



Budget Book and Medium Term Financial Plan 2018/19 – 2021/22



Kent Fire &
Rescue Service

This Budget Book details the assumptions used by the Authority for developing the 2018/19 budget, the estimates used for later years and explains the proposals contained within the Medium Term Financial Plan.

Budget estimates reflect the implementation of the initiatives outlined in the Safety and Wellbeing Plan 2018.

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THE BUDGET STRATEGY 2018/19

The Authority's budget supports the delivery of the initiatives detailed in the Safety and Wellbeing Plan 2018. When determining spending proposals and Council Tax increases, due consideration is taken of potential cost pressures and possible savings alongside anticipated funding changes over the medium term. Government grant funding has been guaranteed up to 2019/20 and is reflected in this Medium Term Plan. However, beyond this timeframe, funding is an estimate as it is dependent on the outcome of the Government's next Spending Review.

On 1 September 2017 the Government published an invitation to local authorities in England to pilot 100% Business Rates Retention in 2018/19 and to pioneer new pooling and tier split models. One of the key objectives of becoming a pilot is to promote financial sustainability and coherent decision-making across the functional economic area. On 27 October 2017 a bid to become one of these pilots was submitted to the Department for Communities and Local Government (DCLG), on behalf of all authorities within Kent and Medway. The provisional finance settlement, released on 19 December 2017, subsequently confirmed that the bid had been successful. The main benefit from being a pilot is the retention locally of 100% of the Business Rates growth that arises during 2018/19. At this stage it is estimated that the Authority's share of the additional one-off growth income may be in the region of £400k - £500k, but this will not be confirmed until later in 2018/19. Consequently, in drafting this budget a prudent approach has been adopted and so the net revenue budget for 2018/19 assumes that £400k will be achieved. Members will be updated at a future meeting as to the final additional revenue received for the 2018/19 financial year.

Partnership working will be a theme for the foreseeable future and initiatives for further collaboration with partner organisations will continue to be explored over the medium term. One key area of such activity is the ongoing support that the Service is providing to the South East Coast Ambulance Service (SECAmb) in responding to certain medical emergencies whenever crews or officers are available to do so. The Authority's revenue budget sets aside funding to ensure that frontline staff are provided with the necessary training to undertake these activities: an example of such training is Immediate Emergency Care Response (first aid medical training).

In recent years, new service delivery models and self-rostering on stations has enabled the whole time establishment at fire stations to be reduced as firefighters retired. However, the number of firefighters has now fallen to such a level that it has been necessary to recruit more whole time firefighters. The first recruit course started in September 2017 and it is expected that a further recruit course will be run during the autumn of 2018. Consequently the Authority's revenue budget reflects the cost of employing 24 trainee firefighters as well as 15 service support and control room apprentices. This enables the Authority to achieve the Government target for the number of apprentices employed whilst also ensuring that trained firefighters are available for deployment to fire stations when they are needed, and that adequately-trained apprentices are equipped to apply for service support vacancies as they arise.

Investment in infrastructure, such as building new fire stations or improving existing ones and investing in new appliances, is a prerequisite to ensuring that the Authority remains fit for purpose. 2016/17 saw the completion of the new fire stations at Rochester and Medway, and building work commenced in the summer of 2017 on the new fire station located in Ramsgate.

BUILDING THE 2018/19 REVENUE BUDGET

Revenue Budget Changes 2017/18 to 2018/19

The Authority uses an incremental approach to develop the budget, so the 2017/18 base revenue budget has been adjusted to reflect the changes identified below:

Pay Growth (+£1,944k)

- **Pay Award 2% (+£1,291k)** - This budget reflects a provision for a 2% pay award across all pay groups in 2018/19, in addition to a further 1% to fund the potential increased cost impact of the Grey Book pay award settlement anticipated in 2017/18.
- **Support Staff Increments (+£171k)** - Support staff move up within a pay grade until they reach the top of their pay grade.
- **Additional Posts (+£637k)** - Section reviews have resulted in a number of restructurings to provide increased resilience and support, e.g. in Control, Communications, Training and Procurement.
- **Bank Holiday Pay (-£155k)** - Fewer bank holidays fall in 2018/19 leading to a reduced budget requirement for bank holiday payments.

Other Pay Pressures (+£941k)

- **Apprenticeship Target (+£480k)** - As a qualifying public sector body, the Authority has a Government target to employ 2.3% of staff as new apprentice starts over the period 1 April 2017 to 31 March 2021. Consequently, an additional £480k has been provided in 2018/19 to fully fund 24 trainee Firefighter posts plus 15 support staff apprentice posts.
- **Emergency Medical Response (+£334k)** - An increase in pay costs has arisen to ensure on-call firefighters can attend the necessary medical training to support them in their day to day activities.
- **Holiday Pay Case (+£127k)** - The overtime budget has been increased by £127k, as a result of the judgement in the holiday pay case, Bear (Scotland) v Fulton.

Pensions and Other Pay-Related Commitments (+22k)

- **Ill-Health Retirements (+£12k)** - The budget provides for two new ill-health retirements during 2018/19 and an increase to cover the cost of an inflationary uplift on pensions.
- **Apprenticeship Levy (+£10k)** - The budget for the apprenticeship levy has been increased by £10k, in line with the revised pay budget.

Prices (+678k) - A 3.1% increase has been assumed for general contractual price increases. However, in areas of discretionary spend no allowance for inflation has been given (see savings).

Other Pressures (+686k)

- **Business Rates (+£273k)** - This reflects the full impact of the April 2015 rates revaluation and the anticipated increase in rates for the new station at Ramsgate.
- **Vehicle Servicing (+£49k)** - Increased to match the schedule of expected servicing.
- **Other (+£364k)** - Interest rates on deposits remain low so the budget for interest receipts for 2018/19 has been reduced by £38k. Other identified budget pressures total £326k, of which £210k is for one-off project work to be carried out during 2018/19.

Savings (-£3,147k) - A more detailed explanation of savings is provided on page 4.

BUILDING THE 2018/19 REVENUE BUDGET

Revenue Budget Changes 2017/18 to 2018/19

The Table below summarises the incremental adjustments made to the 2017/18 base revenue budget in order to determine the net revenue budget requirement for 2018/19.

	£'000	£'000
2017/18 Base Budget brought forward		68,638
Pay-Related Cost Pressures		
Pay Growth	1,944	
Other Pay Pressures	941	
Pension and Other Pay-Related Commitments	22	
Total Pay-Related Cost Pressures 2018/19		2,907
Non-Pay Cost Pressures		
Prices	678	
Other pressures	686	
Total Non-Pay Cost Pressures 2018/19		1,364
Savings		
Pay	-996	
Non-pay	-2,151	
Total Savings 2018/19		-3,147
General Reserves Adjustment 2018/19		90
Net Revenue Budget 2018/19		69,852

General Reserve (+£90k) - To maintain the General Reserve at approximately 6% of the Revenue Budget, the £90k base budget transfer from the General Reserve has been removed in 2018/19.

