



# **Bedfordshire**

## **Fire and Rescue Service**

**BEDFORDSHIRE FIRE AND RESCUE AUTHORITY**

**Medium-Term Financial Strategy**

**2019/20 – 2022/23**

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Annex 1 Medium-Term Revenue Plan  
(not attached to this version, see Appendix 1 of the 2019/20 budget report)

Annex 2 Medium-Term Capital Programme  
(not attached to this version, see Appendix 3 of the 2019/20 budget report)

## 1. Introduction

This is Bedfordshire Fire and Rescue Authority's (BFRA) Medium-Term Financial Strategy (MTFS). It is a four year strategy which covers the financial years 2019/20 to 2022/23 and seeks to build upon the work undertaken in developing previous MTFS. It contains the Authority's agreed plans for both revenue and capital expenditure and the planned sources of funding to support that expenditure. It also explains the Authority's supporting strategies for matters such as council tax levels, efficiency savings, the use of reserves/reserves strategy and capital funding.

In addition, the plan also seeks to provide the strategic context for these financial plans, linking them to the national and local context and the Authority's corporate objectives and medium-term strategic priorities.

BFRA has been a precepting body since 2004/05 and is required by the Local Government Finance Act 1992, as amended by the Local Government Act 2003, to set a budget requirement and levy a tax on local council taxpayers each year. The Authority is also required to maintain adequate reserves to cope with unforeseen commitments.

In common with many other authorities, each year since becoming a precepting authority, BFRA has experienced a pressurised financial situation which has necessitated robust and effective medium-term financial planning and the taking of some difficult decisions, in order to present acceptable and affordable budgets.

This year has seen the continuation of the harsh economic climate. However, BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves.

The Authority has a planning process which aligns its financial planning with its strategic and integrated risk management planning processes, the key outcomes of which are captured in the Authority's Community Risk Management Plan (CRMP). The financial implications of the CRMP are thus fully integrated into the annual budget plan and MTFS. Both the CRMP and MTFS cover a rolling four year timescale and are revised on an annual basis. This MTFS has therefore been developed to ensure that resources are adequate and appropriately directed to deliver the aims, objectives and key priorities of the Authority.

The Authority's corporate risk management process, which identifies key organisational risks and puts into place controls to manage these risks, also plays a major role in determining the outcomes of the planning process. This includes an annual assessment of the potential financial impact of such risks, which in turn is used in determining the most appropriate level of financial reserves for the Authority.

## 2. National Context

Service planning, and therefore financial planning, must take place with due regard to the national policy context for the fire and rescue service and economic and public expenditure plans.

Emergency services play an essential part in serving our communities and keeping them safe. Whilst the police, fire and rescue and NHS ambulance services all have distinct frontline roles, it is clear that close collaboration between them can provide real benefits for the public and help each service better meet the demands and challenges they face.

The Prime Minister's announcement on 5 January 2016 that responsibility for fire and rescue policy had transferred from the Department for Communities and Local Government to the Home Office again demonstrates the Government's commitment to closer collaboration between police and fire and rescue services.

In a number of Fire and Rescue Authorities, moves are being taken for the Police and Crime Commissioner to take on the governance responsibility of the Fire and Rescue Service. This has already taken place in Essex and more are likely to follow.

In April 2017 the National Fire Chiefs Council (NFCC) was formed. The NFCC is made up of senior representatives from all fire and rescue services across the UK. The new Council provides clear, professional advice to government (including devolved administrations) and the wider sector on matters such as professional standards, operational guidance, research and sharing best practice, while supporting the whole of the UK FRS.

As part of the reform agenda, a Fire and Rescue inspectorate (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services, HMICFRS) has been created. The Authority's review took place in the first tranche of inspections in 2018. The results of this can be found at <https://www.justiceinspectrates.gov.uk/hmicfrs/>

The Authority is implementing where appropriate, the recommendations from the Thomas Review.

The following sections cover in broad outline the national context within which the budget and other aspects of MTFS have been framed.

### 2.1. **National Statutory and Policy Context:**

The Fire and Rescue Services Act 2004 represented the most comprehensive reform of the statutory framework for the service for more than fifty years and brought about far reaching changes to the way in which individual fire and rescue authorities plan and deliver their services. Amongst the most fundamental of these was the replacement of the previous prescriptive standards of fire cover with a framework for local integrated risk management planning, a duty to engage in preventative community safety work and the provision for a National Framework (revised in June 2018) to provide clarity for Fire and Rescue Services on the Government's expectations.

In addition, a range of Statutory Instruments have been introduced over recent years, which between them impose new duties on the Service, including the requirement to respond to emergencies other than fire, such as road traffic collisions, chemical, biological, radiological and nuclear (CBRN) incidents, serious flooding and major search and rescue incidents. The new responsibilities are not limited to response, but also extend to the need for the fire and rescue service to play a key role in civil contingency planning.

## **Reform**

The previous Home Secretary (now Prime Minister) outlined her vision for fire and rescue services in May 2016. This was a “radical ambitious” package of reforms. This approach was then supported by the new Home Secretary and the then Minister for Policing and Fire, Brandon Lewis (now Nick Hurd).

The reform agenda is made up of three distinct pillars. These are:

### 1. Efficiency and Collaboration

The aim is to drive deeper collaboration between fire and rescue and other local services – including through the statutory duty in the Policing and Crime Act – and support the NFCC and the sector deliver commercial transformation, including procuring more collaboratively, efficiently and effectively.

### 2. Accountability and Transparency

The aim to enable the public to fully hold their service to accounts by replacing opaque governance and inspection arrangements and publishing more comparable performance indicators.

### 3. Workforce Reform

The recommendations are the sector and Government to deliver and are based around five broad themes:

- The working environment including diversity of workforce
- Documented conditions of service
- Industrial relations
- Retained duty system and
- Management

On a more local level; the Service continues to work with a range of statutory and non statutory partners in pursuit of joint initiatives that will make our communities safer and healthier. With shrinking budgets and a Government desire to ‘do more for

less' the expectations of all partner organisations on each other will increase. As a Service we must ensure we remain best placed to meet this challenge. The Authority actively seeks joint working arrangements to best meet the need of the community. It is likely that following Parliamentary approval, the Police and Crime Commissioner for Bedfordshire will become a voting member of the FRA. The Authority awaits the guidance on this process from the Home Office.

