

For Publication

Bedfordshire Fire and Rescue Authority
7 February 2019
Item No. 8

REPORT AUTHORS: CHIEF FIRE OFFICER AND TREASURER

SUBJECT: THE 2019/20 REVENUE BUDGET AND CAPITAL PROGRAMME

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Background Papers:

2019/20 Revenue Budget Strategy Report to the Corporate Services Policy and Challenge Group meeting 13 September 2018, 2019/20 Draft Revenue Budget Report to the FRA meeting on 13 December 2018.

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 2019/20 in line with statutory requirements;
- b. approve a Medium-Term Revenue Plan for the period 2019/20 to 2022/23;
- c. approve a Medium-Term Capital Programme for the period 2019/20 to 2022/23;
- 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 2019/20 that:
 - a. A Revenue Budget requirement is set at £29.702m, met as indicated in paragraph 3.8 of this report.
 - b. In meeting this budget requirement, the Authority's Precept be set at £20.971m and that as a consequence, a council tax increase of 2.99% up to £98.45 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 2019/20 savings and efficiencies detailed at Appendix 2.
3. That the 2018/19 year-end 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 and the Reserves Strategy at Appendix 5.

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 6 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.
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1. Introduction and Background

- 1.1 The Authority is proposing a budget for 2019/20 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:
 - a. Proposing a council tax increase of 2.99%.
 - b. Proposing significant efficiency savings.
- 1.3 There has been a considerable amount of work towards the 2019/20 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 13 December 2018 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 2019/20

- 2.1 The provisional settlement for 2019/20 was announced on 13 December 2018. The final settlement figures for 2019/20 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 2018/19 and 2019/20 revenue grant funding and the Government's forecast total business rates funding. This is the Settlement Funding Assessment (SFA). A further detailed breakdown of this is included within the Medium-Term Financial Strategy (MTFS).

Table 1: Settlement Funding Assessment split

	2018/19 £m	2019/20 £m	% change
Revenue Support Grant (RSG) *	*2.664	2.283	(14.3%)
Business Rates baseline funding	5.716	5.847	2.3%
Settlement Funding Assessment	8.380	8.130	(3%)

*See para 3.2

- 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 funding will increase and the RSG will cease. The RSG has still been identified in Appendix 1 in years 2020/21 onwards for transparency, albeit this funding will be included within other lines such as business rates from this year.
- 2.3 The Authority's Business Rates Baseline Funding Level (BFL) has been assessed at £5.847m by the DCLG for 2019/20 and a business rate baseline estimated at £2.068m (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 £3.779m from central government (to get back to the £5.847m baseline funding level). All fire and rescue services are top up authorities. The RSG and business rates funding of £8.220m shown in Appendix 1 for 2019/20 is split between

£2.283m Revenue Support Grant funding and £5.937m Business Rates (with the local share of business rates at £2.158m, £0.090m higher than used in the SFA figures).

- 2.4 Fire grants will be treated outside of the above funding mechanisms and it is estimated that the Authority will receive £220k in 2019/20 for Firelink and New Dimensions. The final figures are yet to be confirmed.
- 2.5 The council tax referendum cap was also reconfirmed on 13 December 2018, with an additional 1% being allowed for 2019/20. The proposed council tax figure of £98.45 is a 2.99% increase, therefore under the new 3% capping limit.

Local Authorities have also had their cap increased by 1% for general council tax. Police and Crime Commissioners have the option to increase their council tax charge by up to £24 per annum.

3. Proposed Budget and Precept for 2019/20 and Medium-Term Revenue Plan

- 3.1 In setting a budget for 2019/20, the Authority must take into account the implications for the following years' financial strategy, namely 2020/21 to 2022/23. 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 The settlement figures for 2019/20 are the last of the four year funding deal that the Authority accepted. Therefore the years 2020/21 onwards are current forecasts. The 2019/20 RSG shown in Table 1 above and in Appendix 1, is £0.191m lower than previously forecast. Although this shouldn't change as part of the four year funding deal, the Ministry of Housing and Local Government (MHCLG) has contacted the Authority advising that an error occurred in the funding calculations between our Authority and another. The MHCLG has reduced our RSG for 2019/20 but is not seeking any reimbursement for prior years. The figure in Table 1 above for 2018/19 is also showing this amended figure for comparison purposes.
- 3.3 The Medium-Term Financial Strategy (MTFS) sets out the budget projections for 2019/20 to 2022/23 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 2019/20 is recommended to be set at £29.702m. Key assumptions include the Government funding of the Firefighters employer pension contributions increase in 2019/20 but a budget pressure from this of £0.650m in 2020/21. The Firefighter pay award assumption is 5% in July 2019.
- 3.6 Following the draft budget report that was presented to the FRA on 13 December 2018, the three Unitary Authorities have advised what their taxbases are for 2019/20. There has been an increase at each local authority from the 2019/20 taxbase figures that were estimated in 2018/19. 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 details the Government funding reductions of RSG. It should be noted that from 2020/21 RSG will cease and the equivalent funding, or potentially at a revised level, will be included within business rates. For transparency, it is currently still shown separately, although the narrative in Appendix 1 line 51 notes this. The RSG for 2019/20 reduces by 14.3% from the revised 2018/19 figure (or 20% from the original figure pre MHCLG update).

