://bucksfire.gov.uk/documents/2022/09/fa-160222-item-9b-revised-appendices-1-and-2.pdf/>

Appendix	Title	Protective Marking
Annex A	Medium Term Financial Plan 2023/24 to 2027/28	None
Appendix 1-4	Appendix 1 – MTFP Budget Model and Reserves Position Appendix 2 – Capital Programme Summary Appendix 3 – Council Tax Rates Appendix 4 – Risk Assessment of the Adequacy of General Reserves	

Annex A – Medium Term Financial Plan (MTFP) 2023/24 to 2027/28

1. Introduction

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2023/24 to 2027/28.
- 1.2. The MTFP is closely linked to the Financial Strategy which is the link between the organisation's long-term service objectives and its financial capacity. BFRS long-term service objectives are set out in 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 2023 to 2024

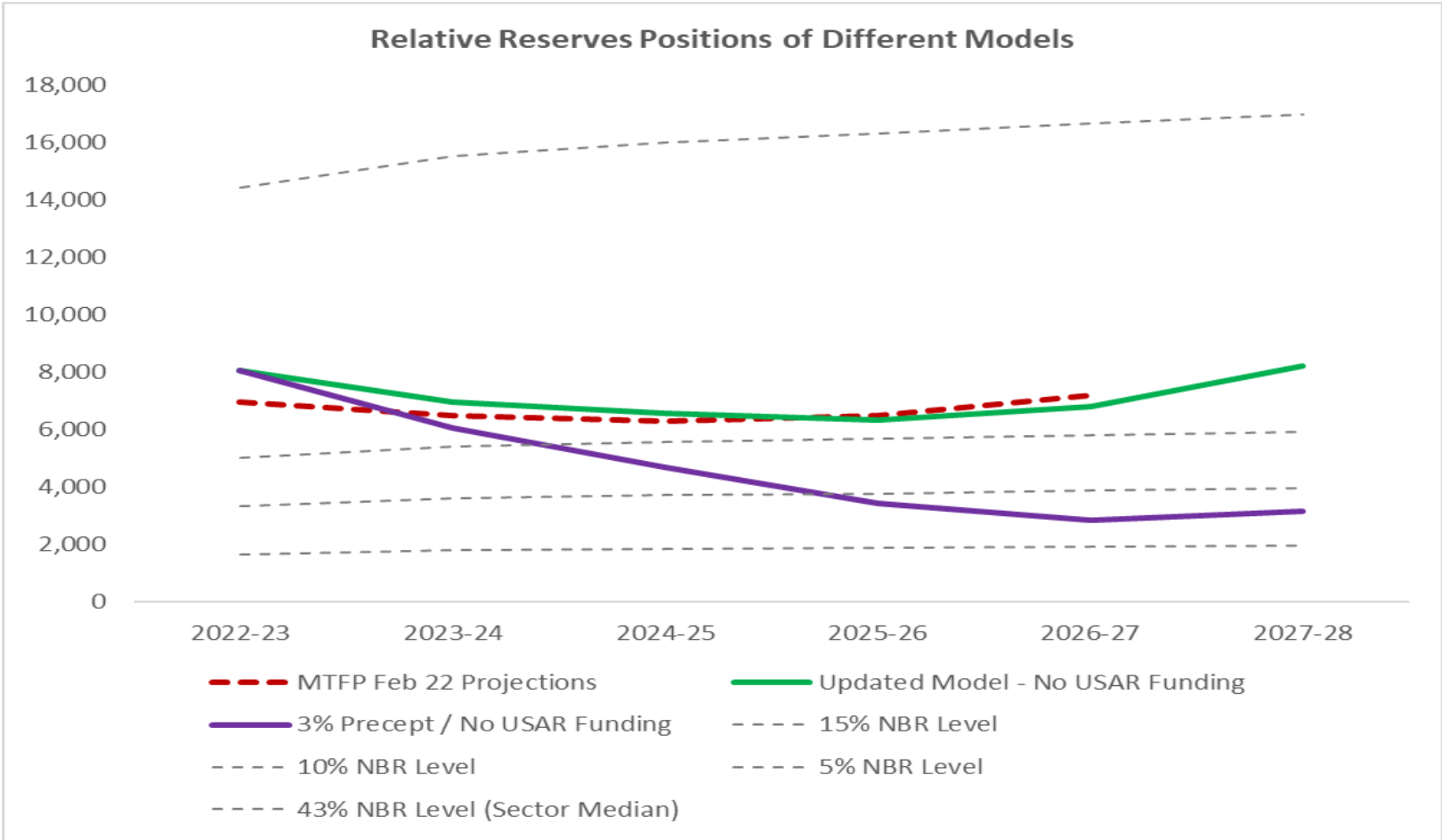
- 2.1. The Revenue support grant will increase in line with the change in the Consumer Price Index (CPI) between September 2021 and September 2022. Business rates multiplier will be frozen, but services will be compensated the difference between the freeze and the increase expected in line with CPI. The Department for Levelling Up, Housing and Communities (DLUHC) had previously committed to carry out a review of the distribution of formulas and a reset of accumulated business rates growth but have now confirmed that these will not be implemented in this Spending Review period.
- 2.2. The Services grant which is a unringfenced grant will continue to be distributed to all tiers of the government, however it has reduced from £822m to £464m. The distribution methodology will remain the same and the reduction relates to the government's decision to reverse the National Insurance increases. The funding is in recognition of the range of vital services delivered by all tiers of the government across the country. This grant will be unringfenced with local authorities best placed to understand local priorities. Indicative figures published 19 December 2022 show that Buckinghamshire Fire and Rescue Service will receive £0.199m, which has been reflected in our projections under the heading Services Grant. The