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Savings Summary

Pay Savings (£996k) - The following pay savings are expected to be delivered in 2018/19:

- **Wholetime Duty Systems (-£375k)** - On 1 January 2018, Maidstone, Canterbury, Margate and Ramsgate Fire Stations transitioned to the flexible self-rostering system allowing the establishment for wholetime stations to be reduced from 384 to 374.
- **Day-Crewed Station Establishment Reductions (-£323k)** - Following a review of the day-crewed flexible rostering system, the establishment at seven day-crewed stations has been reduced from 12 to 11. It is anticipated that the remaining two stations will transfer to the reduced establishment figure next year. For 2018/19 the establishment for day-crewed stations has reduced from 108 to 101.
- **Review of Allowances and Other Payments (-£173k)** - The day-crewed rent allowance is no longer automatically paid to new joiners and as a consequence the budget requirement has reduced by £130k. Other allowances totalling £43k have been removed from the budget as a result of staff turnover.
- **Pension Scheme Changes (-£75k)** - As staff transition to the 2015 Firefighters' CARE Pension Scheme a saving arises from the lower employer contribution rate (14.3%) compared to that of the closed 1992 Firefighters' Pension Scheme (21.7%).
- **Converting Grey Book (uniformed) posts to Green Book (non-uniformed) (-£50k)** - When Grey Book staff leave a non-operational post the opportunity is taken to determine if the post can be converted to Green Book. Four posts have been converted for 2018/19.

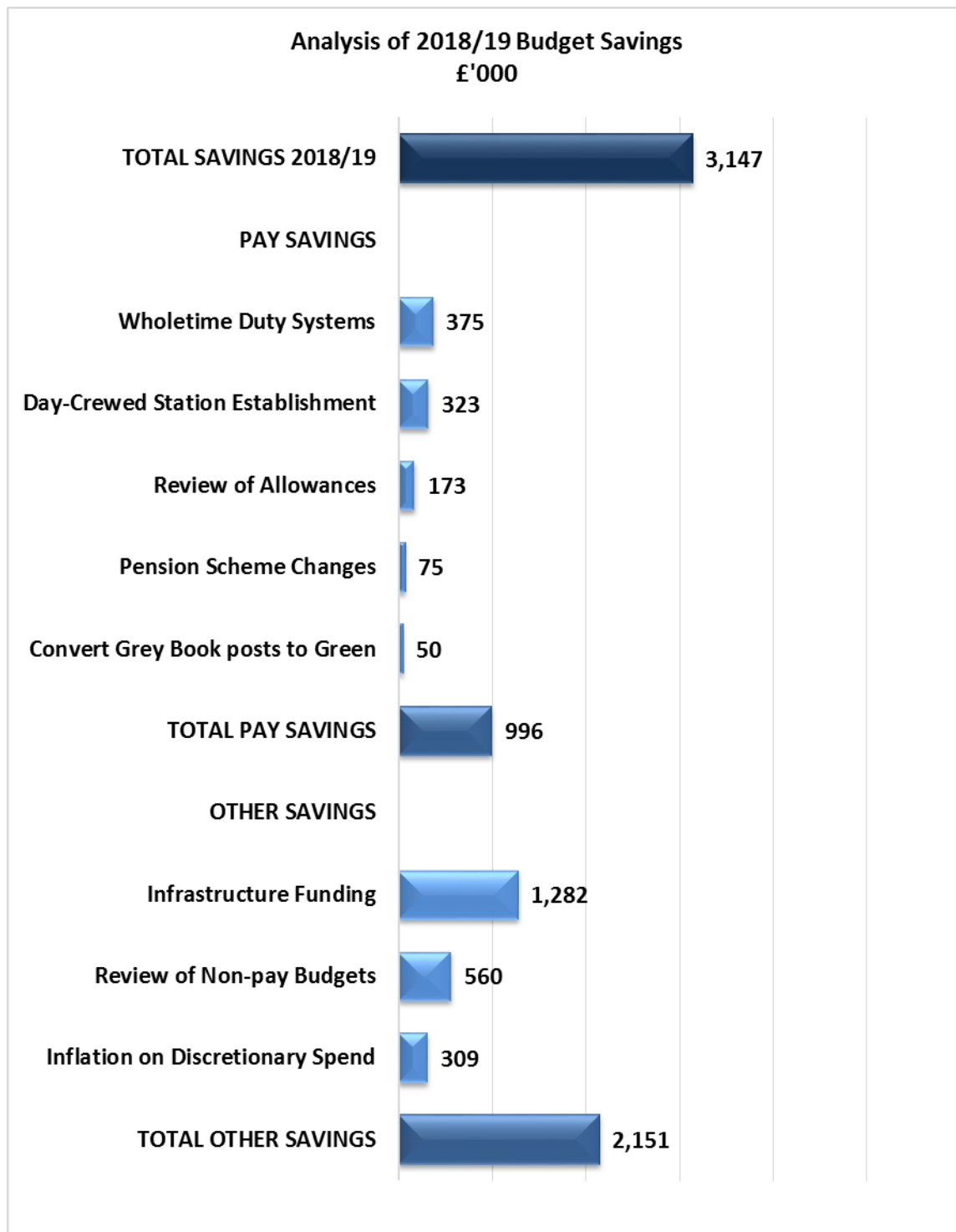
Other Savings (£2,151k) - The following other savings are expected to be delivered in 2018/19:

- **Infrastructure Funding (-£1,282k)** - Council Tax base growth is 2.13% against an estimate of 1.5%, providing an additional £290k of base funding. An estimated £400k of one-off income from piloting the 100% Business Rate Retention Scheme has also been allocated to fund the Infrastructure Plan. This is offset by a reduction in collection fund surpluses compared to last year (£113k). However, the remaining saving of £1,859k needed to balance the revenue budget will also be taken from the infrastructure reserve, as work will be ongoing in 2018/19 to find this amount from base budgets.
- **Review of Other Non-Pay Budgets (-£560k)** - Budget managers have identified savings within their own areas for 2018/19. The largest savings include; £186k on computer hardware and software; £84k from energy usage efficiencies; £56k on replacement gym equipment; £20k on vehicle fuel; and other minor individual savings totalling £147k. The budget for Section 31 grant income for Small Business Rate Relief has been increased by £67k.
- **Inflation on Discretionary Spend (-£309k)** - Inflationary price increases on areas of discretionary spend, such as stationery, have been removed.

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Savings Summary

The Chart below summarises the 2018/19 revenue base budget savings into pay and non-pay savings.



BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Functional and Subjective Budget Presentation

Functional Analysis

The Authority's budgets are presented across five functional service headings, each of which are explained below:-

Operational Response (£32,432k) - Includes the direct costs associated with operational response such as the costs of the co-located control centre, the management and crewing of fire stations, and attendance at all incidents.

Community Safety and Technical Fire Safety (£5,296k) - Includes the costs of community and technical fire safety-related activity such as 'Safe and Well' visits to the most vulnerable people in the county, and engagement with local businesses ensuring that adequate fire safety arrangements are in place.

Operational Resilience (£3,494k) - Includes the costs of operational pre-planning, emergency planning, technical rescue, new dimension activity, Eurotunnel and other Channel Tunnel-related activity.

Income is mainly from the Eurotunnel contract and Government Section 31 grant for technical rescue and new dimension activity.

Organisational Support (£24,720k) - Includes the cost of Fleet Services, Property Services, Human Resources, Information Technology, Finance and Procurement, Communications, Business Support Team (including Members), and Policy, Performance and the Corporate Management Team.

Income includes Government Section 31 grant received towards FireLink costs, plus income from the rental of masts to communication companies and from feed-in tariffs generated from solar panels on the Authority's buildings.

Pensions, Financing and Other Costs (£3,910k) - Includes the cost of firefighter injury pensions which are not reimbursed by central government, the cost of capital charges, borrowing costs and transfers to or from the general reserve. Also included are transfers from the infrastructure reserve to fund the 2018/19 revenue infrastructure plan, with corresponding expenditure budgets included in the relevant service headings above.