## **2.2 National Financial Context:**

On 13 December 2018 the Government announced the Provisional Local Government Finance Settlement for 2019/20.

The headlines below provide a brief summary of the key points:

### **Headlines**

- Government announced there is new money included in the provisional settlement.
- No increase to the New Homes Bonus (NHB) threshold further next year, and government has provided up to £20 million to fund this. This makes up a considerable part of funding for some councils, particularly shire district authorities.
- Government has provided extra resources to some councils in 2019/20 to cancel the 'negative RSG' adjustment to tariffs and top-ups. The Government has also made an extra £16 million available through the Rural Services Delivery Grant.
- The £180 million surplus on the levy account is returned to local government.
- Continued flexibility for local authorities in setting council tax levels will give some councils the option of raising extra money to offset some of the financial pressures they face next year.
- Further Business Rates Retention pilots will enable aspects of the 75 per cent Business Rates Retention system to be tested prior to implementation for all in 2020/21. Consultations on further Business Rates Retention and the Fair Funding Review have been published alongside the settlement.
- The four year deal runs out in March 2020

## The following Council Tax Referendum Principles were announced:

- a core principle of up to 3 per cent applying to shire county councils, unitary authorities, London borough councils, the City of London, the Isles of Scilly, the GLA general precept and fire and rescue authorities.
- a continuation of the Adult Social Care precept, with an additional 2 per cent flexibility available for social care authorities. This is subject to total increases for the Adult Social Care precept not exceeding 6 per cent between 2017/18 and 2019/20, and increases being no more than 2 per cent in 2019/20.
- shire district councils in two-tier areas will be allowed increases of up to 3 per cent, or up to and including £5, whichever is higher.
- police and crime commissioners (PCCs) will be allowed increases of up to £24 in 2019/20 (including the Greater London Authority charge for the Metropolitan Police, and the PCC component of the Greater Manchester Combined Authority precept).
- Directly elected mayors will decide the required level of precept by agreement with their combined authorities.
- Continue to defer the setting of referendum limits for town and parish councils

### 3. Local Context

#### 3.1 **The Authority's Area:**

Bedfordshire occupies a geographically central position within the UK. It has exceptional links to London with the presence of key transport infrastructure including the M1 and A1 roads, three major rail routes and London Luton Airport. Bedfordshire has a population of over 640,000<sup>1</sup> people, with a workforce of over 250,000<sup>2</sup>. It has one of the most diverse populations in the country, over a relatively small geographical area.

The county is, in land use terms, largely rural and agricultural, including major areas of outstanding natural beauty. Most people (over 70%) live in its larger towns including the two major towns of Luton and Bedford but also in a number of smaller market towns. These towns lie within often picturesque rural settings which also includes many villages that add to the area's diversity of places to live, work and play.

Over recent years the local economy, like many throughout the UK, has moved from traditional manufacturing and heavy industry to one based more upon the service

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<sup>1</sup> Source: ONS Mid-Year estimates July 2014.

<sup>2</sup> Business Register & Employment Survey, Office for national Statistics Full & Part Time Employment

industry. These industries include logistics and air transport, higher education, research and development, tourism and hospitality, creative and cultural businesses, construction, and business services.

Bedfordshire has two successful universities; the post-graduate Cranfield University, and the under-graduate University of Bedfordshire, together with strongly performing further education colleges based in Bedford, Luton and Dunstable. There are a number of significant and internationally linked research locations at these universities and also at Colworth Science Park, Cranfield Technology Park and the Millbrook Vehicle Proving Ground.

There are on-going major transport infrastructure improvements and developments to the road system within the county and continued growth at London Luton Airport; a key deliverer in the business passenger market and handling circa 16 million passengers a year in total.

There are also iconic visitor attractions in the county, such as Woburn Safari Park, Whipsnade Zoo and Center Parc's fifth UK village at Woburn.

From April 2009 local government within the county has been through three unitary authorities - Bedford Borough Council, Central Bedfordshire Council and Luton Borough Council. The Bedfordshire Fire and Rescue Authority (BFRA) comprises elected Members from each of these unitary authorities, whose numbers are proportional to the populations they represent: 3 Members from Bedford Borough Council, 5 Members from Central Bedfordshire Council and 4 Members from Luton Borough Council.

### **3.2. The Authority's Strategic Priorities Objectives:**

The achievement of the Authority's objectives and targets within a rapidly changing and complex environment requires a robust strategic and business planning process which must in turn guide the development of the medium-term revenue and capital expenditure plans, targeting financial resources to support day-to-day activities as well as planned investment.

Such effective business planning is also essential in order to embed a Service-wide culture of providing the best quality service through the most efficient means and ensure that efficiency measures can be used to free up existing resources, enabling them to be redirected to new and emerging priorities.

BFRA continues to rise to the economic challenges that it faces, whilst at the same time endeavouring to continue to improve the quality of the service it provides to the communities it serves. In the recent years the Authority has:

- Changed the shift system at all of our wholetime fire stations.
- Changed the shift system at 1 of our 2 day crewed fire stations.
- Restructured our management teams and reduced the number of officers.

In accordance with its corporate planning policies and procedures, the Service undertakes a strategic assessment twice per year that assists in identifying the



strategic issues facing the Service both in the short and longer term and to ensure that the Service is best positioned to continue to achieve its strategic objectives. The production of the Service's Community Risk Management Plan (CRMP) is facilitated by the Strategic Assessment and considers a wide range of factors and issues, many of which are complex and played out over a longer timeframe, whilst others are less complex but more volatile requiring close monitoring.

The outcomes of the strategic assessment also guide the development of more detailed plans across the Service and in particular the programme of strategic improvement projects for the forthcoming year and medium-term beyond and play a vital role in guiding and prioritising proposals for expenditure in the annual budget setting and medium-term financial planning process.

The Service planning processes and current medium-term strategic assessment has led to the development of three key strategic objectives and associated priorities that we will pursue in order to achieve these objectives (Note: these are not ranked in order of importance) and our Vision that is *'To provide an excellent service for the communities of Bedfordshire'*.