longer-term future of this grant remains uncertain so the current assumption is that this grant will remain in place for 2023/24 only.

- 2.3. As part of this year's announcement, the Government published headline changes in core spending power between 2022/23 and 2023/24 for every authority. The headline change published for Buckinghamshire Fire and Rescue Service was an increase of 5.2%.
- 2.4. This is based on the assumption that the Authority will increase its Band D council tax in 2023/24 by 3% (the decision to increase the referendum threshold to £5 was made too late to reflect in the published figures) and the council tax base will increase will be in line with 2018 to 2022 averages.
- 2.5. However, changes in core spending power are expressed in cash-terms. The annual rate of inflation as of November 2022 was 10.7% (CPI) or 14% (RPI). A cash-terms increase of 5.2% in this economic context represents a real-terms decrease in core spending power.
- 2.6. If the two assumptions noted in paragraph 2.4 are updated to reflect the actual increase in the council tax base, and to include the recommendation to increase the Band D council tax by £5, the cash-terms increase in core spending power would be 8.8%. Taking into account the inflation rates noted in paragraph 2.5, this would still represent a real-terms decrease in core spending power.

3. Council Tax and Business Rates

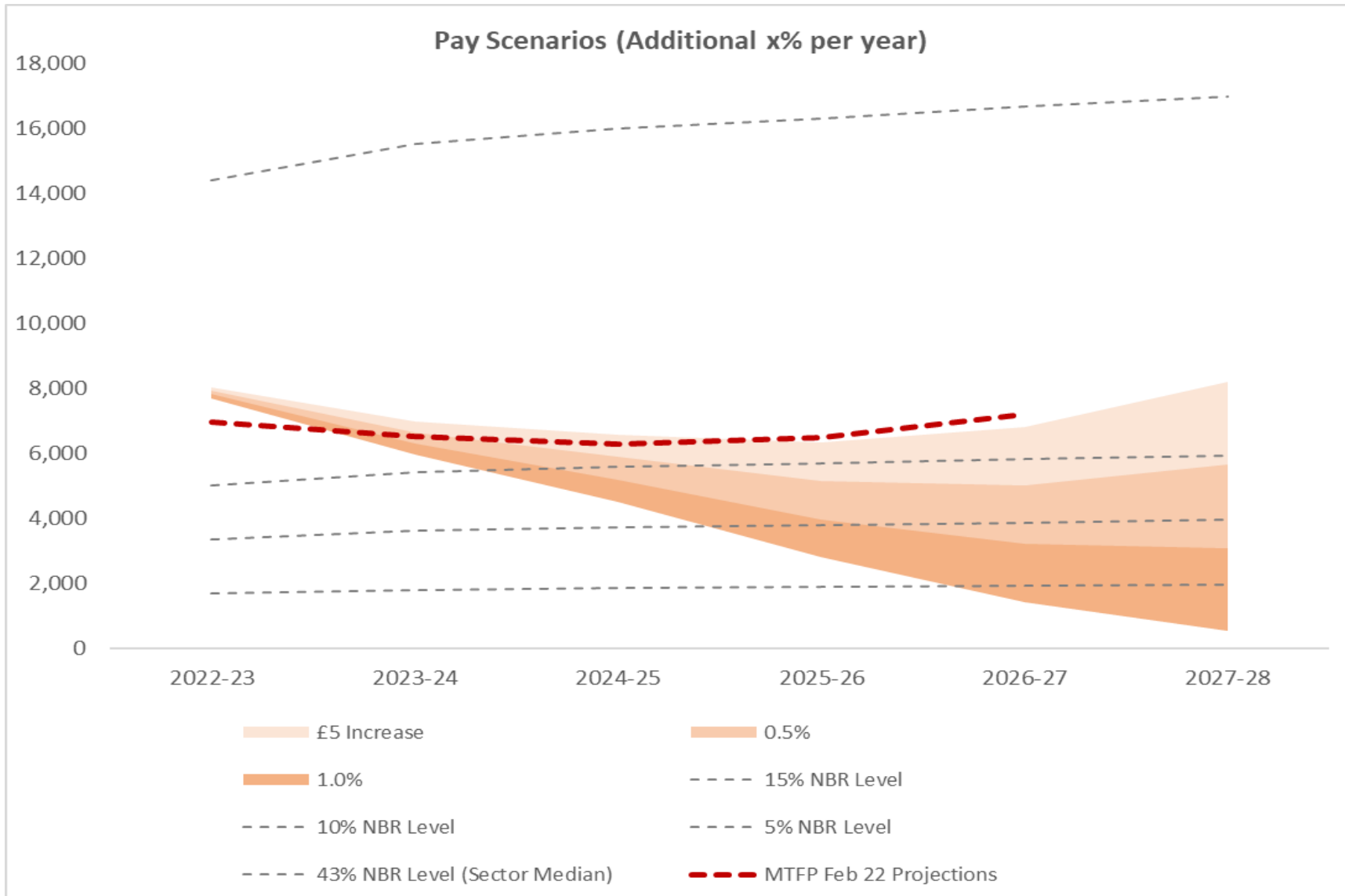
- 3.1. In publicly declaring core spending power figures, the Government has clearly set an expectation that local authorities will continue to increase council tax every year by the maximum amount permissible.
- 3.2. The difference between a £5 increase in the precept and a 3% precept increase for 2023/24 is just over £0.918m for the year. This is approximately equivalent to the cost of employing twenty whole-time firefighters.
- 3.3. The chart below illustrates the different reserves positions at the end of the MTFP depending on the precept approval for 2023/24.



- 3.4. The Council tax was increased by 1.99% in 2021/22 and by £5 (7.44% increase) in 2022/23.
- 3.5. There has been a significant change in the Council tax precept flexibility for Fire and Rescue Authorities (FRAs). The referendum threshold has increased from 2% to 3% throughout the MTFP. Furthermore, the government proposes additional precept flexibility to FRAs to increase their precept by up to £5 for 2023/24 only without the need to hold a referendum. This additional flexibility is welcomed and will help fund towards the increased inflationary pressures we have seen in particular the rising cost of utilities.