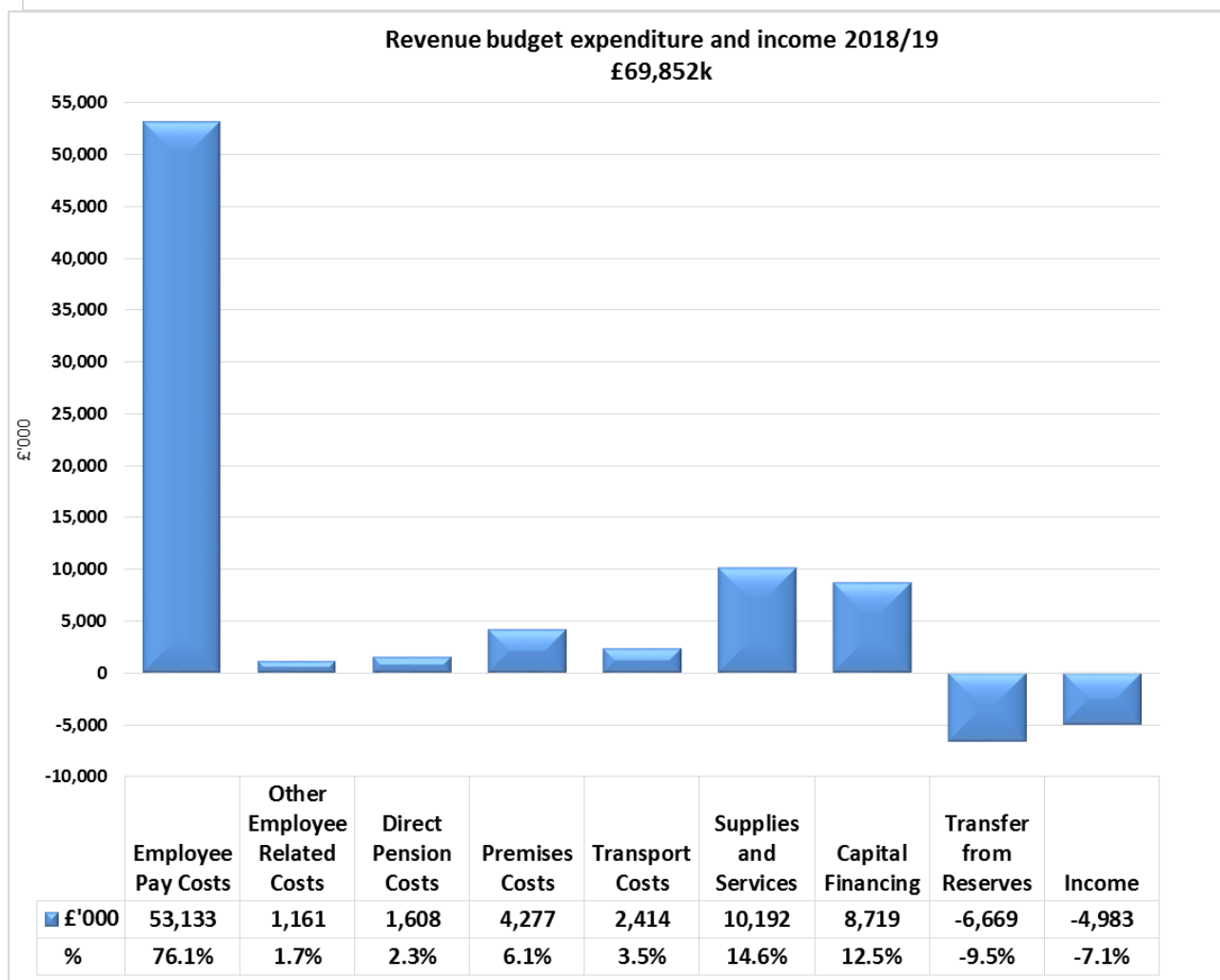
Income includes Government Section 31 grant for Small Business Rate Relief and interest earned on deposits.

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Functional and Subjective Budget Presentation

The Table below summarises the 2018/19 budget by function and subjective heading.

(All figures are £'000)	Operational Response	Community Safety and Technical Fire Safety	Operational Resilience	Organisational Support	Pensions, Financing and Other Costs	Total Net Budget
Employee Pay Costs	32,534	4,872	4,416	11,311	0	53,133
Other Employee Costs	8	10	40	1,103	0	1,161
Direct Pension Costs	0	0	0	0	1,608	1,608
Premises Costs	20	1	46	4,210	0	4,277
Transport Costs	10	18	259	2,127	0	2,414
Supplies and Services	274	404	2,472	6,931	110	10,192
Capital Financing	0	0	0	0	8,719	8,719
Reserve Transfers	-399	0	-233	-97	-5,940	-6,669
Income	-15	-9	-3,506	-866	-587	-4,983
Net Budget 2018/19	32,432	5,296	3,494	24,720	3,910	69,852



BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Employee Pay Budget Analysis

The budget reflects a provision for a pay award settlement of 2% across all pay groups in 2018/19. However, since the pay award for uniformed staff has not yet been finalised for 2017/18, there is the possibility that a further 1% may be needed in the 2018/19 budget to meet the cost of the potential award. Consequently this too is reflected in the budget for 2018/19.

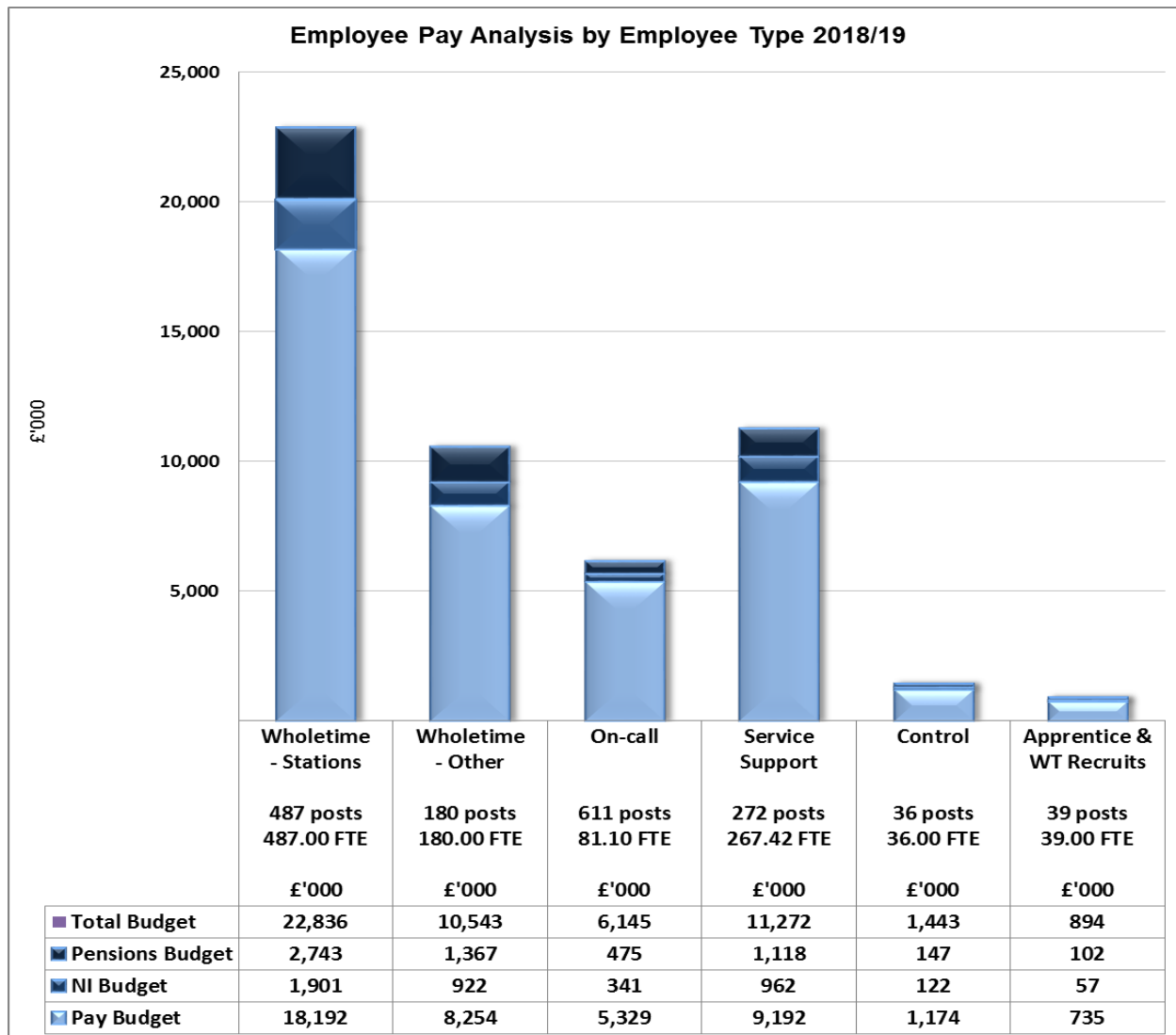
Approximately 76% of the net revenue budget relates to staffing costs (£53,133k). Each staff group is described below:-