## **Our Strategic Objectives**

### **Strategic Objective 1: To respond effectively, manage risks and reduce the number of emergency incidents that we attend.**

We will provide 'Civic Leadership' in delivering our services by:

- Matching operational response resources to risk;
- Responding to medical emergencies in the community, delivering life-saving support working alongside the Ambulance Service; Focussing on policy, procedures and processes that underpin Fire-fighter and community safety;
- A continued focus on operational excellence and safety through the provision of high quality procedures and equipment;
- Demonstrating proactive leadership within the community and amongst our partners in delivering a wide but risk-focused portfolio of services, where our brand and capabilities make us best placed to act (such as young people, sport focused initiatives, the elderly, social cohesion etc); and,
- Enhanced strategic partnerships with other Services and agencies in the public, private and voluntary sectors in pursuit of achieving shared local priorities.

And:

We will enhance our customer focus through:

- Use of customer insight techniques (customer segmentation, customer journey mapping etc);
- Enhanced consultation with and involvement of communities;
- Improved use of risk and socio-demographic data to identify our 'at risk' groups and emerging issues such as an ageing population and the impact of mental health/dementia etc;

- Use of social marketing techniques, including the effective use of social media, to change behaviours in regard to staying safe; and
- Using an 'embedded' approach to diversity in relation to our customers and the community.

**Strategic Objective 2: To ensure high standards of corporate governance and continued service improvement.**

We will ensure a rigorous, business-like approach through:

- Robust financial scenario planning to meet the continued programme of austerity measures;
- Improved strategic planning and quality control systems including robust business cases for strategic expenditure;
- Improved performance measurement, reporting and management and enhanced audit and developed Quality Assurance processes;
- Maximise opportunities from external challenges and influences to deliver improvements across the Service;
- Continuous review of structures to meet the needs of the community to deliver efficient and effective services;
- Rigorous evaluation of outcomes;
- Process improvements to achieve efficiencies;
- Collaboration and where appropriate shared services to achieve resilience and efficiencies; and
- A focus on sustainability in all our business processes.

And:

Using Transformational Information and Communication Technology (ICT) by:

- Further enhancement and development of ICT systems to support our service delivery functions;
- Improved Management Information System applications;
- Continuing to develop ICT systems to share data and information with partners and make such data and information more accessible whilst ensuring the continued security of our systems; and
- Utilising technology to maximise business outcomes.

**Strategic Objective 3: To develop our employees and create a safe, fair and caring workplace for our staff.**

We will have the right people with the right skills by:

- Having a continued focus on operational excellence through safety and training;
- Reviewing our approach to leadership to determine the critical capabilities required of leaders to deliver the Service's future strategies;
- Having a continuing ethical and moral leadership approach;
- Developing an expanded skills-base and flexible workforce that will provide public value and a wider range of service delivery outcomes;

- Continue delivering a programme of investment in training and equipment across the Service;
- The use of effective change management processes.
- Using an ‘embedded’ approach to diversity in relation to our staff;
- Maintaining robust individual performance management systems aligned to service strategy;
- Utilising knowledge, skills and competence;
- Succession planning;
- Supporting innovation.

### 3.3. Government Funding Settlement:

The Government’s provisional settlement was announced on 13 December 2018. The Authority is yet to receive the final settlement figures at the time of writing this report which is due to be published in time for circulation prior to the Fire and Rescue Authority meeting on 7 February 2019. The final funding announcement was in early February in 2018 for the Authority’s 2018/19 settlement. The provisional settlement figures are detailed below in Table 1.

Table 1: Government Grant Revenue Funding

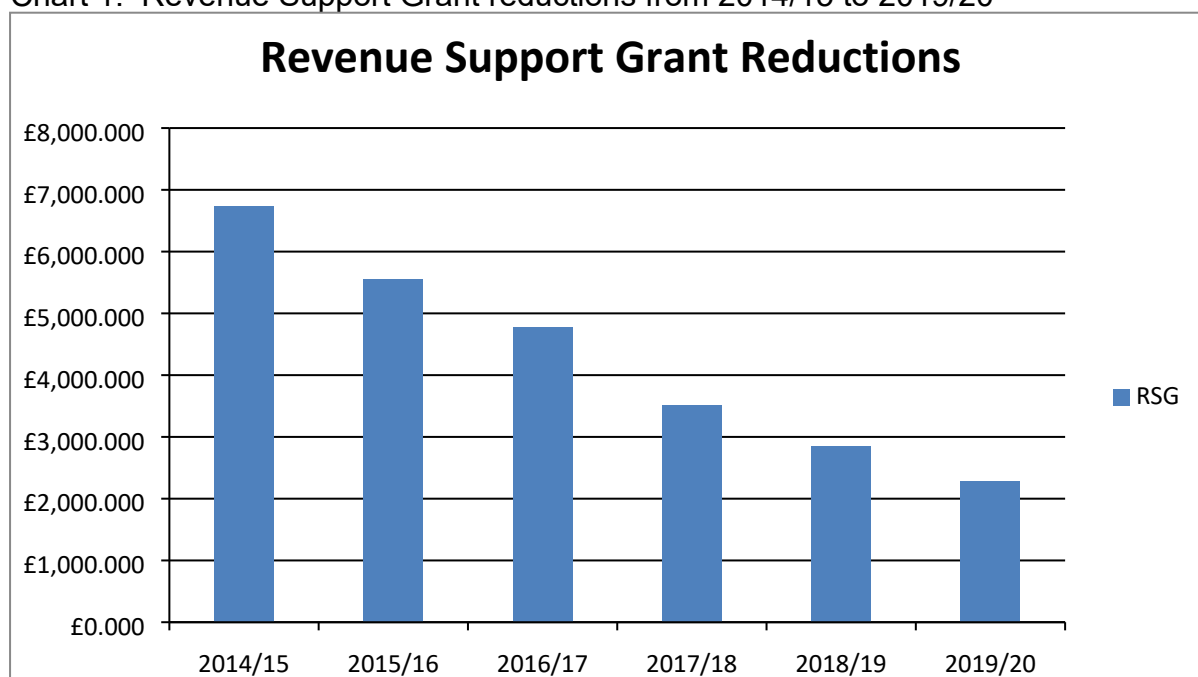
	<b>2018/19 £m</b>	<b>2019/20 £m</b>	<b>% change</b>
Revenue Support Grant (RSG)	*2.664	2.283	(14.3%)
Business Rates baseline funding	5.716	5.847	2.3%
<b>Settlement Funding Assessment</b>	<b>8.380</b>	<b>8.130</b>	<b>(3%)</b>

\* 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 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. They 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.