Table 2: Key Budget Information

	2018/19 £m	2019/20 £m	Change £m
Budget Requirement (£m)	29.437	29.702	0.265
<u>Funded by:</u>			
Precept Requirement (£m)	19.972	20.971	0.999
Central and Local Government Funding (£m)	8.717	8.220	(0.497)
Section 31 Business Rates grant	0.187	0.192	0.005
Collection Fund surplus/(deficit)	0.291	0.229	(0.062)
Use of Reserve (Collection Fund)	0.270	0	(0.270)
Business Rates Levy redistribution	0	0.090	0.090
Funding Total (£m)	29.437	29.702	0.265
Tax Base (Band D equiv. properties)	208,933	213,017	4,084
Band 'D' Council Tax	£95.59	£98.45	£2.86

- 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 a future funding need. The results of the 2019/20 budget consultation support this increase, please see para 6 below.

There is planning time between now and 2022/23 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. With the utilisation of reserves for investment in transformational efficiencies and also budget balancing, the budget gap is currently forecast to be in 2025/26, however this will be reviewed following the 2020/21 settlement after the funding formula review, the Spending Review and Business Rates Retention roll out.

The 2020/21 financial year will see changes in Government funding to local authorities. Local Authorities will be able to keep more of their business rate income, subject to the redistribution via tariffs and top ups. The RSG is anticipated to cease and additional responsibilities may be passed to councils too. What these are is yet to be confirmed. It is now not anticipated that the Authority will be funded by direct grant and no business rates, like Police Authorities are. The Authority will continue with Business Rates and Council Tax, but no RSG.

- 3.10 Table 3 below details the council tax per band. As there is a 2.99% increase from the 2018/19 level, there is a change across all the valuation bands. The council tax of £98.45 equates to, for a Band D equivalent property, 27 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	65.63
B	7/9	76.57
C	8/9	87.51
D	1	98.45
E	11/9	120.33
F	13/9	142.21
G	15/9	164.08
H	2	196.90

In summary, the taxbase of 213,017 Band D equivalents, multiplied by the Band D council tax of £98.45 equals the precept of £20.971m.

- 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 2018/19, 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 2019/20.

Table 4: Precepts

Unitary Councils (1)	£ (2) Council Tax £'000	£ (3) Deficit/(surplus) £'000	£ (4) Business Rates £'000
Bedford Borough	5,908	(84)	640
Luton Borough	4,986	(86)	670
Central Bedfordshire	10,077	(59)	848
Total	20,971	(229)	2,158

- 3.12 At the time of writing this report, the NNDR1 returns from the Unitary Authorities have not been received. The above figures are based on the most recent information received. It is anticipated that any updates 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 2019/20. This equates to 9% of the Authority's budget requirement, which is circa 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 2018/19 estimated year end underspend, that is currently forecast to be circa £0.555m, is allocated to the Transformational Reserve.

As discussed at the second FRA Members budget workshop, the reserves strategy is to review and reduce both the General Reserve and Earmarked Reserves in 2020/21. This date coincides with the potential significant changes from the Spending Review, Business Rates Retention and Funding Formula Review. It is prudent to plan to make these changes to reserves following clarity around these forthcoming reviews.

The Transformational reserve will be £4.655m at the 2018/19 year end, prior to any in year underspend allocation. It is currently considered adequate enough based on projections to fund transformational initiatives and balance the forecast 2023/24 budget gap and beyond. 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 2018/19 underspend is allocated to the Transformation reserve. The 2017/18 underspend was allocated here too.

As detailed in the MTRP, it is forecast that the Transformational earmarked reserve will be significantly used over the medium term to close any budget gaps in the financial years 2019/20 to 2022/23 and to invest in transformational efficiencies. 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 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 2019/20 budget. This was the position for the 2016/17 to 2018/19 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 circa £1.3m per annum (with fluctuations) from 2019/20 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 2019/20 Capital Programme.

5.5 Key items of note in the proposed 2019/20 Capital Programme of £1.736m are:

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

6 Budget Consultation

6.1 The consultation on the 2019/20 budget and council tax proposals took place between 20th December 2018 and 25th January 2019. 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 through Blue Bulletin and a briefing note sent to all managers. A letter was sent to a number of key partners in the emergency services and local government and an email sent to all town and parish councils inviting their views.

At the time of writing (22 January 2019) there were a total of 1,111 responses with 84% supporting the 2.99% council tax increase and 73% supporting an increase of between £3 and £5. A majority of these responses were from subscribers to BedsFireAlert but 22% came from those responding through social media.

6.2 In response to the question of whether respondents thought there were efficiency areas that could be considered we received 993 comments, with the majority advising "none" or "don't know". Of the 247 that did provide comments, 53% said they did not have sufficient information to make a decision or that the Service should not make any more savings. A variety of comments related to suggestions for saving money or generating income, such as charging for some services such as freeing people from lifts, charging hoax callers or insurance companies for extinguishing fires. A small number of people mentioned that as pensioners it was increasingly difficult for them to pay for increases in council tax.

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

- Reducing the numbers of senior officers/managers, their salaries and vehicles (13%);
- Collaborating, sharing services and co-responding with Police and Ambulance Service or other FRS (12%);
- Reducing the numbers of support or "back office" staff, their pay and their pensions (12%).

The Police and Crime Commissioner emailed in support of the FRAs proposals and there were 30 responses from Town and Parish Councils, 87% supporting the 2.99% increase and 62% supporting an increase between £3 and £5.

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 senior structure has already been reduced by one Assistant Chief Fire Officer and one Area Commander (AC). In addition there is a budget reduction planned in 2021/22, of another AC post, changing this to a green book role which leads to savings. The AC posts therefore reduce from the original five to three. There is also a planned reduction of a green book Corporate Management Team Member, leading to further savings that are shown in Appendix 2 in 2020/21.
- 6.4 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.

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, GDPR and the Authority is a member of the Fire and Rescue Indemnity Company (FRIC) providing an alternative to traditional insurance.

- 6.5 The Service is informing telephone 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 2019/20 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 6.

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 2019.

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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