- **Wholetime Station Staff (£22,836k)** - Uniformed staff ('Grey Book' terms and conditions) who are employed at wholetime and day-crewed fire stations. From January 2018 all wholetime and day-crewed fire stations are operating the flexible self-rostering duty system.
- **Wholetime - Other Staff (£10,543k)** - Uniformed staff who are employed in areas such as Technical Fire Safety, Community Safety, Technical Rescue and Channel Tunnel. This staff group also includes uniformed Principal Officers.
- **On-Call Staff (£6,145k)** - Uniformed staff who provide frontline on-call cover at on-call fire stations.
- **Service Support Staff (£11,272k)** - Non-uniformed staff ('Green Book' terms and conditions) who are employed in areas such as Fleet Services, Property Services, Human Resources, Finance, Procurement, Information Technology, Communications, Business Support and Policy and Performance. This staff group also includes some non-uniformed staff employed in Technical Fire Safety and Community Safety as well as non-uniformed Principal Officers.
- **Control Room Staff (£1,443k)** - Uniformed staff located at the Fire and Police Control Centre who manage all emergency call handling for the Service.
- **Apprentices and Whole-time Recruits (£894k)** - From 2018/19 the budget provides funding for the salaries of 15 apprentices and 24 wholetime station recruits. The 'Green Book' apprenticeship posts have been identified in areas such as Fleet Services, Information Technology, Human Resources and Business Support. Wholetime recruits are appointed on 'Grey Book' terms and conditions and are available for deployment to fire stations once they have completed their training.

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Employee Pay Budget Analysis

The chart below shows the 2018/19 budget and full time equivalent (FTE) for each staff group split by pay, national insurance and employer pension contributions.



Pay Group	Operational Response		Community Safety and Technical Fire Safety		Operational Resilience		Organisational Support		Total	
	FTE	Budget	FTE	Budget	FTE	Budget	FTE	Budget	FTE	Budget
Wholetime	516	24,598	37	2,061	69	3,807	45	2,913	667	33,379
On-call	81	6,145	0	0	0	0	0	0	81	6,145
Service Support	9	299	79	2,811	17	609	162	7,553	267	11,272
Control	36	1,443	0	0	0	0	0	0	36	1,443
Apprentices / WT Recruits	4	49	0	0	0	0	35	845	39	894
Total Budget	646	32,534	116	4,872	86	4,416	242	11,311	1,090	53,133

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Pension Scheme Contributions Budget Analysis

Within the overall pay budget of £53,133k are employer pension contributions which total £5,952k. This is different to the direct pension costs figure of £1,608k on page 7, as this relates to the cost of injury and ill-health pensions, which are separate from those paid for by Government, and is a cost incurred directly by the Authority.

As well as these direct pension costs, there are currently five different pension schemes in operation at the Authority, each of which is described below:-

- **2015 CARE Firefighters' Pension Scheme (£2,610k)** - A Career Average Revalued Earnings (CARE) Pension Scheme for firefighters. Since April 2015, new firefighter recruits have only had access to membership of this pension scheme.

Members of the 1992 and 2006 Firefighter Pension Schemes were transferred into this scheme in April 2015, unless the member had full protection (within ten years of Normal Pension Age as at 1 April 2012) or tapered protection (between 10 and 14 years to their Normal Pension Age as at 1 April 2012).