As detailed above, the funding reduction between 2018/19 and 2019/20 is 3% over both grant and business rates income.

The chart below details the Revenue Support Grant income reductions since 2014/15. These reductions have been visible in the Medium Term Revenue Plan and have course led to increased savings and efficiencies.

Chart 1: Revenue Support Grant reductions from 2014/15 to 2019/20



\* The table above shows the actual Revenue Support Grant (RSG) received by the Authority between 2014/15 and 2018/19 with the figure for 2019/20 being the revised figure for the 4<sup>th</sup> year of the Settlement after the reduction noted above.

The Authority's Business Rates baseline funding level has been assessed at £5.847m by the MHCLG 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 total funding of £8.130m shown above for 2019/20 will be split between £2.283m Revenue Support Grant funding and £5.847m Business Rates. The £2.068m was the estimate by the MHCLG, this has now been confirmed by the local authorities at £2.158m, therefore £90k more than the Government had assumed. The split of this between local authorities is shown below in Table 2.

Table 2: Local Business Rates income.

Authority	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Bedford	640	653	666	679
Luton	670	683	697	711
Central Beds	848	913	963	991
<b>Total</b>	<b>2,158</b>	<b>2,249</b>	<b>2,326</b>	<b>2,381</b>

The above figures are fed into the MTRP. As are the Section 31 Business Rates Grants of £192,000 in total from the three Unitary Authorities.

As previously reported, the Authority in future years will be 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 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.

The Chancellor has previously announced that by 2020, authorities will be funded by Business Rates and Council Tax, the Revenue Support Grant (RSG) will cease. The final details of this are expected before the provisional 2020/21 settlement in December 2019.

The detailed split of the Authority's total funding and local council tax is shown in Table 3 below:

Table 3: Detailed income split

	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 Gov Funding (£m)			
Section 31 Business Rates grant	8.717	8.220	(0.497)
Collection Fund surplus/(deficit)	0.187	0.192	0.005
Use of reserve (Collection Fund)	0.291	0.229	(0.062)
Business Rates Levy redistribution	0.270	0.000	(0.270)
	0.000	0.090	0.090
Funding Total (£m)	29.437	29.702	0.265
TaxBase (Band D equiv. properties)	208,933	213,017	4,084
Band 'D' Council Tax	£95.59	£98.45	£2.86

The above income lines are further explained below:

- The Government Grant funding for 2019/20 is as per the provisional settlement figures provided by the MHCLG, with the exception of the local business rates. For business rates, as noted below, the more up to date local authority information is used.
- The Precept Requirement is the total of council tax income to the Authority.

- The local business rates for 2019/20 are the figures provided by the three local authorities, as reported in their NNDR 1 returns, which are due to be submitted to the MHCLG by 31 January 2019. The years 2020/21 to 2022/23 have been increased by using the MHCLG's figures for the top up grant and the unitary authority figures for the local share. The Section 31 grant included in the table above are for the following reliefs; Multiplier Cap, Small Business Rate Relief and financially minor reliefs.
- The Business Rate top up is the figure calculated and provided by the MHCLG. This is fixed until the next revaluation. A revaluation took place with impacts included within the 2018/19 budget, a further revaluation is expected from the Valuation Office Agency (VOA) in 2019/20.
- Council Tax Taxbase, is the Band D equivalent number of properties. For six years there was a lower figure than in 2012/13 and prior years due to the changes in the benefits system, which has reduced the taxbases. This reduced council tax income was offset by the Council Tax Support funding that was separately identifiable in 2013/14 but from 2014/15 has been included in the general Government funding calculations. The taxbase for 2019/20 is now higher for the first time than the 2012/13 levels.

### 3.4 Damping:

In allocating grant, the Government utilises a device known as 'floor damping' to ensure that no fire and rescue authority receives below a prescribed minimum adjustment to the level of grant in comparison to the previous year (the 'floor'). To achieve this, the grant for some other authorities is reduced ('damping') and the money used to increase the grant to those authorities needing it to ensure that they receive the 'floor'.

This Authority has been adversely affected by the 'floor damping' process, with 'damping' reductions of £227,222 in 2012/13 and £332,745 in 2013/14 incorporated into its grant settlements. For 2014/15 onwards the impact of damping is not as visible as it has previously been and is now included with the RSG figures.

### 3.5 Other Revenue Grants:

In addition to the formula funding, the Government provides specific revenue grants. For the two grants listed below, these are forecast to total £220,000 in 2019/20.

- *Firelink* - This is for the wide area radio system in England, Wales and Scotland for the fire and rescue service.
- *New Dimensions* - This is a grant to cover local costs associated with hosting and maintaining skills associated with national resilience vehicles. This grant was reduced from 2017/18.

The total and split of the 2019/20 funding is yet to be received from the MHCLG.

As well as the above, a grant is also received on an ad hoc basis for the Firearms team.

### **3.6. Fire Capital Grant Allocation:**

The Authority's Capital Programme to date has been mainly funded by Government Grant and loans.

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.

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 £308,000 and two joint bids. The joint bids are with eight other Fire and Rescue Services to set up a Mutual Company to cover a protection programme (instead of traditional insurance) at £220,000 in total and £1.4m with two other Fire and Rescue Services for IT Service Transformational Efficiency Programme (STEP) developments.

The Authority's base budget revenue contributions to fund capital commenced in 2012/13 to support capital expenditure funding in future years. From 2019/20 there is a base budget revenue contribution of c.£1.3m per annum. This is with the assumption that capital grants are not forthcoming. It has been confirmed that there will not be a capital funding bidding round for 2019/20, which is consistent from the prior 3 years too.

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.

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.

## **4. The Medium-Term Revenue Plan**

### **4.1. Overview and Key Features of the Revenue Budget Strategy:**

The Medium-Term Revenue Plan (MTRP), attached at Appendix 1 of the 2019/20 budget report, sets out the Authority's revenue budget strategy for the next four years and the predicted impact on council tax. It captures all of the revenue budget implications of the forecasts and assumptions set out throughout this document, including the impact of the capital budget on revenue.

