
REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2018/19 REVENUE BUDGET AND CAPITAL PROGRAMME

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Background Papers:

2018/19 Revenue Budget Strategy Report to the Corporate Services Policy and Challenge Group meeting 13 September 2017, 2018/19 Draft Revenue Budget Report to the FRA meeting on 14 December 2017.

Implications (tick ✓):

LEGAL	✓	FINANCIAL	✓
HUMAN RESOURCES	✓	EQUALITY IMPACT	✓
ENVIRONMENTAL		POLICY	✓
ORGANISATIONAL RISK	✓	OTHER (please specify)	

Any implications affecting this report are noted at the end of the report.

PURPOSE:

To present information to allow the Authority to:

- a. set a budget and precept level for 2018/19 in line with statutory requirements;
- b. approve a Medium-Term Revenue Plan for the period 2018/19 to 2021/22;
- c. approve a Medium-Term Capital Programme for the period 2018/19 to 2021/22;
- d. approve a Medium-Term Financial Strategy which provides the strategic context for each of the above, linking them to the Authority's corporate aims, objectives and strategic priorities.

RECOMMENDATIONS:

1. That the Fire and Rescue Authority consider this report and determine for 2018/19 that:
 - a. A Revenue Budget requirement is set at £29.416m, met as indicated in paragraph 3.8 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £19.972m and that as a consequence, a council tax increase of 2.99% up to £95.59 per Band D equivalent property, calculated as shown in Paragraph 3.8 of this report.
 - c. In order to meet the Precept requirement, the Head of Finance/Treasurer be authorised to issue Precepts in the necessary form to each of the Unitary Councils and for the amounts indicated in Paragraph 3.11 of this report.
2. That the FRA consider and approve the Medium-Term Revenue Plan attached at Appendix 1 to this report, in doing so, to also approve the 2018/19 savings and efficiencies detailed at Appendix 2
3. That the 2017/18 in-year underspend is allocated to the Transformation Reserve.
4. That the FRA consider and approve the Medium-Term Capital Programme attached at Appendix 3 to this report.
5. That the FRA consider and approve the Medium-Term Financial Strategy attached at Appendix 4 to this report, which also contains the reserves strategy.
6. That in considering the above recommendations, the FRA note the Treasurer's statement on the robustness of estimates included in the budget and the adequacy of the reserves for which the budget provides, attached at Appendix 5 to this report.
7. That the FRA delegate any budget amendments, following receipt of the final settlement figures, to the Treasurer and Chief Fire Officer.

1. Introduction and Background

- 1.1 The Authority is proposing a budget for 2018/19 that takes into account the aims and objectives of the Service and prioritises the resources available for frontline services.

- 1.2 It does this by:
- Proposing a council tax increase of 2.99%.
 - Proposing significant efficiency savings.
- 1.3 There has been a considerable amount of work towards the 2018/19 budget setting over the past year. This has included a robust review and scrutiny of service wide budgets by the Head of Finance/Treasurer and the Principal Officers, review and challenge meetings by the Corporate Management Team and two Fire and Rescue Authority Members budget workshops. This work has covered both the revenue budget and the Capital Programme.
- 1.4 The draft budget was approved by the Authority on 14 December 2017 for consultation. Feedback on the consultation is summarised in this report at para 6.
- 1.5 The Authority's council tax precept leaflets have been electronic since 2013/14. There will therefore be a web link address on the council tax bills to the websites detailing the precept information for the Unitary Authorities, Police and Fire.

2. Government Settlement for 2018/19

- 2.1 The provisional settlement for 2018/19 was announced on 19 December 2017. The final settlement figures for 2018/19 are yet to be confirmed. It is anticipated that there will not be any material impact on the figures used in this report. Any minor changes will be met to/from the Transformational earmarked reserve.

Table 1 below shows a split of the 2017/18 and 2018/19 revenue grant funding and the Government's forecast total business rates funding. A further detailed breakdown of this is included within the Medium-Term Financial Strategy (MTFS).