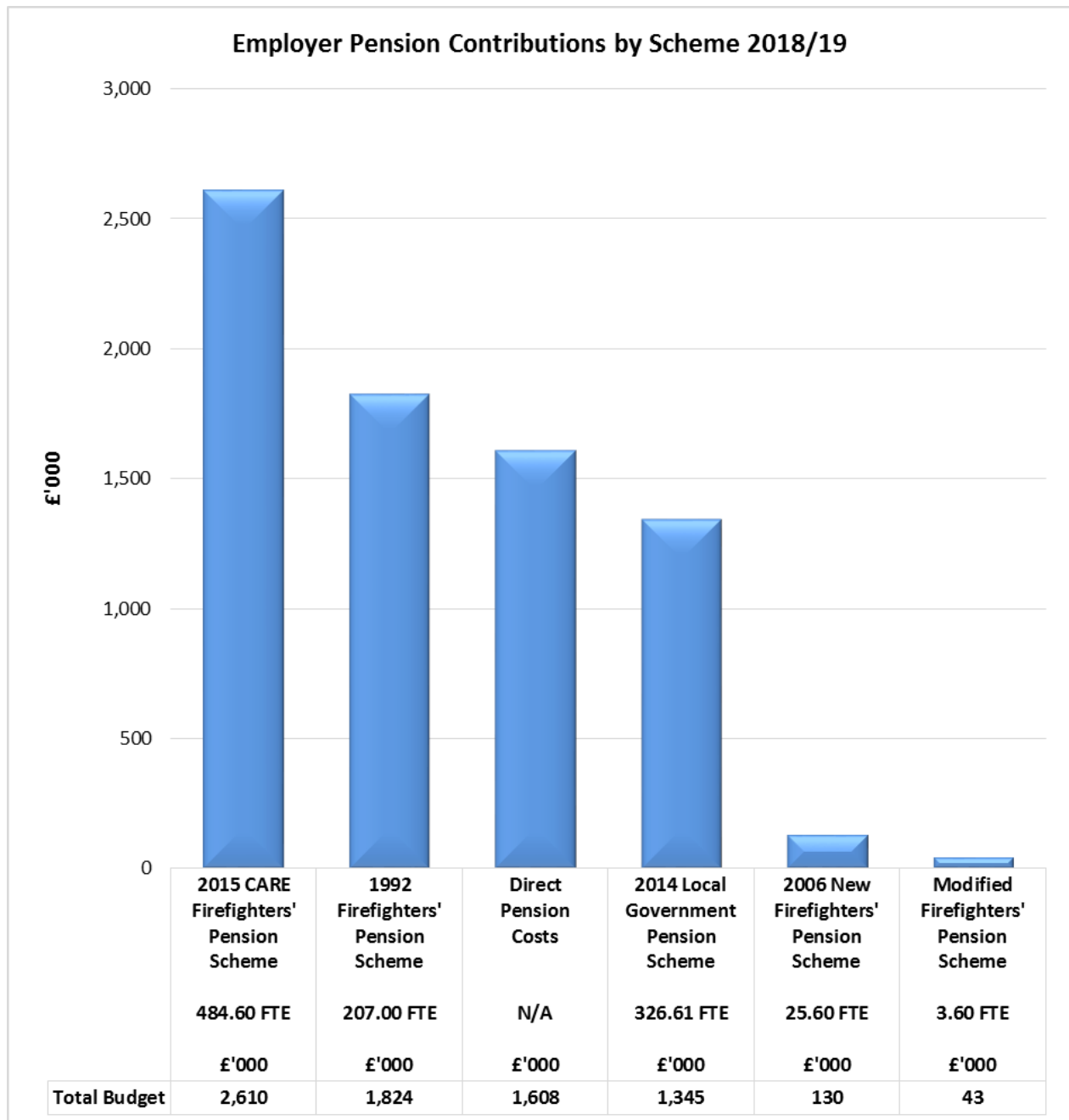
- **1992 Firefighters' Pension Scheme (FPS) (£1,824k)** - A final salary scheme open to regular firefighters until April 2006. Unless subject to full or transitional protection, all scheme members transferred to the 2015 CARE Firefighters' Pension Scheme in April 2015.
- **Direct Pension Costs (£1,608k)** - This budget includes all injury and certain ill-health pension costs that are not funded by Government but must be met by the Authority.
- **2014 Local Government Pension Scheme (LGPS) (£1,345k)** - A Career Average Revalued Earnings (CARE) scheme for all green book (support staff) employees, control room staff and non-operational grey book staff. All existing members were transitioned to this scheme on 1 April 2014.
- **2006 New Firefighters' Pension Scheme (NFPS) (£130k)** - A final salary scheme introduced in April 2006 and open to regular firefighters until April 2015. Unless subject to full or transitional protection, all scheme members transferred to the 2015 CARE Firefighters' Pension Scheme in April 2015.
- **Modified Firefighters' Pension Scheme (MNFPS) (£43k)** - A final salary scheme offered to those employed as retained firefighters between 1 July 2000 and 5 April 2006, as they were not given the opportunity to join the 1992 Firefighters' Pension Scheme at the time.

BUILDING THE 2018/19 REVENUE BUDGET

2018/19 Pension Scheme Contributions Budget Analysis

Employer Pension Contributions

The chart below shows the 2018/19 budgeted employer pension contributions for the five pension schemes that are currently in operation plus the budget for direct pension costs.



FUNDING THE 2018/19 REVENUE BUDGET

Sources of Funding for 2018/19

The Authority has traditionally received funding from Council Tax, Business Rates, Collection Funds (Council Tax and Business Rates), Revenue Support Grant (RSG) and Business Rates Top-Up. However, as part of the November 2017 Budget, it was announced that Kent and Medway had been successful in being selected as one of the ten pilots to trial the 100% Business Rates Retention Scheme for 2018/19. As a result, the Authority will not receive RSG funding as this will be replaced by Business Rates. Further information is provided below.

Council Tax Precept - About two-thirds of the Authority's funding now comes from Council Tax. The level of Council Tax raised is affected by the level of Council Tax discounts given by billing authorities (Medway Council and the Kent District Councils) to Council Taxpayers on low incomes, and the level of exemptions granted. The level of discount allowed can also have an impact on collection rates.

Revenue Support Grant - For the reason mentioned above, there will be no Revenue Support Grant or Top-Up grant received from Government in 2018/19.

Top-Up Grant - This grant represents the Authority's share of business rates collected locally. This will increase for 2018/19 as the Authority is part of the 100% Business Rate Retention Pilot.

Business Rates - For 2018/19 the amount of funding from retained local Business Rates will be equivalent to that which would have been received had the Authority not been part of the 100% Business Rate Retention Pilot.

Business Rates Growth - Since the Authority is now part of the 100% Business Rate Retention Pilot for 2018/19, it will be entitled to a share of the growth in local business rates. As the exact figure that the Authority will receive will not be known until later in 2018/19, a prudent estimate of £400k has been assumed within the Net Revenue Budget for 2018/19.

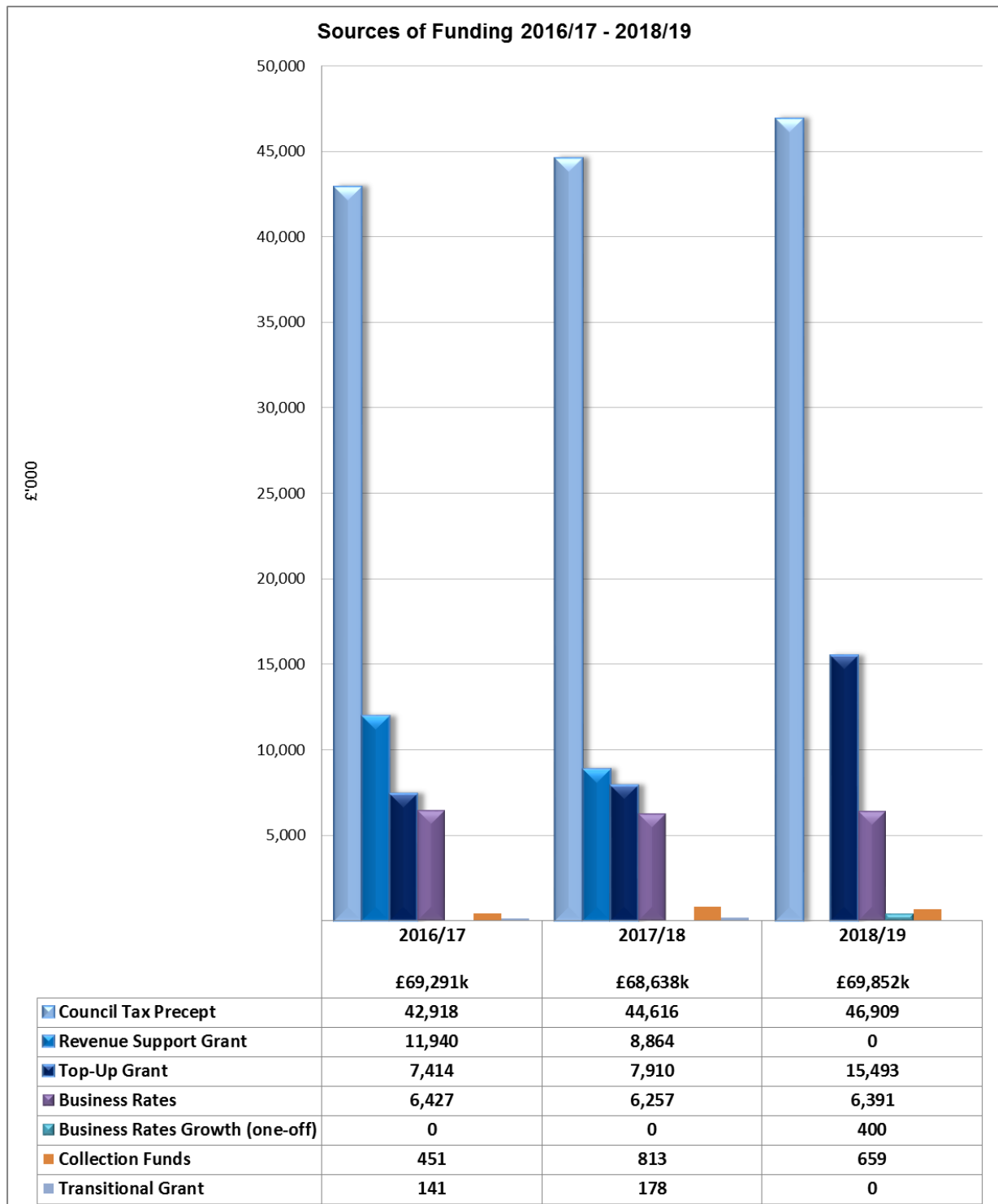
Collection Funds - Each year there can be either a surplus or a deficit on the Collection Funds for Council Tax and Business Rates. In 2018/19 the Authority's share is a surplus of £709k on Council Tax and a £50k deficit on Business Rates collection funds.