A key feature of the Authority's overall revenue budget strategy is the decision to set a budget for 2019/20 which involves a 2.99% increase in council tax on 2018/19 levels. This 2.99% council tax increase is combined with strategies for council tax, efficiency savings and the use of reserves, which together are aimed at delivering significant and sustainable savings over the four year period and beyond, whilst supporting continuing improvements in the quality of service in line with the Authority's strategic priorities.

The council tax strategy, based on current assumptions and estimates, involves increases at 2.99% for 2019/20 and 1.99% for the following 3 years until 2022/23. The 2.99% increases are currently built into the MTRP based on need. This is supported by a strategy for efficiency savings and the utilisation of the 'transformational reserve' in 2019/20 onwards. The support provided to the revenue budget by the planned use of the reserves in the years 2019/20 to 2022/23 is aimed at smoothing the impact of formula grant reductions.

The 2020/21 financial year will be a significant one in terms of funding for the Authority. With the funding formula review, Business Rates Retention and the Spending Review all to take place over 2019, the 2020 settlement could have a material impact on the forecast figures within the current 2019/20 to 2022/23 medium term plan. The 2019/20 is the final year of the four year settlement.

### **4.2 Components of the Medium-Term Revenue Plan:**

The following sections give a brief explanation of each of the main components of the MTRP:

#### **4.2.1 *Base Budget***

The net revenue budget for running the Service in 2018/19 was £29.676m. After adjusting for an amount of £239,000, which was a contribution from reserves to balance the budget, this decreased the budget requirement to £28.437m.

For the 2019/20 budget, the net revenue budget is £30.328m, with a budgeted use of £0.626m from the Transformational reserve decreasing the budget requirement to £29.702m.



#### 4.2.2 *Impact of Pensions Funding Changes*

From 2006/07 arrangements were introduced which saw the majority of firefighters pension costs being paid for from the pension account (that is separate from the BFRA's budget), which is funded by a combination of employers' and employees' contributions with Government paying the balance. The level of the employers' contributions is set by the Government Actuary Department and applies uniformly across all Authorities. The BFRA is still responsible for injury retirements and the initial contribution towards ill-health retirements.

The employer pension contributions percentage will increase for non operational employee from April 2017, however, in the initial years this is offset by a reduction to the lump sum contribution. The employer firefighter contributions are forecast to increase from April 2019.

#### 4.2.3 *Forecast Variations*

This component of the budget includes a variety of estimated or predicted impacts. The items for increases on insurance premiums and investment interest decrease/increase are self-explanatory and the figures given represent estimates based on information currently available. The Revenue Implications of the Capital Programme represent the cost of capital borrowing (minimum revenue provision, loan, interest repayments, running costs) on the revenue budget.

The item on non-uniform incremental drift relates to increases in pay for non-uniformed staff as a result of increased 'time served' which results in their moving up the 'spinal column points' within their salary scales.

Of particular importance are the items on efficiency savings. As noted at the start of this Section, the Authority's efficiency savings strategy is a core component of the MTRP. The efficiency savings for each of the four years are shown as two types: Transformational Efficiencies/Savings which relate to far-reaching organisational changes, normally associated with significant strategic projects; and Budget Manager Process Efficiency Savings which relate to incremental cost reductions and improvements in ways of working for which all senior managers are set annual targets across all non pay-related budgets. Further details of the Authority's efficiency savings strategy are given in Section 4.3 below.

Of course it is important to remember that actual spending will be under significant pressure. Already we are already aware of the increase in National insurance contributions for employers from April 2016 and the new apprenticeship levy from April 2017.

#### 4.2.4 *Inflation*

**Staff Pay:** Direct employee costs amount to circa £24.0m or 81% of the revenue budget and as a result the annual pay awards in the latter years of this current budget setting process have a significant impact on future expenditure levels. Specifically for 2019/20, there is an increase in pay forecast at 2% for non-uniformed officers and an estimated 5% for uniformed officers from July 2019 until July 2020

and 2% from July 2020. For uniformed officers, this pay award may be linked with a review on conditions of service.

This budget will fund wholetime and retained operational staff, emergency fire control operators and full-time and part-time support staff pay awards. All of the Authority's pay awards are determined by national negotiating bodies and, other than through the Employers' representatives on the negotiating team, the BFRA has no direct influence on the outcome and, therefore, the use of estimates for budget projections is required. There will be significant pressure around pay awards.

*Prices Inflation:* This includes all non-pay items, from indirect employee costs such as recruitment, insurance, occupational health and health and safety related provision and operational training, through to premises, transport, supplies and services. Non-pay inflation of 2% for general supplies and services has been incorporated into the MTRP for 2019/20. This is lower than current RPI and CPI, but deemed manageable. There is a separate line for an inflation provision for gas, electricity, water and diesel.

#### *4.2.5 Budget Pressures*

This line of the MTRP refers to proposed items of new or additional expenditure brought forward by managers during the process of budget setting, which have been approved for taking forward into the budget. These are known as 'FMS 3' projects (after the number of the business case template used for submission) and all have been subject to rigorous scrutiny. Within the process for 2019/20, these pressures have also been kept to a minimum through the extensive efforts of managers to identify efficiency savings in order to meet the costs of many of the service improvements to be implemented over the coming year.

#### *4.2.6 Estimated Net Revenue Expenditure*

This line of the plan shows the sum total of each of the above expenditure elements and thus represents the total budgeted revenue spending on the Service.

#### *4.2.7 Contributions to/from General Reserves*

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. Details of the amounts and nature of Reserves which the Authority has decided to hold are given in Section 4.4.

#### *4.2.8 General and Earmarked Reserves, below*

This line of the MTRP shows how the Authority plans to use the Transformational Reserves, as per the strategy, in years 2019/20 to 2022/23. This strategy is supported by the Authority's efficiency savings plans and the proposed council tax strategy over the four years of the MTRP and is aimed at smoothing the impact of the estimated reductions in formula grant in 2019/20 to 2022/23, thereby allowing

adequate time for longer-term efficiency savings measures to deliver sustained reductions to base budget requirements, whilst maintaining levels of service delivery.