Table 1: Government Grant Revenue Funding

	2017/18 £m	2018/19 £m	% change
Revenue Support Grant (RSG)	3.509	2.856	(18.6%)
Business Rates baseline funding	5.549	5.716	3.0%
Settlement Funding Assessment	9.058	8.572	(5.37%)

- 2.2 Since the introduction of the Business Rates Retention Scheme in 2013/14, the Authority has been subject to fluctuations of the Business Rates collected in Bedfordshire. If business rates income increases, the Authority will receive a

share of this, if it decreases again the Authority will be impacted by this. There are mechanisms in place within the funding scheme that offer protection, called safety nets, should an authority be considerably adversely impacted. From 2020 or beyond, it is expected that the Business Rates will be fully funding local authorities and the RSG will cease. The detail on this is yet to be announced as it is being developed.

- 2.3 The Authority's Business Rates baseline funding level has been assessed at £5.716m by the DCLG for 2018/19 and a business rate baseline estimated at £2.023m (the Government's estimate of the Authority's 1% share of locally collected business rates). As our business rate baseline is lower than the baseline funding level, we are therefore a 'top up' authority and will receive the payment of £3.694m from central government (to get back to the £5.716m baseline funding level). All fire and rescue services are top up authorities. The total funding of £8.572m shown above for 2018/19 will be split between £2.856m Revenue Support Grant funding and £5.716m Business Rates.
- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive £200k in 2018/19 for Firelink and New Dimensions.
- 2.5 The council tax referendum cap was also confirmed on 19 December 2017, with an additional 1% being allowed for 2018/19 and 2019/20. The proposed council tax figure of £95.59 is a 2.99% increase, therefore under the new 3% capping limit.

Local Authorities have also had their cap increased by 1% for both general council tax and the social care local tax charge. Police and Crime Commissioners have the option to increase their council tax charge by up to £12 per annum.

3. Proposed Budget and Precept for 2018/19 and Medium-Term Revenue Plan

- 3.1 In setting a budget for 2018/19, the Authority must take into account the implications for the following years' financial strategy, namely 2019/20 to 2021/22. There are significant efficiency savings over the coming years, which will require action in the short-term if they are to be secured within the planned timescales.
- 3.2 As well as providing the settlement figures for 2018/19, the Government has reconfirmed the grant figures previously announced as part of the four year funding agreement. The Revenue Support Grant figures for the years 2018/19 to 2019/20 have remained unchanged. In accordance with the agreement in accepting the four year funding offer, the Authority will again publish the savings and efficiency plan for 2018/19 onwards.

- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2018/19 to 2021/22 and the key features of the projections, including assumptions of the level of Government funding and council tax funding.
- 3.4 The Medium-Term Revenue Plan (MTRP) assumes that the Authority will achieve year-on-year cashable efficiencies. The MTRP is attached at Appendix 1, with the detail of the planned savings and efficiencies at Appendix 2.
- 3.5 Based on the assumptions and proposals within this report and appendices, Table 2 below details the key budget information. The budget requirement for 2018/19 is recommended to be set at £29.416m. Key assumptions include no change to the Firefighters employer pension contributions in 2018/19 and pay award assumptions. The Firefighters pension revaluation is likely to lead to increases in the employer contribution rate. The budget has built in estimated increases from April 2019. The Firefighters pay award is also likely to be a key budget pressure, with anticipated increases of up to 4%.
- 3.6 Following the draft budget report that was presented to the FRA on 14 December 2017, the three Unitary Authorities have confirmed their taxbases for 2018/19. There has been an increase at each local authority from the 2018/19 taxbase figures that were estimated in 2017/18. This revised taxbase figure will increase the council tax income to the Authority.
The forecast Collection Fund figures as included on line 56 in the income section of the MTRP.
- 3.7 The 2011/12 freeze grant that the Authority did receive has been built into the formula funding baseline and is no longer visible.
- 3.8 Appendix 1 presents Government funding reductions of RSG at 19% in 2018/19 and a further 35% forecast for years 2019/20 to 2021/22. This appendix shows council tax at 2.99% in 2018/19 and 2019/20, with 1.99% thereafter. The freeze grant previously available as an option when setting a nil council tax increase ceased from 2016/17. The council tax increase of 2.99% in the first two years is based on need, as even with these council tax increases in each year, there is still a base budget gap going forward into 2022/23 of circa £1m.