- 3.6. The Authority currently sets a band D equivalent precept of £72.16 per annum (approx. £1.38 per week). This is significantly below the national average and one of the lowest precepts of any combined fire authority.
- 3.7. Council tax chargeable for each band should the Authority resolve to increase the band D by £5 is shown in Appendix 3.

4. Risk Factors in Budget Assumptions

- 4.1. The budget proposed for 2023/24 at Appendix 1 has been compiled by looking in detail at current spending and future plans.
- 4.2. This year the budget setting process involved the Lead Members who were provided with the detailed budget and assumptions. The budget setting process was scrutinised by Officers and Members to ensure only proposals which added value for money and in line with our Corporate Plan and Public Safety Plan priorities were approved.
- 4.3. Included within the budget is the increase in revenue contribution to the Thames Valley Fire Control Service (TVFCS) which is a joint control room operated by the three Thames Valley FRS. Buckinghamshire FRS contribution towards the revenue expenditure for the TVFCS has increased by £44k per annum (£874k for 2023/24) which has been included in the MTFP.
- 4.4. The Service was verbally notified in January 2023 that the grant funding for the Urban Search and Rescue (USAR) capability hosted at Aylesbury will end on 31 March 2024. This will reduce the amount of fire specific grant funding from 2024/25 onward by a further £817k per annum, meaning no fire specific grant funding will be from 2026/27 onward. This very recent development has been reflected in the figures shown in Appendix 1. With the support of the local MPs, the Fire Authority will be challenging this decision to reinstate the funding for USAR to ensure we still have this capability beyond 2023/24.
- 4.5. Uncertainty continues to persist regarding the level of inflation that the Service will be subject to over the coming years. Given that almost three-quarters of the budget relates to direct employee costs, pay inflation has a hugely significant impact on the Services budget. The chart below illustrates the potential impact on total reserves level if the pay award was higher than the assumptions used by the amounts shown in each year of the MTFP.