Transitional Grant - The Government confirmed in the provisional finance settlement announcement that it would no longer be allocating a transitional grant. Previously this was allocated to ease the change from a system based on central government grant to one in which local sources determined a council's revenue.

FUNDING THE 2018/19 REVENUE BUDGET

Sources of Funding for 2018/19

The Chart below shows how the Authority's funding sources have changed between 2016/17 and 2018/19. As mentioned previously, the Authority will be piloting the 100% Business Rates Retention Scheme in 2018/19, so there will be no Revenue Support Grant from Government.



FUNDING THE 2018/19 REVENUE BUDGET

Council Tax and Business Rate Income – Additional Information

Council Tax Base - The Authority's tax base is the sum of the tax bases of the 12 Kent District Councils and Medway Council (billing authorities), and is expressed as the number of equivalent Band D properties. The Council Tax base has increased from 608,266 in 2017/18 to 621,225 in 2018/19, an increase of 2.13%.

Council Tax Referendum Limits - In recent years the Government has set a cap on the amount by which a local authority can increase its Council Tax each year. The cap which applied to this Authority was previously 2%, but for the 2018/19 and 2019/20 financial years the cap has been increased to 3%. A FRA may increase its Council Tax above this level, but can only do so after approval by the local electorate through a referendum.

Council Tax Bands - The Authority is being recommended to levy a Council Tax increase of 2.95% in 2018/19 (just below the referendum limit). This equates to an annual increase of £2.16 (just over 4 pence per week), increasing the Council Tax for a Band D property to £75.51.

Business Rates Growth (one-off) - As a result of being in the business rate pilot for 2018/19, the Authority will be entitled to a share of any growth in Business Rates that arise during 2018/19. The exact scale of the growth is not yet known and so the members of the pilot, as a collective, are estimating the value of such growth. As a consequence the revenue budget for 2018/19 reflects a prudent assumption (£400k) as to the value of the additional benefit that will be received by this Authority.

Collection Funds - Each year Council Tax and retained Business Rate income is calculated based on assumed levels of collection rates by the billing authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a surplus or deficit on the fund which is accounted for within the calculation of the net budget requirement.

Household Council Tax - To arrive at the annual Council Tax charge that is made to each household, the Authority's Council Tax charge is added on to the charges set by Kent County Council and the relevant District Council, or by Medway Council, plus the charges set by Kent Police and any Parish or Town Council. The total is then collected by the District Councils and Medway Council, on behalf of all the different precepting authorities.

FUNDING THE 2018/19 REVENUE BUDGET

Council Tax and Business Rate Income – Additional Information

The Table below shows a breakdown of the funding sources for the 2018/19 budget and the amount of the Authority's Council Tax charge by Council Tax band.

	£'000	£'000
Net Budget Requirement 2018/19		69,852
Funding:		
Council Tax	46,909	
Share of 100% Retained Business Rates	6,391	
Top-Up Grant	15,493	
Business Rates Growth arising in 2018/19 (one-off)	400	
Surplus on Council Tax Collection Funds	709	
Deficit on Business Rate Collection Funds	-50	
Total Funds Available 2018/19		69,852
Council Tax Base		621,225
Tax rate for Band D property 2018/19		£75.51
Increase in Band D charges 2018/19		2.95%

Council Tax Band	Proportion of Band D	Annual Council Tax 2017/18 £	Annual Council Tax 2018/19 £
A	6/9	48.90	50.34
B	7/9	57.05	58.73
C	8/9	65.20	67.12
D	1	73.35	75.51
E	11/9	89.65	92.29
F	13/9	105.95	109.07
G	15/9	122.25	125.85
H	18/9	146.70	151.02

FUNDING THE 2018/19 REVENUE BUDGET

Grant Funded Expenditure

A proportion of the Authority's annual expenditure is funded from Government or other grants. These grants are usually provided to progress specific initiatives, so spending plans are adjusted to reflect the additional expenditure that will be met from these grants. Grant funds may be carried forward within Earmarked Reserves if they are not spent in the year in which they are received. Grant income is matched against the relevant grant-related expenditure.

Detailed below are the estimated grants for 2018/19:-

Business Rate Initiative (£455k) - This grant compensates the Authority for its share of lost business rate income resulting from the Government's initiative to cap the increase in business rates for small businesses to 2% in earlier years.

Emergency Services Mobile Communication Programme (ESMCP) (£100k) - This programme will provide the next generation communication system for the Police, Fire and Rescue and Ambulance services. The system will be called Emergency Services Network (ESN).

The Government will be providing some funding for this project, but it is not yet clear whether this will be sufficient to cover all anticipated costs. Most of the expenditure on the project is expected to be incurred in 2019/20, but £100k of grant is estimated for 2018/19.

FireLink (£562k) - This grant covers the difference between the annual charge for the FireLink managed service radio scheme and the legacy costs of the now decommissioned radio scheme.

National Resilience (formerly New Dimension) Grants (£1,240k) - In previous years, these Section 31 grants were announced as part of the finance settlement. At the time of writing, no confirmation has been received as to the size of the grants for 2018/19 or future years. The budget for 2018/19 has therefore been built on the assumption that the grants will be at the same level as those received in 2017/18.

The grants cover work on various resilience activities including the costs of running the Technical Rescue team and the associated training facility; Chemical, Biological, Radiological and Nuclear Explosive (CBRN(E)) training; and Enhanced Logistics Support.

Transparency (£8k) - This grant is awarded to cover the costs associated with the extra burden resulting from compliance with the Local Government Transparency Code. The Code requires online publication of certain information providing a clear picture of the Authority's activities, spending and governance.

FUNDING THE 2018/19 REVENUE BUDGET

Grant Funded Expenditure

The Table below shows the amount of expected grant income, anticipated use of grant receipts, and the estimated closing grant reserve balances for 2018/19.