#### 4.2.9 Collection Fund

For 2012/13 and the years before, a collection fund deficit arose for a local authority (a billing authority) when the actual amount of council tax collected by the Authority is less than the amount calculated based upon the number of properties (taxbase) and level of council tax set. This can arise due to a number of reasons including an over-estimation of the taxbase and non-payment by householders. Conversely, a collection fund surplus can arise when the amount of council tax collected exceeds the calculated amount due to an under-estimation of the council taxbase. From 2013/14, there is also now a surplus or deficit on the business rates collected too.

For 2019/20, the respective estimated Collection Fund position of each of its constituent authorities (Bedford, Central Bedfordshire and Luton) has resulted in a net collection fund surplus of £229,000 for this Authority. This means that the Authority's net funding from council tax for this year only is effectively increased by that amount. This is detailed on an individual authority basis in Table 4 below.

Table 4: 2017/18 Collection Fund estimated outturn

<b>Authority</b>	<b>Council Tax £'000 (surplus)/deficit</b>	<b>Business Rates £'000 (surplus)/deficit</b>	<b>Net £'000 (surplus)/deficit</b>
Bedford	(93)	9	(84)
Luton	(121)	35	(86)
Central Beds	(71)	12	(59)
<b>Total</b>	<b>(285)</b>	<b>56</b>	<b>(229)</b>

For a combined fire authority, any collection fund deficit or surplus will represent the combined 'net' result of its share of each of its constituent authorities' estimated year-end Collection Fund position.

To cater for such variations, Authorities maintain a Collection Fund Reserve to or from which contributions from/to the revenue budget are made in the year following the variation. Should there be an overall deficit in a future year, the Fire and Rescue Authority has allocated a reserve to support this.

#### 4.2.10 Budget Requirement and Increase

This element shows the estimated net revenue budget requirement for each of the years of the Plan, together with net and percentage increase on previous years. It is the result of adjusting the total estimated net revenue expenditure figure to take account of the contributions to/from the General and Collection Fund Reserves.

It is helpful to break down the budget requirement by service function (as defined within the Service Reporting Code of Practice) since this illustrates relative change in resourcing of separate areas to reflect the Authority's strategic priorities and plans. This breakdown is provided in Table 5 below which shows the net revenue expenditure by Service function for each year of the medium-term strategy.

Further detail on the nature of these Transformational Efficiencies is given under Section 4.3 Efficiency Savings Strategy, below.

	<b>Strategic Objective</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>
Community Safety	1	1,388	1,388	1,388	1,388
Firefighting and Rescue	1 & 2	14,538	15,567	15,915	15,854
Emergency Response Support	1 & 2	2,686	2,683	2,651	2,651
Training and Development	2	1,660	1,578	1,578	1,578
Human Resources	2 & 3	1,485	1,479	1,485	1,479
Corporate Support	2 & 3	6,369	6,049	6,328	6,481
IT and Communications	2 & 3	1,792	1,632	1,588	1,588
Strategic Management	3	905	820	770	757
Transformational Efficiency Savings		(495)	(127)	(373)	(85)
<b>Net Revenue Expenditure</b>		<b>30,328</b>	<b>31,069</b>	<b>31,330</b>	<b>31,691</b>
Contribution to/(from) Reserves		(-626)	(941)	(482)	(7)
<b>Budget Requirement</b>		<b>29,702</b>	<b>30,128</b>	<b>30,848</b>	<b>31,684</b>

#### 4.2.11 *Financed By*

This element of the Plan shows the detail of the separate sources of revenue funding required to meet the estimated budget requirement for each year of the Plan, ie from where the Authority's revenue income comes.

The detailed split of funding is shown earlier in the MTFs in Table 3.

#### 4.2.12 *Calculation of Band D Council Tax and Percentage Increase*

The taxbase used in the MTRP projections represents the number of Band D equivalent properties in the three constituent local authorities that BFRA precepts upon (ie Bedford, Central Bedfordshire and Luton). The taxbase for 2019/20 has been set at 213,017 Band D equivalent properties, based on the information that has been supplied by these authorities. The split per authority is shown in Table 6 below. This is an increase of 1.95% compared to the 208,933 taxbase in 2018/19. The increase is due to various factors including the levelling out of benefits, exemptions and discounts and incentivised new housing developments.

The estimated increases of future years council taxbases are included within the MTRP.

Also shown is the percentage increase in council tax projected for each year of the MTRP. As explained previously, these equate to 2.99% for 2019/20 with 1.99% each year until 2022/23.

Table 6: Taxbase – Band D Equivalents

<b>Authority/Year</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Bedford</b>	60,010	61,204	62,422	63,664
<b>Luton</b>	50,645	51,151	51,663	52,179
<b>Central Beds</b>	102,362	104,256	106,184	108,149
<b>Totals</b>	<b>213,017</b>	<b>216,611</b>	<b>220,269</b>	<b>223,992</b>

### 4.3 Efficiency Savings Strategy

An efficiency saving occurs when the cost of an activity is reduced, but its quality and effectiveness remains the same or improves. BFRA continues to focus on becoming more efficient - finding new ways to deliver highest quality services at lowest possible cost.

The Authority's MTRP for 2019/20 to 2022/23 shows the level of budgeted efficiency/savings planned for each of the four years, which form an integral part of the overall revenue budget strategy. In addition, the Authority's efficiency savings/initiatives during 2018/19 are on track to deliver an underspend which will be used, subject to the approval of the FRA, to contribute to the Transformation Reserve.

As well as making significant savings in previous years, from 2010/11 to 2019/20 £6.588m has been reduced from budgets through budget scrutiny and savings/efficiencies, the Authority's plans for 2019/20 and beyond include making significant efficiency savings through:

- Further operational and non-operational reviews
- Efficiency improvements from investments in ICT
- Procurement savings from new contracts such as Personal Protective Equipment (PPE)
- Collaboration savings
- Income generation

### 4.4. General and Earmarked Reserves:

As a precepting authority there is a requirement under the Local Government Act 1992 for BFRA to hold reserves in order to meet any unforeseen emergencies and manage uneven cash flows. The Authority undertakes a thorough risk assessment in order to identify the required level of reserves each year. The Treasurer has the duty to report on the adequacy of reserves (under section 25 of the Local Government Act 2003), particularly when the authority is considering setting its budget requirement.

The required level of reserves for the period 2019/20 is consistent with previous years. The external auditors have also commented favourably on the current financial position of the authority, in terms of reserves and financial strategy.

