

## **Annex A – Medium Term Financial Plan (MTFP) 2022/23 to 2026/27**

### **1. Introduction**

- 1.1. The purpose of this report is to present the proposed revenue and capital Medium Term Financial Plan (MTFP) 2022/23 to 2026/27.
- 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 the strategic approach to the management of risk in the communities BFRS serve. The Corporate Plan sets out how BFRS intend to equip and develop the organisation and its people to meet the challenges faced by the service. 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 2022 to 2023**

- 2.1. The distribution formulas used to allocate government funding need to be revisited and therefore the Department for Levelling Up, Housing and Communities (DLUHC) have provided a one-year settlement. This will give them the opportunity to review these formulas and ensure they are updated and reflected in future funding allocations. Revenue support grant will increase in line with the change in the Consumer Price Index (CPI) between September 2020 and September 2021. Business rates multiplier will be frozen, but services will be compensated the difference between the freeze and the increase expected in line with Retail Price Index. The exception to this is the pension grant funding, which is a flat-cash settlement and expected to be included in future years' (2022/23 onwards) settlement funding assessment and subject to review as part of a future multiple year comprehensive spending review
- 2.2. An additional £822m unringfenced Services grant will be distributed to all tiers of government. The grant is for 2022/23 only and the government will work with the sector on how they distribute this funding from 2023/24 onwards. 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. Included within this grant is the funding relating to the increase in costs relating to employer National Insurance contributions which the Government confirmed that they would fully fund for the government sector. Indicative figures published 16 December 2021 show that Buckinghamshire Fire and Rescue Service will receive £0.355m, which has been reflected in the projections under the heading Services Grant

- 2.3. The pension grant funding, which is a flat-cash settlement will be funded for 2022/23.
- 2.4. As part of this year's announcement, the Government published headline changes in core spending power between 2021/22 and 2022/23 for every authority. The headline change published for Buckinghamshire Fire and Rescue Service was an increase of 4.2%.
- 2.5. This headline increase assumes:
  - That the growth in council tax base between 2021/22 and 2022/23 will be 1.0% (actual increase was 2.19%).
  - That the Authority will increase its Band D council tax in 2021/22 by 1.99%.
- 2.6. However, changes in core spending power are expressed in cash-terms. The annual rate of inflation as of November 2021 was 5.1% (CPI) or 7.1% (RPI). A cash-terms increase of 4.2% in this economic context represents a real-terms decrease in core spending power.
- 2.7. If the two assumptions noted in paragraph 2.5 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 9.2%. Taking into account the inflation rates noted in paragraph 2.6, this would represent a modest real term increase 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 2% precept increase for 2022/23 is just over £1.15m for the year. This is approximately equivalent to the cost of employing twenty-three wholetime firefighters.
- 3.3. Council tax was increased by 1.99% in 2020/21 and by 1.99% in 2021/22.
- 3.4. One key change in the provisional settlement this year is that the government proposes to provide the lowest charging quartile of fire and rescue authorities (FRAs) with the flexibility to increase their band D precepts by £5 for one year only in 2022/23. This is to assist those FRAs in addressing immediate pressures and to maintain a sustainable income baseline for future years. BFRS is included within these 8 FRA's and has the option to increase Council tax by £5.
- 3.5. The Authority currently sets a band D equivalent precept of £67.16 per annum (approx. £1.29 per week). This is significantly below the national average (of

£80.06) and is the second 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 by £5 is shown in Appendix 3.

#### **4. Risk Factors in Budget Assumptions**

- 4.1. The budget proposed for 2022/23 at Appendix 1 has been compiled by looking in detail at current spending and future plans.
- 4.2. This year officers continued with the incremental budgeting approach when developing the budget proposal for 2022/23. The budget setting process was scrutinised by Officers and Members to ensure only proposals which added value for money and in line with Corporate Plan and Public Safety Plan priorities were approved.
- 4.3. At the time of writing the Authority had not yet received formal written notification of the continuation of the USAR grant for 2022/23, 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.
- 4.4. Uncertainty persists regarding pensions following 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 entitled to be treated as if they have remained members of their original pension scheme. The Executive Committee have adopted the Local Government Association and Fire Brigade Union formulated immediate detriment framework in November 2021 and BFRS are currently processing claims from members who want to be treated as if they remained on their original pension scheme. It is expected that this will increase the longer-term costs of the firefighters' schemes, although it is not yet possible to quantify the impact.
- 4.5. 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.
- 4.6. The detailed costings are based on the updated budget requirement including the annual uplift assumptions below:

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Pay inflation	1.5/2%	2%	2%	2%	2%	2%
Council tax increase	1.99%	7.45%	1.99%	1.99%	1.99%	1.99%
Council tax base	-0.65%	2.19%	1.6%	1.6%	1.6%	1.6%
Business rates tax base	-8%	2.55%	2%	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 2021/22, the estimated provisional outturn position and any proposed slippage to the programme. Any slippage is then added to the new budget requests for 2022/23 to give a total capital budget requirement of £3m for 2022/23.
- 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 the 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/>). 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 2021/22 are:
  - General Fund Balance - £1.5m
  - Earmarked Reserves - £1.3m\*
  - Capital Reserves - £2.5m

\* 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 there is sufficient capacity in the reserves to cope

with the financial risks the Authority faces for 2022/23 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 2022. Any changes to these figures will be presented in a revised Appendix 1 at the meeting.

Directorate	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Base Budget	0	32,277	33,689	34,160	35,206	36,257
Pay Adjustment	0	347	463	472	481	491
Inflation Adjustment	0	0	100	100	100	100
Corporate Core	1,605	-20	-28	-45	0	0
Statutory Accounting & Contingency	297	0	0	0	0	0
Delivery, Corporate Development & Planning	21,922	669	443	400	100	0
Human Resources	529	-6	0	0	0	0
Finance & Assets	6,140	381	-40	0	-20	0
RCCO	1,784	41	-467	119	390	492
<b>Net Budget Requirement</b>	<b>32,277</b>	<b>33,689</b>	<b>34,160</b>	<b>35,206</b>	<b>36,257</b>	<b>37,340</b>
Revenue Support Grant/ Business Rates	-7,801	-8,000	-8,147	-8,294	-8,456	-8,618
Services Grant	0	-355	-150	-150	-150	-150
Council Tax Receipts Surplus/Deficit	33	-257	41	0	0	0
Council Tax Support Grant	-336	0	0	0	0	0
Fire Specific Grants	-1,123	-1,110	-1,115	-1,120	-1,125	-1,130
Council Tax Receipts	-20,729	-22,759	-23,581	-24,434	-25,318	-26,234
Pension Grant Funding	-1,208	-1,208	-1,208	-1,208	-1,208	-1,208
Use of Reserves	-1,113	0	0	0	0	0
<b>Total Funding Available</b>	<b>-32,277</b>	<b>-33,689</b>	<b>-34,160</b>	<b>-35,206</b>	<b>-36,257</b>	<b>-37,340</b>
Shortfall/(Surplus) for Year	0	0	0	0	0	0
Cumulative Savings Requirement	0	0	0	0	0	0

## Appendix 1b – Reserves Position

Reserves Position	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
General Fund Balance	-1,500	-1,500	-1,500	-1,500	-1,500	-1,500
Other Earmarked Reserves (excluding Control Room Res.)	-1,304	-1,304	-1,304	-1,304	-1,304	-1,304
Earmarked Capital Reserves	-2,484	-4,347	-4,089	-4,061	-4,448	-5,327
<b>Total</b>	<b>-5,288</b>	<b>-7,151</b>	<b>-6,893</b>	<b>-6,865</b>	<b>-7,252</b>	<b>-8,131</b>

## 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	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Property	500	500	500	500	500	500
Hydraulic Equipment	65	65	65	65	65	65
Operational Equipment	90	1,155	90	90	90	90
Operational Red Fleet Vehicles	750	500	750	750	750	750
ICT	575	206	211	100	75	75
Slippage (Approved at July 2021 Exec)	472	-	-	-	-	-
In-year Movements	-50	-	-	-	-	-
Current Year Slippage Forecast	-536	536	-	-	-	-
Forecast O/S	636	-	-	-	-	-
<b>Total Expenditure</b>	<b>2,502</b>	<b>2,962</b>	<b>1,616</b>	<b>1,505</b>	<b>1,480</b>	<b>1,480</b>
Funding b/fwd	-2,611	-2,484	-4,347	-4,089	-4,061	-4,448
In Year Funding	-2,375	-4,825	-1,358	-1,477	-1,867	-2,359
<b>Funding (Available)/Deficit</b>	<b>-2,484</b>	<b>-4,347</b>	<b>-4,089</b>	<b>-4,061</b>	<b>-4,448</b>	<b>-5,327</b>



### 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	0.92	4.01	48.11
B	7/9	1.08	4.68	56.12
C	8/9	1.23	5.35	64.14
D	9/9	1.38	6.01	72.16
E	11/9	1.69	7.35	88.20
F	13/9	2.00	8.69	104.23
G	15/9	2.31	10.02	120.27
H	18/9	2.77	12.03	144.32

This would represent an annual increase of £3.34 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	Increase Per Week (£)	Increase Per Month (£)	Increase 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