(All figures are £'000)	Business Rate Initiative	ESMCP	FireLink	National Resilience	Trans- parency
Grant Reserve Balance as at 1/4/2018	0	0	0	422	0
Grant Receipt Expected in 2018/19	455	100	562	1,240	8
Total Funds Available	455	100	562	1,655	8
Budgeted Expenditure in 2018/19:					
Employee Costs	0	0	0	1,015	0
Other Expenditure	455	100	562	360	8
Total Budgeted Expenditure	455	100	562	1,375	8
Grant Reserve Balance at 31/3/2019	0	0	0	280	0

REVENUE RESERVES SUMMARY

Details of the Authority's General Reserve and each of the Earmarked Reserves are given below:-

General Reserve - Provides a contingency to cushion the impact of unexpected events or exceptional costs, and in extreme circumstances would be used to provide a working cash balance to reduce the impact of uneven cash flows, and help avoid unnecessary temporary borrowing. For example, the General Reserve could be used to fund any potential unforeseen loss on the Authority's share of Kent Districts' and Medway Council's Business Rate collection funds.

The level of general reserves is set at approximately 6% of the Authority's net revenue budget or £4m, whichever is the greater, with the appropriateness of this level assessed on an annual basis, through a detailed risk assessment.

Earmarked Reserves - Amounts set aside for a specific purpose to meet future known or predicted expenditure or liabilities. Earmarked reserves are typically used to smooth the impact on the revenue budget (and Council Tax) of expenditure that would otherwise cause significant fluctuations in the annual budget requirement, such as expenditure on the replacement of vehicles and equipment or large scale build projects. The purpose of each reserve is clearly defined, with regular reviews to ensure continued relevance and adequacy.

- **Infrastructure** - Used to fund expenditure on infrastructure assets (premises, environmental improvements, IT and communications equipment, as well as vehicles and operational equipment) and includes a significant programme of investment in station-builds and vehicle purchases over the medium term.
- **Service Improvement and Productivity** - This is a new reserve which will be used as a one-off funding resource to help pump-prime new initiatives or improvements to the Service, which may arise in-year or be planned for future years. It will also be used to help support collaborative initiatives with other blue light services and partner agencies.
- **Insurance** - Used to smooth the impact of insurance claim volatility between financial years. Also provides an additional resource, should it be needed, to meet excessive costs in any one year, arising from the new Insurance Mutual Company arrangements.
- **Government Grants** - Used to carry forward the balance of any unspent Government grants to the following financial year (see previous page for details of Government grant reserve balances as at 31 March 2019).
- **Rolling Budget** - Used to fund committed expenditure where the goods or services will not be received or delivered until the following financial year. The balance remaining in the rolling budget reserve at 31 March 2019 is funding for outstanding water hydrant repair work which the water companies expect to complete in 2019/20.

REVENUE RESERVES SUMMARY

The Table below shows the forecast opening revenue reserve balances, expected use of each reserve, and forecast closing balance for 2018/19. Also shown is the expected use and closing balances on the General Reserve and the total of all Earmarked Reserves over the period 2018/19 to 2021/22.

General and Earmarked Reserve Movements for 2018/19	1 April 2018 Forecast Balance	Net Transfer to/from Reserves 2018/19	31 March 2019 Forecast Balance
(All figures are £'000)			
General Reserve	4,060	0	4,060
Earmarked Reserves:			
Infrastructure	21,268	-5,940	15,328
Service Improvement and Productivity	1,000	-130	870
Insurance	500	0	500
Government Grants	422	-142	280
Rolling Budgets	677	-587	90
Total Earmarked Reserves	23,867	-6,799	17,068
Total General and Earmarked Reserves	27,927	-6,799	21,128

Medium Term Summary Estimated Revenue Reserve Balances

(All figures are £'000)	2018/19 Balance	2019/20 Balance	2020/21 Balance	2021/22 Balance
General Fund Balance - 31 March	4,060	4,060	4,130	4,210
Expected General Fund Transfer - in year	0	70	80	100
General Fund Balance - 1 April	4,060	4,130	4,210	4,310
Earmarked General Fund Reserves - 31 March	23,867	17,068	17,663	17,989
Expected Use of Earmarked Reserves - in year	-6,799	595	326	-4,126
Earmarked General Fund Reserves - 1 April	17,068	17,663	17,989	13,863
General and Earmarked Reserves - 1 April	21,128	21,973	22,199	18,173

MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22

Revenue Budget Assumptions (Funding, Pressures and Savings)

The revenue budget for 2018/19 to 2021/22 is estimated using various assumptions, as much of the information required to set the budget is not yet known. As detailed previously, the Government has confirmed funding to 2019/20 which has therefore been used for planning, but funding from 2020/21 is based on estimates and will be subject to the outcome of the Government's next Spending Review. Details of the main assumptions used in estimating the revenue budgets for 2019/20 to 2021/22 are detailed below.

Funding Assumptions

- Government will provide funding to 2019/20 in line with the provisional Local Government Finance Settlement. Thereafter it will reduce in line with previous year's reductions.
- Retained Business Rates will increase by 1% in each financial year between 2019/20 and 2021/22.
- The Council Tax base will increase by 1.5% in each financial year between 2019/20 and 2021/22.
- Council Tax increases of just under 3% in 2018/19 and 2019/20 and 2% in 2020/21 and 2021/22.
- There will be no surplus or deficit on the collection funds in future years.

Budget Pressures and Savings -

Anticipated Key Budget Pressures	2019/20	2020/21	2021/22
• 2% pay award for all staff groups in each year	1,040	1,053	1,099
• Service support staff increments up to top of pay grade	161	148	104
• Adjustment for number of bank holidays falling in the year	38	0	0
• 4% increase in employer FF pension scheme contributions	1,034	0	0
• Ill-health pensions (2 new ill-health retirements each year)	3	71	34
• Approx 3% for annual inflation each year	607	645	662
• Possible pressures	184	143	461
	3,067	2,060	2,360
• Reversal of one-off Infrastructure saving	1,859	0	0
Anticipated Budget Savings			
• Day-crewed - flexible rostering staffing reduction	-95	0	0
• Removal of one-off budgets (projects)	-269	-88	0
• FF pension scheme members transitioning to 2015 scheme	-60	-60	-45
• Price increases not given to areas of discretionary spend	-288	-307	-315
• One-off 2018/19 infrastructure contributions reversed	-1,059	0	0
• Deferred 2018/19 saving (see pressure above)	-1,859	0	0
• Other savings	-1,041	-490	-743
	-4,671	-945	-1,103

MEDIUM TERM FINANCIAL PLAN 2018/19 – 2021/22

Summary Revenue Budget Estimates

The Table below summarises the base budget changes in each of the financial years between 2018/19 and 2021/22. Also shown is a breakdown of funding sources and additional information relating to increases in Council Tax receipts for the same years.