General Reserves are a working balance to help cushion the impact of uneven cash flows and avoid unnecessary borrowing and as a contingency to cushion the impact

of unexpected events or emergencies. The Authority's General Reserves are detailed in the Reserves Strategy at Appendix 5 to the 2019/20 Budget Report.

Earmarked Reserves, in accordance with the Local Authority Accounting Panel (LAAP) Bulletin 77, can be set up where there are known or predicted requirements. As is common with most other Fire and Rescue Authorities and public sector bodies, BFRA has set up a number of earmarked reserves which have been separated out from General Reserves. These are also detailed in Appendix 5, the Reserves Strategy.

At the time of writing, the forecast year end underspend for 2018/19 is circa £0.465m, this does not include £0.090m relating to extra income from the Ministry of Housing, Communities & Local Government, following a recalculation of business rates from prior years which was unbudgeted and has already been moved to the Transformational Reserve. The General Reserve of £2.6m, at c.9% of net revenue expenditure, is in line with the current overall average Combined Fire Authority average amount at 9%. This is based on reserves figures at 1st April 2018 available via CIPFA Statistics. As the S151 Officer I am comfortable with the level of reserves and do not deem it too low or high.

In addition, the Authority has separate ear-marked reserve for the Capital Receipts Reserve. Project carry forwards are also classed as ear-marked reserves at the year end stage.

The Transformational Earmarked Reserve that was specifically set up for budget setting purposes is estimated to total £4.655m at 31 March 2019. As detailed in the MTRP, it is forecast that this will be allocated to offset the budget gap in the years 2019/20 to 2022/23.

## 5. The Medium-Term Capital Programme

### 5.1 **The Capital Programme**

Maintaining and improving the BFRA's infrastructure requires considerable resources and, for asset management purposes, this is broken down into three categories of investment, for each of which a comprehensive Asset Management Plan is produced; namely:

- Land and Buildings
- Fleet and Operational Equipment
- Information and Communication Technologies (ICT)

For each category of investment a separate programme of projects exists which spans a four year period. Because of the nature of the types of projects included in the programmes it has been the practice for some time to phase plans over a medium-term timeframe in order to show the way some schemes run over several years.

In line with best practice the land and buildings programme is developed so as to meet ongoing maintenance demands as well as to support the development of land and buildings investment and its subsequent management.

The fleet and operational equipment programme reflects the need to maintain a comprehensive fleet of vehicles with acceptable asset lives, equipped to the correct standard to meet current and planned service delivery requirements.

The ICT programme contains projects designed to develop and maintain the communications and technological infrastructure, to support both operational and organisational needs.

Traditionally IT, vehicles and operational equipment have either been leased or funded from revenue and hence did not feature in the Capital Programme, but are the subject of revenue bids for funding. Following the introduction of the Prudential Code, work was undertaken to review the cost effectiveness of leasing compared with long-term borrowing and a number of previously leased items are now being included as part of the four year Capital Programme. Discussions regularly take place with our treasury and leasing advisers, Capita Treasury Solutions, to ascertain for our specific Authority at that point in time, what the optimal funding options are.

All proposed schemes are assessed against set criteria to establish the extent to which they support the strategic objectives and Authority's priorities.

The Authority has implemented an asset management process that ensures all its assets are procured, maintained and disposed of in an efficient and effective way to provide value for money to the council tax payer.

The buildings programme for 2019/20 onwards has been developed on the basis that at present there are no further plans to change the type or location of fire stations and therefore the bulk of investment in premises is directed towards enhancement and the provision of new facilities for training and enhanced national resilience. However, it is an area that may change due to joint working/collaboration.

Historically, vehicles and equipment for frontline response and community fire safety have followed certain levels of specification and requirements. Following a comprehensive review of the emergency response fleet, a number of innovative changes are being made to the current fleet. These changes will deliver a fleet of vehicles aligned to the emergency response required to be mobilised to the identified risk profile of Bedfordshire.

The Capital Programme for 2019/20 is fully funded by revenue contributions, with a contribution from the Capital reserves of £340k.

The MHCLG introduced a new bidding round for the 2013/14 and 2014/15 budget periods. This was agreed repeated for 2015/16 but not for 2017/18 onwards. This is detailed earlier in this MTFS.

It is unknown how fire and rescue authorities will be funded for capital expenditure in the next Spending Review period. It is hoped that the bidding process will cease and

that a system like the previous one, where an allocated amount for the service will be distributed on a fixed and distributable amount per head of population. The Head of Finance/Treasurer was part of the Capital Working Group working with the MHCLG on reviewing the future funding methods and to evidence to the Treasury what the requirements for the fire and rescue service as a whole is. It is hoped that this group will commence meeting again to discuss the future funding of capital requirements.

## 6. Other Considerations

### 6.1. **Key Budget Assumptions and Uncertainties:**

#### ***2019/20 Budget Process- Assumptions/Uncertainties***

##### Current Assumptions:

- Fire Fighters Pension Scheme Revaluation from 2016, which comes into effect from April 2019, has an estimated average increase of 13% (circa £1.2m). This will be supported by grant via the Home Office in 2019/20. From 2020/21 this will be included within the funding from the Comprehensive Spending Review. There is a forecast budget pressure of £650k in 2020/21 until further information is known.
- Green Book pay award 2% April 2019 onwards (overall average is more due to NJC increases to certain grades)
- Grey Book pay award 5% July 2019 and 2% thereafter (2018 pay award was budgeted at 4%, pay award agreed at 2%. The u/s will be held as a reserve in case backdating of pay award agreed)
- That the additional 1% to council tax will not continue after the two years announced (2018/19 and 2019/20).
- Taxbase in line with previous indications (amended where info supplied)
- Business rates in line with previous indications (amended where info supplied)
- No Capital Funding (bidding round not announced)
- Fire Grant/Emergency Services Mobile Communications Programme (ESMCP) funded (see below) – ***Potential large funding risk here***
- Revenue Support Grant (RSG) grant reductions in line with four year funding deal and continuing at this rate for RSG in 2020/21 to 2022/23 (although RSG ceasing from 2020/21 and included within business rates, this element is still split out for transparency)
- Estimated Collection Fund surplus of £229k in 19/20 (final confirmations due)
- New Dimensions Grant will continue
- Marauding Terrorist Firearms Team (MTFA) funding continuing
- Apprentice budget of £60k per annum remains to fund new posts (training fees to be drawn down from levy paid)
- Agreement by FRA of Minimum Revenue Provision (MRP) early repayment, with the benefit of reducing earmarked reserves and also revenue pressures in future years.



