
REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: DRAFT 2018/19 REVENUE BUDGET AND CAPITAL PROGRAMME

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Background Papers:

1. The 2017/18 Budget Book and Medium-Term Financial Strategy.
 2. The 2018/19 Budget Paper to the Corporate Services Policy and Challenge Group on 13 September 2017.
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Implications (tick ✓):

LEGAL			FINANCIAL	✓
HUMAN RESOURCES		✓	EQUALITY IMPACT	✓
ENVIRONMENTAL			POLICY	
CORPORATE RISK	Known	✓	OTHER (please specify)	
	New		CORE BRIEF	✓

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

PURPOSE

To present information to allow Members to approve and consult further on a draft Revenue Budget, Capital Programme and Council Tax for 2018/19.

RECOMMENDATIONS

That subject to review and consideration of these papers, Members approve for public consultation:

1. A draft revenue budget requirement of £29.195m, as per Appendix 1, with a council tax increase of 1.99%.
 2. A draft Capital Programme of £1.219m as per Appendix 3.
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1. Report Background:

1.1 The 2018/19 budget timetable was approved by the Corporate Services Policy and Challenge Group of the Fire and Rescue Authority on 13 September 2017 and this has been adhered to.

1.2 Budget work to-date has included a robust review and scrutiny of budgets by the Head of Finance/Treasurer, the Finance Team and the Corporate Management Team. Planned meetings have also taken place, such as the Capital Strategy Team meeting where the Capital Programme was scrutinised. There has also been one Members' budget workshop to date.

At the beginning of the process for the 2018/19 budget, twenty new budget bids were submitted totalling £746.1k. Included in the current Medium-Term Revenue Plan (MTRP), there are now eleven new bids totalling £429.2k. Bids have either been rejected or a different approach to achieving the objectives has been found. Of the £429.2k pressure in 2018/19, £74k is from one off pressures in 2018/19 only and not future years. These remaining new bids will be scrutinised further at the second Members' budget workshop in January 2018.

The budget scrutiny process resulted in one new Capital bid being rejected. As per the current Capital Programme, there are now three new bids in 2018/19 totalling £189k. The total of the Capital Programme for 2018/19 including the items previously approved and recurring items such as vehicles, ICT and property works, is £1.219m. In 2018/19 £134k from the sales of vehicles will be used to fund the new vehicle expenditure contained within the £1.219m.

1.3 The next stages of the budget process, in accordance with the timetable, are summarised in Table 1 below:

Table 1: 2018/19 Budget timetable extract from the date of 14th December 2017 onwards.

Fire and Rescue Authority (FRA)	Draft budget approved for consultation.	14 December 2017
Public Consultation on draft budget	From 15 December 2017 to 31 January 2018.	15 December 2017 to 31 January 2018
Corporate Management Team (CMT)	Update to CMT as required.	January 2018
FRA	2nd Members budget workshop – with updates on consultation responses received.	18th January 2018
FRA	2018/19 Budget and Council Tax Precept set.	8 th February 2018

1.4 The Authority is proposing a draft budget for 2018/19 that takes into account the aims and objectives of the service and prioritises the resources available for front line services.

It does this by:

- a. Proposing a council tax increase of 1.99%. This equates to an increase from £92.81 to £94.66, therefore a £1.85 increase per Band D equivalent property per year or just over 3.5 pence per week.
 - b. Proposing the continuation of significant efficiency savings over the period 2018/19 to 2021/22 which totals £789k.
 - c. Examining all possible savings and other ways of reducing expenditure or increasing income without affecting service levels.
- 1.5 The Authority when reviewing this draft budget report may choose to make amendments to the draft revenue and capital budgets presented or to the draft council tax increase and adjust the budget proposals accordingly, in consultation with the Treasurer and the Chief Fire Officer.