(All figures are £'000 unless stated)	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
Base Budget brought forward	68,638	69,852	70,177	71,302
Pay, Pensions, Prices and Pressures	4,271	3,067	2,060	2,360
Savings - Temporary Infrastructure	-1,859	1,859	0	0
Savings - Permanent	-1,288	-4,671	-945	-1,103
General Reserves	90	70	10	20
Net Budget	69,852	70,177	71,302	72,579
Net change	1,214	325	1,125	1,277
Net change %	1.77%	0.47%	1.60%	1.79%
Budget funded by:				
Revenue Support Grant	0	6,319	5,498	4,784
Share of 50% Business Rate Retention	0	6,455	6,520	6,585
Share of 100% Business Rate Retention	6,391	0	0	0
Share of Business Rates Growth (one-off)	400	0	0	0
Top-Up Grant	15,493	8,372	8,539	8,709
Council Tax	46,909	49,031	50,745	52,501
Council Tax Collection Fund Surplus	709	0	0	0
Business Rates Collection Fund Deficit	-50	0	0	0
Total Funding	69,852	70,177	71,302	72,579

Analysis of Additional Council Tax	2018/19	2019/20	2020/21	2021/22
Council Tax Base	621,225	630,543	640,001	649,601
Council Tax Base Growth %	2.13%	1.50%	1.50%	1.50%
Council Tax Base Growth £	978	725	750	777
Council Tax Band D Precept	75.51	77.76	79.29	80.82
Council Tax Band D Precept Increase %	2.95%	2.98%	1.97%	1.93%
Council Tax Band D Precept Increase £	2.16	2.25	1.53	1.53
Council Tax Precept Increase £	1,314	1,397	964	979
Additional Income from Council Tax	2,292	2,122	1,714	1,756

MEDIUM TERM CAPITAL PLAN 2018/19 – 2021/22

Medium Term Capital Expenditure Plan

The medium term Capital Plan has been developed in line with the proposals detailed in the Safety and Wellbeing Plan 2018, and supports and maintains the assets and infrastructure across the organisation. Further details of the four-year plan are shown below.

Station Development Programme - In addition to the recent completion of two new fire stations at Rochester and Medway, the Authority has plans to build a further two new fire stations over the next four years in Ramsgate and, if suitable land can be found, Herne Bay, and to redevelop a number of other stations. Planning permission for the new fire station in Ramsgate was granted in November 2015 and the land purchase was completed in April 2016. Demolition of the existing swimming pool on the Ramsgate site was completed in October 2016 with contracts awarded for the station build in January 2017. Building work commenced in April 2017 and the expectation is that the build will be completed in the summer of 2018. The Capital Plan includes £9m over the next four years to support investment and improvements in other fire stations. Early in 2018/19, improvements are planned at Headcorn, Lenham and Borough Green fire stations, followed by others later in the year.

Premises - There is an annual programme of maintenance work on the Authority's premises to ensure that the property estate continues to remain in a good state of repair. Generally, maintenance work on premises is treated as revenue expenditure, but there are some items which are more appropriately classified as capital expenditure, such as roof repairs and boilers.

Information and Communication Systems - Information systems will continue to be developed and enhanced across a variety of areas which will help to ensure that processes are as streamlined and cost-effective as possible. Funding has been allocated to renew mobile data terminals in 2018/19 and 2019/20, under the operational response project.

Vehicles and Appliances - The Infrastructure Reserve has funding to resource the rolling replacement programme of the Authority's fleet of light and heavy vehicles. Work will be under way in 2018/19 to progress the purchase of nine frontline appliances in 2019/20. It is expected that a number of other vehicles will be replaced in 2018/19, such as the mobile workshops and a number of smaller vehicles. The pool cars and the response cars are also likely to be replaced in 2019/20 as most will be at the end of their useful life. Expenditure in later years includes the procurement of further appliances, command support units, an incident support unit, water units, water management units, prime movers and personnel carriers.

MEDIUM TERM CAPITAL PLAN 2018/19 – 2021/22

Medium Term Capital Expenditure Plan

The Table below shows the four-year capital expenditure plan for 2018/19 to 2021/22.

(All figures are £'000)	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2018-22 Total
Ramsgate Fire Station*	2,750	247	0	0	2,997
Herne Bay Fire Station**	0	1,000	3,500	3,500	8,000
Future Station Development***	2,500	2,500	2,000	2,000	9,000
Total Station Development	5,250	3,747	5,500	5,500	19,997
Roofing Works	80	80	80	80	320
Boilers	200	100	100	100	500
Westgate Drill Tower	75	0	0	0	75
Total Premises	355	180	180	180	895
Operational Response Project	1,045	305	0	0	1,350
Total Systems	1,045	305	0	0	1,350
Appliances	0	1,800	1,006	2,046	4,852
Specialist Units and Vehicles	589	694	1,430	132	2,845
Cars and Vans	393	2,459	592	41	3,485
Total Vehicles & Appliances	982	4,953	3,028	2,219	11,182
Total Capital Expenditure	7,632	9,185	8,708	7,899	33,424

* The budget for Ramsgate Fire Station is £10m (£7m of spend is forecast prior to 2018/19)

** The budget for Herne Bay Fire Station is £10m (£2m of spend is planned for 2022/23)

*** The budget for Station Development is £10m (£1m of spend is planned for 2022/23)

MEDIUM TERM CAPITAL PLAN 2018/19 – 2021/22

Capital Plan Funding and Reserve Balances

The Capital Plan is funded from various sources, each described below.

Revenue Contributions - The base revenue budget has a level of funding which may be used to support the funding of the capital programme. Revenue resources that can be used to fund capital projects have also been set aside in the Infrastructure Reserve.

Capital Receipts - The use of capital receipts from the disposal of assets is governed by Regulations and can only be used to fund capital expenditure and repay debt. As at 31 March 2018 there are forecast to be unapplied capital receipts arising from the disposal of a number of the Authority's assets, including redundant fire stations, land and unoccupied housing of £8,851k, with a further £1,264k expected during 2018/19. The Chancellor announced a relaxation of the rules regarding the use of new capital receipts to allow local authorities to fund revenue service efficiencies if certain criteria are met. Most of the accumulated receipts are expected to be used in the funding of the capital programme in 2019/20 and 2020/21.

Prudential Borrowing - The Authority can use prudential borrowing to fund capital expenditure. There is no borrowing limit, except that the Authority must be able to demonstrate that any borrowing is affordable and sustainable. Provision for the repayment of any loan is matched to the life of the asset that is being funded and, as a result, it is unlikely that this form of borrowing would be used to fund assets with a short life. Generally, other forms of capital funding are used before any prudential borrowing is considered, but this might change if there is an identified ongoing need for funding of capital expenditure and if long term interest rates seem likely to increase.

MEDIUM TERM CAPITAL PLAN 2018/19 – 2021/22

Capital Plan Funding and Reserve Balances

The Table below shows the funding sources for the capital plan plus anticipated balances on the capital receipts and infrastructure reserves for 2018/19 to 2021/22.

Capital Funding (All figures are £'000)	2018/19 Budget	2019/20 Budget	2020/21 Budget	2021/22 Budget	2018-22 Total
Funded By					
Revenue Contributions - from Base Budget	3,324	4,225	4,374	4,529	16,452
Revenue Contributions – from Reserve	4,308	(2,040)	(166)	2,970	5,072
Capital Receipts	0	7,000	4,500	400	11,900
Total Funding	7,632	9,185	8,708	7,899	33,424

Capital Receipts Reserve (All figures are £'000)	2018/19 Balance	2019/20 Balance	2020/21 Balance	2021/22 Balance
Balance at start of year	8,851	10,115	4,906	406
In-year receipts	1,264	1,791	0	0
Used in-year	0	-7,000	-4,500	-400
Balance at end of year	10,115	4,906	406	6

Infrastructure Reserve (All figures are £'000)	2018/19 Balance	2019/20 Balance	2020/21 Balance	2021/22 Balance
Balance at start of year	21,268	15,328	16,286	16,798
Capital reserve movements	-4,308	2,040	166	-2,970
Revenue reserve movements	-1,632	-1,082	346	-975
Balance at end of year	15,328	16,286	16,798	12,853

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