## Uncertainties:

- Impact from Business Rates Retention (no Revenue Support Grant) from 2020/21
- Impact from Spending Review for 2020/21 onwards
- Impact from formula funding review 2020/21 onwards
- Recruitment profile/establishment/retirements – associated recruitment/training costs (20 FF in 2019/20, 15 per annum thereafter)
- New savings/efficiencies in the medium term to address the budget shortfall, subject to work and approval by FRA
- Collaboration (PCC, Ambulance, Police etc) – and associated costs/savings
- Medium term property strategy (One Public Estate bid, sharing etc)
- Contingent Liabilities/Assets included in the Statement of Accounts
- EU directives/legislative changes/Brexit impacts
- Implications arising from Fire Brigades Union (FBU) discriminatory claims relating to transitional pension protection
- Strike expenditure potential
- Outcomes of new digital strategy
- General Data Protection Regulations (GDPR), Senior Information Risk Owner (SIRO) work area
- Pay Scale review – Green book (Hay review pay line) – being finalised, budgeted £150k in MTRP should be sufficient
- Interest and inflation rate fluctuations (post Brexit too)
- Outcomes of Retained Duty System project (budget increase/decrease)
- Outcome of Grey book pay review – broader role

## **6.2 Equality Impact:**

The challenging economic environment in which the Service is operating means that it is sometimes necessary to make difficult and unpopular decisions. A number of the major changes included within the Authority's strategic priorities for the medium-term and thus supported by financial provision within this MTFs, particularly those associated with transformational efficiency savings, will be of this type. The Authority recognises that equality legislation does not prevent it from making these decisions but gives an opportunity to demonstrate its commitment to equality and diversity and to ensure such decisions are based on robust evidence and taken in accordance with the Public Sector Equality Duty.

The Authority, therefore, ensures that robust equality analysis is carried out, paying due regard to the impact on our community and staff, where policies, procedures and practices are changing. Decisions, where appropriate, will also be informed by the wider context to ensure particular groups are not unduly affected by the cumulative effects of different decisions. All decisions will be documented through equality impact assessment ensuring fairness, transparency and accountability. This information will be published in line with the requirements of the Public Sector Equality Duty.

### 6.3. Data Quality:

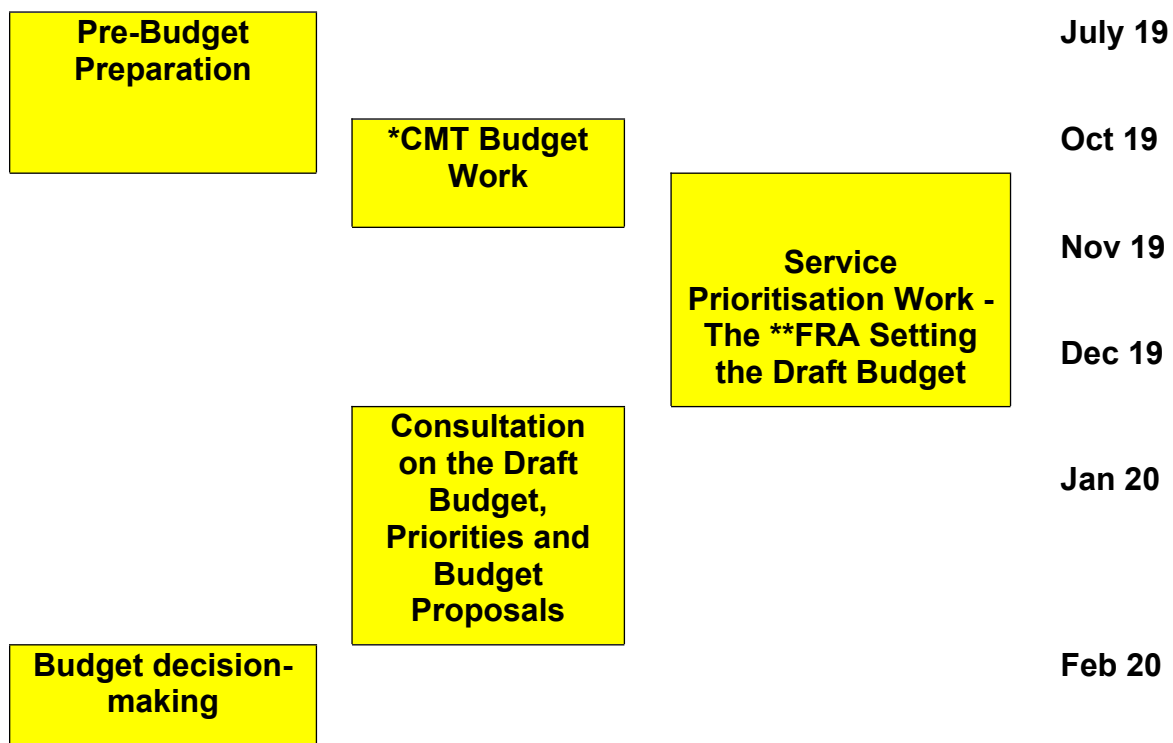
The Authority is committed to achieving and maintaining fit for purpose, quality data enabling sound decision making and informed planning. This is vitally important with key documents, such as this MTFs and the Authority seeks to continually improve the quality characteristics of such data with particular emphasis on accuracy, validity, reliability, timeliness, relevance and completeness.

Systems for assurance and validation of our data are in place, for example Performance Indicators are supported by data proformas which include descriptors, data sources, and change control. A data issues log is maintained that considers severity, impact and mitigation. The Authority's Business Improvement Programme incorporates process re-engineering to assure our data at the point of entry following the 'record once and use many times' principle, delivering new ways of working and business systems where appropriate.

### 6.4. Budget Setting Process for Future Years:

The summary diagram below shows the key stages that will be followed by the Authority in setting future year's budgets. In order to ensure proper process and timescales, it incorporates budget planning from July, setting a draft budget in December for consultation, followed by a final budget set in February.

Diagram 1: The budget setting timetable



\*CMT= Corporate Management Team

\*\*FRA= Fire and Rescue Authority