2. Issues and Overview

- 2.1 The coalition Government's Spending Review announced at the end of 2010 indicated a 25% formula funding cut to the national funding pot that is distributed to the Fire and Rescue Services. The reductions were back loaded as announced in years 2013/14 and 2014/15. The budget for 2015/16 was set following a one year Spending Round. For the 2016/17 budget process, the DCLG offered a four year funding settlement. The Authority accepted this offer and therefore has some certainty over the Government funding for the remaining years 2018/19 to 2019/20. The grant reductions identified in Appendix 1 for 2020/21 and 2021/22 have the same percentage applied as per the reduction between the prior two years.
- 2.3 Up to and including the 2018/19 budget, the Authority has seen the Government's revenue and capital funding reduce by £10.252m since 2010/11. Continued and further reductions to both revenue and capital are forecast at £4.175m over the 2019/20 to 2021/22 financial years.

To manage these funding reductions, the Authority has introduced savings and efficiencies of £5.352m, with at least a further £0.619m planned. New budget bid pressures of £2.061m have also been managed with other cost increases such as pay awards, general inflation, employer national insurance increases and the apprenticeship levy and scheme.

- 2.4 The final settlement for 2017/18 and the indicated four year settlement figure for 2018/19 are shown in Table 2 below. The estimated funding for 2018/19 onwards is detailed in Appendix 1.

Table 2: Baseline Funding Level

2017/18 £000		2018/19 £000
£9,054	Final 2017/18 and 2018/19 four year settlement offer	£8,564

- 2.5 The baseline funding level is the Government's assessment of the funding that the Authority requires. This can be broken down into Revenue Support Grant (RSG), the Authority's Business Rates Baseline (how much is collected locally and allocated to the Fire and Rescue Service) and the Government's Business Rates Baseline Top up.

The Government's calculation of the 'start-up funding assessment' (SUFA) refers to a local authority's share of the spending control total. This SUFA figure is made up of two parts: an authority's revenue support grant in that year and the baseline funding level as set for the start of the business rate retention funding system.

- 2.6 Capital - Prior to 2013/14 the Authority received in excess of £1m capital grant funding per annum. A bidding process was introduced in 2013/14 and continued until 2015/16. There have not been any capital grants or bidding rounds post 2015/16.

3. Business Rates Retention/Formula Funding

- 3.1 As identified in Table 2 above, the baseline revenue funding level is forecast to reduce by £0.490m between 2017/18 and 2018/19.
- 3.2 As can be seen from Appendix 1, the forecast reduction in Revenue Support Grant reduction to the Authority in 2018/19 is 18.6% or £0.653m lower than 2017/18. This is after a 26% reduction or £1.261m in equivalent funding for the 2017/18 financial year. The MTRP factors in an overall Government grant funding reduction of 47% or £1.654m between 2017/18 and 2021/22.

The Authority's Business Rates Retention (BRR) baseline funding level was set for 2013/14 and will increase by the Retail Price Index (RPI) until there is a reset calculated by Government. As our business rate baseline is lower than the baseline funding level, we are a 'top up' authority and receive a payment from central government. All Fire and Rescue Services are top up authorities. Fire grants such as for Firelink and New Dimensions are outside of the BRR scheme.

The Authority could be impacted by 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.

Table 3 below details the estimated business rates income from the three unitary authorities.

Table 3: Business Rates Income

Authority	2017/18 £'000	Forecast Original 2018/19 at time of 2017/18 budget setting £'000	Current Forecast 2018/19 £'000	Variance Original to Revised 2018/19 £'000
Bedford	593	614	610	(4)
Luton	645	664	639	(25)
Central Bedfordshire	810	831	861	30
Total	2,048	2,109	2,110	1

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2018.

4. Council Tax Taxbase

- 4.1 The Department for Works and Pensions (DWP) from 2013/14 reduced its funding to local authorities for those receiving council tax benefits by 10%. As a result of this and the new schemes that billing authorities have put in place, there was a reduction in the council tax taxbase. The schemes that the authorities developed led to the taxbase reducing from 209,029 Average Band D properties in 2012/13 to 185,822 in 2013/14. The Authority did receive a grant allocation from the DCLG to offset the impact of the taxbase reducing in 2013/14. However, since 2014/15 this has not been visible and is included within the Revenue Support Grant which is subject to funding reductions.
- 4.2 Table 4 below shows the estimated change in the taxbase between 2017/18 and 2018/19. These are the current estimated taxbase figures for 2018/19 received to date from the local billing authorities.
- 4.3 As can be seen from the table below, the forecast 2018/19 taxbase figures provided when setting the 2017/18 budget, have increased by 1,328.79 Band D equivalent properties. This increase will result in additional council tax revenues for the Authority of £126k in 2018/19. The overall impact on the MTRP from this revised 2018/19 forecast taxbase is £0.504m over the years 2018/19 to 2021/22, therefore having a direct impact on reducing the call on the Transformational earmarked reserve.