Table 2: Key Budget Information

	2017/18 £m	2018/19 £m	Change £m
Budget Requirement (£m)	28.716	29.416	0.700
<u>Funded by:</u>			
Precept Requirement (£m)	18.994	19.972	0.978
Central and Local Gov Funding (£m)	9.120	8.709	(0.411)
Section 31 Business Rates grant	0.224	0.174	(0.050)
Collection Fund surplus/(deficit)	0.378	0.291	(0.087)
Use of Reserve (Collection Fund)	0	0.270	0.270
Funding Total (£m)	28.716	29.416	0.700
Tax Base (Band D equiv. properties)	204,653	208,933	4,280
Band 'D' Council Tax	£92.81	£95.59	£2.78

- 3.9 The Authority's Officers and Treasurer recommend that the Council Tax increase of 2.99% should be implemented. This is based on need, as the current MTRP shows that there will be an ongoing base budget gap at the end of 2021/22, rolling forward into 2022/23.

The results of the 2018/19 budget consultation support this increase, please see para 6 below.

There is planning time between now and 2021/22 to implement additional savings and efficiencies. However, these do need to be researched, planned and implemented, so there is a significant lead time for large scale savings and efficiency options that will be required to close a base revenue budget gap estimated at £1m in 2022/23. The Transformational Efficiency Reserve will be continued in the medium-term to assist in future year's budget setting.

The 2020/21 financial year may see changes in Government funding to local authorities, or in the years following. Local Authorities may be able to keep their business rate income, subject to the redistribution via tariffs and top ups. The RSG may cease and additional responsibilities will be passed to councils. What these are is yet to be confirmed. The Authority could either therefore be funded from April 2020 by business rates with RSG ceasing or alternatively it could be funded by direct grant and no business rates, like Police Authorities are.

- 3.10 Table 3 below details the council tax per band. As there is a 2.99% increase from the 2017/18 level, there is a change across all the valuation bands. The

council tax of £95.59 equates to, for a Band D equivalent property, 26 pence per day for the Fire and Rescue Service.

Table 3: Council Tax Per Band:

Valuation Band	Tax Payable Compared to Band D (Expressed in Fractions)	Council Tax for Band £
A	6/9	63.73
B	7/9	74.35
C	8/9	84.97
D	1	95.59
E	11/9	116.83
F	13/9	138.07
G	15/9	159.32
H	2	191.18

In summary, the taxbase of 208,933 Band D equivalents, multiplied by the Band D council tax of £95.59 equals the precept of £19.972m.

- 3.11 Pursuant to the provisions of the Local Government Finance Acts 1992 and 1999 and all other relevant statutory powers, it is recommended that the Head of Finance/Treasurer issues Precepts in the necessary form to each of the Unitary Councils indicated in Table 4 below, Column 1, requiring those Authorities to make payments of the sum indicated in Column 2 in eleven equal instalments, and payments for the Authority's share of the estimated surplus or deficits on the council tax and business rate Collection Funds for 2017/18, in ten equal instalments on the agreed dates, of the sum indicated in Column 3. Column 4 details for the amounts that the local authorities will pay the Authority from their collection of Business Rates. This is 1% of their estimated net rates yield for 2018/19.

Table 4: Precepts

Unitary Councils (1)	£ (2) Council Tax	£ (3) Deficit/(surplus)	£ (4) Business Rates
Bedford Borough	5,594,022.39	(105,180)	614,877
Luton Borough	4,823,576.55	(201,914)	660,369
Central Bedfordshire (estimated)	9,554,316.09	16,000	861,008
Total	19,971,915.03	291,094	2,136,254

- 3.12 At the time of writing this report, the NNDR1 return from Central Bedfordshire Council has not been received by the Authority. The above figures are based on the most recent information received. Any change will not be material and will be amended via the contribution from reserve.