- 4.6. 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.
- 4.7. The detailed costings are based on the updated budget requirement including the annual uplift assumptions below:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Pay inflation	5%	4%	2%	2%	2%	2%
Council tax increase	7.44%	6.94%	2.99%	2.99%	2.99%	2.99%
Council tax base	2.19%	2.15%	1.6%	1.6%	1.6%	1.6%
Settlement Funding Assessment	2.55%	10.1%	4%	2%	2%	2%

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 (RCCO), details of which are shown in Appendix 1.
- 5.2. The table at Appendix 2 details the approved capital programme for 2022/23, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2023/24 to give a total capital budget requirement of £2.8m for 2023/24.
- 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. The Reserves Strategy is now incorporated within our Financial Strategy which was approved by the Fire Authority at its meeting on 9 December 2020 (<https://bucksfire.gov.uk/documents/2020/11/item-7c-fire-authority-9-december-2020.pdf/>). Given the significant uncertainty that persists around inflation and other subsequent events that have occurred, the level of the General Fund for 2023/24 has been reassessed. The updated calculation of the risk assessed amount can be seen in Appendix 4.

- 7.2. The latest forecast balances and reserves at year-end 2022/23 are:

- General Fund Balance - £1.5m
- Earmarked Reserves - £1.3m*
- Capital Reserves - £5.2m

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

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 have regard to this report when making decisions in connection with which it is made.
- 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, subject to approval of recommendation 1(b), there is sufficient capacity in the reserves to cope with the financial risks the Authority faces for 2023/24 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 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 2023. Any changes to these figures will be presented in a revised Appendix 1 at the meeting.

Revenue Expenditure	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Base Budget	0	33,480	36,055	37,172	37,878	38,720
Pay Adjustment	0	924	509	519	529	540
Inflation Adjustment	0	0	626	285	196	200
Corporate Core	1,586	-419	-45	0	0	0
Statutory Accounting & Contingency	643	-367	0	0	0	0
Delivery, Corporate Development & Planning	22,592	1,472	417	197	17	17
People & Organisational Development	522	10	0	0	0	0
Finance & Assets	6,521	846	-165	-20	0	0
RCCO Adjustment	1,616	109	-225	-275	100	0
Transfers to/(from) Reserves	0	0	0	0	0	0
Net Budget Requirement	33,480	36,055	37,172	37,878	38,720	39,477
Council Tax	-22,759	-24,859	-26,009	-27,214	-28,474	-29,791
Council Tax (Surplus)/Deficit	-222	-190	0	0	0	0
Council Tax Support Grant	0	0	0	0	0	0
Services Grant	-355	-199	0	0	0	0
Settlement Funding Assessment	-7,826	-8,610	-8,948	-9,132	-9,316	-9,500
Amount above Baseline	0	0	0	0	0	0
Fire Specific Grants	-1,110	-989	-115	-57	0	0
Pension Grant Funding	-1,208	-1,208	-1,208	-1,208	-1,208	-1,208
(Use of)/Contribution to Reserves	0	0	-892	-267	278	1,022
Total Funding	-33,480	-36,055	-37,172	-37,878	-38,720	-39,477

Appendix 1a – Reserves Position

Reserves Position	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
General Fund Balance	-1,500	-1,625	-1,625	-1,625	-1,625	-1,625
Other Earmarked Reserves (excluding Control Room Res.)	-1,287	-1,162	-270	-3	-281	-1,303
Earmarked Capital Reserves	-5,253	-4,191	-4,680	-4,706	-4,894	-5,270
Total	-8,040	-6,978	-6,575	-6,334	-6,800	-8,198

Appendix 2 – Capital Programme

The table below summarises the capital programme from 2021/22 through to 2026/27 and is based on the revenue contribution to capital levels shown in Appendix 1:

Capital Programme	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Property – Condition Survey and Adaptations	500	639	701	469	407	219
Property – Transformation (Unit 7)		500				
Operational Equipment	1,180	155	155	155	155	155
Operational Fleet Vehicles	500	537	750	750	750	750
ICT	206	156	155	75	75	75
Slippage (Approved at July 2022 Exec)	1,514	-	-	-	-	-
Current Year Slippage Forecast	-550	550	-	-	-	-
Forecast Underspend	-117	-	-	-	-	-
Total Expenditure	3,273	2,787	1,011	1,199	1,137	949
Funding b/fwd	-3,886	-5,253	-4,191	-4,680	-4,706	-4,894
In Year Funding	-4,640	-1,725	-1,500	-1,225	-1,325	-1,325
Funding (Available)/Deficit	-5,253	-4,191	-4,680	-4,706	-4,894	-5,270

Appendix 3 – Council Tax Rates

If the band D equivalent council tax were increased by £5 for 2022/23, 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	£0.99	£4.29	£51.44
B	7/9	£1.15	£5.00	£60.01
C	8/9	£1.32	£5.72	£68.59
D	9/9	£1.48	£6.43	£77.16
E	11/9	£1.81	£7.86	£94.31
F	13/9	£2.14	£9.29	£111.45
G	15/9	£2.47	£10.72	£128.60
H	18/9	£2.96	£12.86	£154.32

This would represent an annual increase of £3.33 per annum on a band A, £5 per annum on a band D and £10 per annum on a band H property.

The following table shows the increase in each band (rounded to the nearest pence).

Bands	Per Week (£)	Per Month (£)	Per Year (£)
A	0.06	0.28	3.34
B	0.08	0.33	3.88
C	0.09	0.37	4.44
D	0.09	0.41	5.00
E	0.12	0.51	6.12
F	0.14	0.61	7.22
G	0.16	0.69	8.34
H	0.19	0.84	10.00

Appendix 4 – Risk Assessment of the Adequacy of General Reserves

The table below shows the calculation of the amount required to be held in the General Fund:

Budget Assumptions	Financial standing and management assessment/impact	Comments	Amount Required £000
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc.). Rises in the prices of some commodities, e.g. fuel, highlight the relevance of using a number of inflation rates in the budget and financial strategy, and considering whether general reserves are adequate to deal with unexpected increases. Volatility in the financial markets also points to the need to consider investment and borrowing risks and their impact on income.	Significant uncertainty persists regarding the level of inflation (both pay and non-pay). Amount required to be held in general reserve estimated as circa 1% of net budget requirement	700
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management including the robustness of the medium-term plans. Authorities will also need to take into account changes in the property market and adjust estimates and assumptions for reserves accordingly.	This amount is based on 5% of the total estimated capital receipts within the capital programme	150
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term.	An amount has been set aside to help fund any recommendations that may come from the Grenfell Tower inquiry or the McCloud/Sargeant judgement (previous amount was £200k)	100
The treatment of planned efficiency savings/productivity gains	The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.	A key future efficiency within the Medium-Term Financial Plan is the property saving associated with consolidating our current property portfolio. This is the amount required if planned savings are delayed by one year.	165

Budget Assumptions	Financial standing and management assessment/impact	Comments	Amount Required £000
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and department/directorate level. Risk management measures in relation to partnerships, including consideration of risk allocation. Contract provisions designed to safeguard the authority's position in the event of problems arising from outsourcing arrangements.	This amount is based on circa 15% of the total estimated expenditure on the capital programme for 2023/24. There is a specific risk in relation to vehicles and potential increases in import tariffs.	400
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the authority's insurance arrangements to cover major unforeseen risks. When considering insurance cover, the structure of the cover as well as the overall level of risk should be taken into account. Risk assessments should be used when balancing the levels of insurance premiums and reserves.	The insurance excess is set at £5,000 for the majority of claims. There is a risk that there may be a large number of high value claims. This value assumes ten claims over £5,000 in any one year.	50
The general financial climate to which the authority is subject	External factors, such as future funding levels expected to be included in Spending Reviews and expected referenda principles and limits, will influence an authority's ability to replenish reserves once they have been used. Any plans for using reserves will need to consider the need and ability of the authority to replenish the reserves, and the risks to which the authority will be exposed whilst replenishing the reserves.	The Firelink grant is forecast to reduce by 20% each year. This amount represents 20% of the initial funding received to mitigate the risk of funding decreases being accelerated, which could depend on the progress of the ESMCP project. USAR grant funding risk has now materialised so no longer held within general reserve.	60
Total Required			1,625