Table 4: Taxbase (Band D equivalents)

Council	2017/18 Taxbase	Councils Original 2018/19 Estimates	Councils Revised 2018/19 Estimates	Variance Original to Revised 2018/19
Bedford Borough	56,815.70	57,952.01	58,521.00	568.99
Luton	49,733.30	49,733.30	50,461.10	727.80
Central Bedfordshire	98,104.00	99,919.00	99,951.00	32.00
Total	204,653.00	207,604.31	208,933.10	1,328.79

The figures above are indicative at this stage; final figures will be used for the budget setting report in February 2018.

5. Choices (Options) - Revenue Budget

- 5.1 The council tax freeze grant option ceased for the 2016/17 budget setting period and is therefore not a consideration for this 2018/19 budget.

The 2011/12 freeze grant that the Authority did receive has been built into the formula funding baseline.

- 5.2 Appendix 1 details a council tax increase at 1.99% per year. This 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.

- 5.3 It is anticipated that the referendum trigger for council tax will remain at 2% for 2018/19 onwards. The Authority awaits final confirmation of this from the DCLG. If this limit is removed prior to the February budget setting meeting, the report will factor in the options to increase above the current 2% limit.

- 5.4 As identifiable in Appendix 1 the Authority has:

- Achieved a base budget reduction of £129k in 2018/19 (£108k in 2017/18) as a result of the budget manager challenge and scrutiny meetings (MTRP line 21).
- Planned savings and efficiencies over the medium-term of £0.789m to assist in balancing the budget and offset the Government's funding reductions (MTRP line 20).
- Implementing the Transformational Reserves Strategy that was set up in the 2011/12 Medium-Term Financial Plan, setting earmarked reserves aside to utilise to balance the budget in following years whilst the savings and efficiencies were being implemented (MTRP line 41).
- Focused on the medium-term, as well as the 2018/19 tax setting year, to ensure that there is an excellent fire and rescue service that we can all be proud of in the future.
- Budgeted for revenue contributions to capital, to enable future funding of the Capital Programme to be met from internal resources and not new borrowing (MTRP line 17).

As well as the focus on savings and efficiencies, the Authority is also aiming to maximise its income generation from chargeable services, investments and property rental.

- 5.5 The main Planning Assumptions used within this budget are attached at Appendix 2, along with a list of some of the uncertainties that the Authority is facing.

- 5.6 Further work has again been carried out for this budget round on savings and efficiencies and these are summarised in Appendix 4, covering the period 2018/19 to 2021/22.

The savings and efficiencies for the medium-term have all been reviewed and essentially added to.

5.7 Appendix 1 currently shows an estimated Collection Fund surplus of £348k, MTRP line 55. This figure will be updated in the budget report in February 2018 when all three estimated 2017/18 Collection Fund positions are confirmed by the Unitary Authorities.

6. Transformational Earmarked Reserve (TEMR)

6.1 Following the last few years of contributing to the TEMR, as per the agreed financial strategy, these monies will now be used to close the budget gap in the medium-term and smooth the introduction of the savings/efficiencies.

6.2 The balance of the TEMR as at 1st April 2018 is forecast to be £4.408m, which includes the budgeted use in the 2017/18 financial year of £568k. As identified in Appendix 1, £4.408m has been allocated over the 2018/19 to 2021/22 years. As there is currently a base budget gap of £1.134m in 2021/22, on the assumption that the same gap is there for 2022/23 the current forecast use of the Transformational reserve will leave no balance to utilise in 2022/23. It is however anticipated that additional contributions to the reserve will be made over the medium-term, from the phased introduction of savings and efficiencies. As these are yet to commence they have not yet been factored into the MTRP.