- 3.13 In addition to the Authority's own council tax, there are separate council taxes for the Police, the local authorities of Central Bedfordshire, Bedford, Luton and where applicable their town/parish councils.

4 Use of Balances:

- 4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. This risk assessment undertaken, and referred to in the MTFS, suggests that the minimum level of balances, taking all known risks into account along with the gross expenditure requirement, should be in the order of at least £2.6m for 2018/19. This equates to 9% of the Authority's budget requirement, which is less than the average for all Combined Fire Authorities. This is after a comprehensive review and setting up of specific ear-marked reserves of £2.375m (not including some specific reserves such as the Transformational reserve and Capital Contingency Reserve). It is proposed that the 2017/18 estimated year end underspend, that is currently forecast to be circa £0.470m, is earmarked to the Transformational Reserve.

The Transformational reserve will be £4.408m at the 2017/18 year end, prior to any in year underspend allocation. It is currently considered adequate enough based on projections to balance the 2021/22 budget gap. This is detailed at the foot of the MTRP in Appendix 1.

- 4.2 The reserves strategy is included in the attached MTFS. In summary, the strategy in recent years has been to increase the Transformational ear-marked reserve with underspends and budgeted contributions to enable this to be used in future years' budget setting processes. The 2015/16 and 2016/17 revenue underspend was allocated to a Collaboration Reserve, with a view that revenue and/or capital expenditure is likely in the medium term. It is recommended that the 2017/18 underspend is allocated to the Transformation reserve.

As detailed in the MTRP, it is forecast that the Transformational earmarked reserve will be significantly used over the medium term to close the budget gaps in the financial years 2018/19 to 2021/22. This strategy will ensure that additional savings and efficiencies are introduced in a planned and effective manner over the years to close the budget gap.

5. Proposed Medium-Term Capital Programme

- 5.1 The Authority's Capital Programme to date has been mainly funded by Government Grant and loans.
- 5.2 In the 2012/13 financial year, the Authority received £1.058m of Fire Capital Grant. The 2013/14 and 2014/15 financial years were subject to a bidding round. The Authority did not receive any funding for bids but did receive an allocation from the residual monies post successful bids, which was £0.832m in each year.

- 5.3 For 2015/16, there was again a bidding round for £75m revenue and capital. The prior capital funding of £70m per annum was reduced to £40m and £35m was top sliced from revenue funding to create the £75m funding pot.

The Authority was successful in one individual bid for a Retained Duty System review including new communications hardware £308k and two joint bids. The joint bids were with eight other Fire and Rescue Services to set up a Mutual Company to provide a protection programme at £220k in total and £1.4m with two other Fire and Rescue Services for IT Service Transformational Efficiency Programme (STEP) developments.

As anticipated, there is no Government funding or bidding round for capital in the 2018/19 budget. This was the position for the 2016/17 and 2017/18 financial years too.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. There is now a budgeted base budget revenue contribution of £1.3m per annum from 2018/19 onwards towards capital expenditure. This is with the assumption that capital grants are not forthcoming in future years. If capital funding becomes available, there will be a direct reduction in revenue contributions.

- 5.4 The Capital Programme, as per the approved timetable, has followed the same robust challenge/scrutiny route as the revenue budget. The Capital Strategy Team has also reviewed and assessed the bids made, approving the schemes that are attached at Appendix 3 as the 2018/19 Capital Programme.

- 5.5 Key items of note in the proposed 2018/19 Capital Programme of £1.253m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in IT.
- Investment in the modernisation of our buildings.

6 Budget Consultation

- 6.1 The consultation on the 2018/19 budget took place between 20 December 2017 and 22 January 2018. A survey was sent to the 14,387 people registered on the BedsFireAlert Community messaging system willing to take part in consultations. It was also made available via the Authority's website and publicised through the local press and several social media campaigns on the Service's Facebook and Twitter channels. It was also promoted to BFRS staff.