6.3 It is recommended that should there be an underspend at the end of 2017/18; this is allocated to the TEMR.

6.4 The Authority's Officers and Treasurer recommend that a Council Tax increase of 1.99% should be implemented. This is based on need, as the current MTRP still shows that there will be an as yet unfunded ongoing base budget reduction at the end of 2021/22. As this is based on numerous funding assumptions, there is planning time between now and 2022/23 to implement additional savings and efficiencies if the forecasts become reality. 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 in excess of £1m. The Transformational Efficiency Reserve will also be continued in the medium-term to assist in future year's budget setting.

7. Capital Programme

7.1 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 base budget revenue contribution of £1.3m per annum, which fluctuates in line with the varying funding demand (MTRP line 17). This is with the assumption that capital grants are not forthcoming. If the capital funding from 2018/19 changes, the base budget revenue contributions could reduce.

7.2 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.

7.3 Key items of note in the proposed 2018/19 Capital Programme of £1.219m are:

- Investment in our vehicle fleet, to maintain efficient, economic and effective appliances.
- Investment in ICT and software.
- Investment in the modernisation of our buildings (office and operational).

8. Implications

8.1 **Financial:**

8.1.1 The implications to highlight are:

- With a council tax increase of 1.99%, this should enable council tax to be kept at the same level in future years subject to the referendum limit. This option will ensure that the Authority has the 1.99% 2018/19 council tax increase in its base funding which equates to circa £387k annually in future years council tax (with the current estimated taxbase).
- Should there be a change to the referendum limit, the Authority will consider the options at the February budget setting meeting.

8.2 **Medium-Term Implications:**

8.2.1 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 and beyond. There are significant efficiency savings over this period that will require action in the short term if they are to be secured within the planned timescales. The base budget gap based on the current assumptions needs addressing, as the gap may be in excess of £1m in 2022/23 when taking inflationary pressures into account and the current Transformational earmarked reserves is forecast to have been fully allocated.

8.3 **Robustness of Estimates and Adequacy of Reserves:**

8.3.1 The Local Government Act 2003 places a duty on the Section 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 will do this for the final budget that is set post consultation on 8th February 2018.

8.3.2 Budget work to-date has included a robust review and scrutiny of budgets by the Head of Finance/Treasurer, the Finance Team, Corporate Management Team, Capital Strategy Team and one Member budget workshop.

In addition to the Authority's own council tax, there are separate council taxes for the Police Service, the local authorities of Central Bedfordshire, Bedford,

Luton and their associated parishes that taxpayers will see on their council tax bills.

8.4 Use of Balances:

8.4.1 A prudent level of reserves, along with appropriate contributions to and from reserves, should be part of the overall budget. Ernst & Young, the Authority's external auditors, reported to the Audit and Standards Committee on 28th September 2017 that the Authority had appropriate arrangements in place to secure efficiency, effectiveness and economy in our use of resources.

8.4.2 As noted above in this report, it is anticipated that the Transformational Reserve will be fully utilised over the medium term. It is planned that the General Reserves currently remain at £2.6m.

8.4.3 The revenue contributions to capital have built up over a number years to £1.3m per annum. This is a capital funding source to be utilised annually from 2018/19. This is prudent with the uncertainty of Capital Grant from 2018/19.

8.5 Resources and Risk:

8.5.1 The resource implications are detailed throughout this report, appendices and in the current MTFS.

8.5.2 The Authority's General and Earmarked reserves have been reviewed against the revised corporate risk register and these presented and discussed at the first Members budget workshop in November 2017..

8.6 Legal:

8.6.1 The Authority must set a balanced budget for 2018/19 by midnight on 1 March 2018.

8.6.2 The Authority has specific legal duties in relation to equalities and financial decision-making – see below.

8.6.3 There are no further specific legal issues arising from this report.

8.7 Equality:

8.7.1 Under the 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'.

8.7.2 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.

8.7.3 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.

8.7.4 Due regard has been and will be considered as part of the budget build process.

The Appendices are set out as follows:

- Appendix 1 – Draft 2018/19 Revenue Budget with a 1.99% council tax increase.
- Appendix 2 – Summary of planning assumptions and uncertainties.
- Appendix 3 – Draft 2018/19 Capital Programme.
- Appendix 4 – Medium-Term Savings and Efficiencies.

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