- 6.2 There were a total of 2,563 responses with 85% supporting the 1.99% council tax increase and 78% supporting an increase of between £2.50 and £5.00. In response to the question of whether respondents thought there were efficiency areas that could be considered we received 1,322 comments, with the majority advising “no” or “don’t know”. Of the 348 that did provide comments, 18% said that the Fire Service should not make any more savings. 9% advised that they did not have enough information to comment and 4% said that the FRA were best placed to make decisions. 13% of comments related to a variety of suggestions for saving money or generating income, such as charging for some services.

Other comments can be categorised into the following main areas to be considered for savings/efficiencies:

- Collaborating, sharing services and co-responding with Police and Ambulance Service;
- Reducing the numbers of senior officers/managers and their salaries;
- Charging for services (such as false alarms, pet rescues);
- Merging or working more closely with neighbouring or other FRS, such as support services.

As a response to the themes above, paras 6.3 to 6.5 below provide a summary of what efficiencies are already being undertaken.

- 6.3 The FRA is aware of the collaboration work underway with the Police Service, Ambulance Service and other organisations. These initiatives are increasing with the sharing of premises and operational service areas, such as Forced Entry, Missing Persons Search and Co-responding.
- 6.4 The senior structure has already been reduced by one Assistant Chief Fire Officer and one Area Commander. In addition there is a budget reduction planned in 2019/20 of another Area Commander, therefore reducing from five to three. We also have the Shared ICT Service in operation with numerous other shared work areas with local authorities such as Democratic Services support, legal, cleaning contracts, joint procurement, shared mobilising system and the Authority is a member of the Fire and Rescue Indemnity Company providing an alternative to traditional insurance.
- 6.5 The Service is informing callers where charges will be levied on services provided such as lock outs and flood clearance from basements, where not deemed emergencies and suggesting seeking alternative suppliers to these incidents.

7. Proposed Medium-Term Financial Strategy (MTFS)
 - 7.1 The Medium-Term Financial Strategy, attached at Appendix 4, is a document that sets out the Authority's financial strategy for the next four years. It focuses on the 2018/19 revenue budget and capital programme, but also sets the scene for future years.
 - 7.2 The MTFS details the reserves policy, planning assumptions behind the budget figures and other considerations that must be taken into account when setting the strategy, such as the taxbase, efficiencies and shared services.
8. Robustness of Estimates and Adequacy of Reserves
 - 8.1 The Local Government Act 2003 places a duty on the Section 112/151 Officer (Treasurer) to comment on 'the robustness of the estimates' included in the budget and the adequacy of the reserves for which the budget provides. The Treasurer's statement is attached at Appendix 5.
9. Implications
 - 9.1 **Financial:**
 - 9.1.1 The resource implications are detailed throughout this report and appendices, particularly in the MTFS.
 - 9.1.2 The Treasurer's statement comments on the robustness of the estimates and adequacy of the Authority's reserves with reference to risks identified.
 - 9.2 **Legal:**
 - 9.2.1 The Authority must set a balanced budget by midnight on 1 March 2018.
 - 9.2.2 The Authority has specific legal duties in relation to equalities and financial decision-making.
 - 9.2.3 There are no further specific legal issues arising from this report.
 - 9.3 **Equality, Human Resources, Environmental, Policy, Other:**
 - 9.3.1 Under the Public Sector Equality Duty (set out in the Equality Act 2010), public authorities must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. The law requires that public authorities demonstrate that they have had 'due regard' to the aims of the equality duty in their decision-making. Assessing the potential impact on equality of proposed

changes to policies, procedures and practices is one of the key ways in which public authorities can demonstrate that they have 'due regard'.

- 9.3.2 It is also important to note that public authorities subject to the equality duty are also likely to be subject to the Human Rights Act 1998. It is therefore recommended that public authorities consider the potential impact their decisions could have on human rights.
- 9.3.3 Decisions should include a consideration of the actions that would help to avoid or mitigate any impacts on particular protected characteristics. Decisions should be based on evidence, be transparent, comply with the law and it is important that a record is kept.
- 9.3.4 Due regard has been and will be considered as part of the budget build process.

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