



**Kent** Fire &  
Rescue Service

Budget Book  
and  
Medium Term Financial Plan  
2017/18 to 2020/21

**This Budget Book details the assumptions used by the Authority for developing the 2017/18 budget and the estimates for later years and explains the proposals contained within the Medium Term Financial Plan.**

**Budget estimates reflect the continued implementation of the initiatives outlined in the Safety and Wellbeing Plan for 2016-18.**

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## THE BUDGET STRATEGY 2017/18

The Authority's budget for 2017/18 reflects the continued implementation of the proposals made in the Safety and Wellbeing Plan 2016-18. When determining spending proposals and Council Tax increases, regard must be given not just to the forthcoming year but also to future cost pressures and funding. The Authority has submitted an Efficiency Plan to the Government and as a result the amounts set out in the provisional financial settlement up to 2019/20 have been guaranteed and consequently are reflected in this Medium Term Plan. However, the figures for 2020/21 are only estimates at this stage and will be updated when the Government announces the outcome of the next spending Review.

In 2016 the Government consulted on options for the future funding of fire and rescue authorities (FRAs), asking whether FRAs would like to be party to the new arrangements for distributing business rates locally or whether some funding should be paid as grant. Given that business rates could be volatile the Authority responded in favour of receiving grant.

In addition to the budget changes made in support of the Safety and Wellbeing Plan 2016-18, the Authority's revenue budget for 2017/18 includes the cost of the legislative impact of the Government's initiatives in relation to apprentices. There is a new tax levy that is to be paid by all organisations over a certain size and an expectation that there will be new legal obligations for this Authority to employ and train approximately 35 apprentices each year, resulting in a new financial impact on the Authority. Staff turnover/retirements has seen firefighter numbers reduce over recent years, which has eased the transition to the new self-rostering working arrangements on stations, as this does require a lower number of firefighters on stations. However, retirements have now reached such a level that it will be necessary to run a new recruit course for firefighters during 2017/18 and if this trend continues then further recruit courses will need to be run in future years. The Authority is also planning to develop a cadet scheme which will open up the opportunity for the younger generation of potential firefighters to gain an appreciation of what it is like to work for the Fire and Rescue Service.

The new Policing and Crime Bill is expected to receive Royal Assent in the early part of 2017. The Bill proposes to support the transformation of services by driving efficiency and better value for money through facilitating closer collaboration between the police, fire and rescue and emergency ambulance services. This Authority already shares a Control Room with Kent Police and has joint working arrangements for emergency planning and community safety. The Authority is doing more work in support of local ambulance and health trusts through co-responding on life threatening emergencies, and extending the availability of defibrillators across the County by locating them in its blue light vehicles and fire stations, and increasing awareness as to their use. Within Community Safety, the number of home safety officers has been increased and their role widened to encompass a broader home safety remit. These 'Safe and Well' visits should recognise potential safety and health concerns and, through working with partners, should help reduce the risk of accidents and falls thus generating savings to the public purse.

Construction of the new Fire Station at Ramsgate will start in 2017 and will be followed by improvements to a number of other fire stations. This continuation of investment in buildings will ensure that facilities are fit for purpose, reduce maintenance and running costs, offer environmental benefits and facilitate closer working with other public sector partners.

In summary the Authority has developed a budget for 2017/18 that not only takes account of legislative changes but allows for improvements and innovations in the delivery of services to its customers in Kent and Medway. The Authority has an earmarked reserve that provides funding for the continued investment in buildings, vehicles and equipment and has other reserves set aside to mitigate identified potential risks.

## **BUILDING THE REVENUE BUDGET 2017/18**

### **Revenue Budget Analysis**

The Authority uses an incremental approach to develop its budget so the 2016/17 base revenue budget has been adjusted to reflect the impact of estimated pay and price increases, pressures, proposed savings and financial efficiencies. Budgets are adjusted where necessary to meet the cost of any legislative requirements or where demands cannot be managed from within existing budget allocations.

**Pay** - The budgets for staff costs are adjusted each year to reflect estimates for inflationary pay increases, the movement of staff through grades (increments), the number of public holidays within the financial year and changes to employer national insurance and pension contributions. The main area for salary growth normally results from the application of estimates for nationally-set pay awards which, in line with government expectations, has been estimated at 1%. The estimated cost of a 1% pay award is £480k and of increments a further £118k. There will be an increase in the number of public holidays in 2017/18, which it is estimated will cost an extra £152k. There has been some consolidation of allowances and additional posts added to Community Safety, Training Centre, Human Resources and IT which, in total, have increased the pay budget by £893k. (Of this, £324k relates to temporary posts added to facilitate specific work streams for the operational and training review projects).

**Pensions and other commitments** - The budget for 2017/18 provides for two new ill-health retirements. This budget has been increased by £72k to cover the cost of the annual inflationary increase on injury pensions, and an increase in new commitments as a result of the four ill-health retirements in 2016/17, although this cost is partly offset by a saving where earlier years' commitments have dropped out. For 2017/18, £41k has been added to the employer's pension contributions budget in anticipation of an increase in the pension scheme membership when auto-enrolment is introduced. A further £496k is included for the cost of employing and training new apprentices and firefighter recruits.

**Prices** - An increase of 2.5% has been allowed for unavoidable and general contractual price increases. Whilst electricity is being delivered through a fixed price contract, gas and fuel budgets are expected to come under pressure, so a 10% inflationary increase has been allowed for in these areas. In total there has been a net inflationary increase of £391k across most non-pay budgets. However, in areas of discretionary spend, such as stationery, no allowance for inflation has been made, so that budget managers will need to manage spend within the existing budget.

**Other pressures** - From April 2017 all employers with an annual pay bill of more than £3 million will need to pay an annual apprenticeship levy which equates to 0.5% of the total pay budget. For this Authority the levy is estimated to be £188k, resulting in an ongoing unavoidable budgetary commitment. A further £79k has been added to cover the cost of a wider roll-out of Disclosure and Barring Service checks and Hepatitis B vaccinations. Finally an additional £54k has been added to reflect the running costs at the new Rochester Fire Station.

**Income** - There is an increase of £87k in the amount of non-specific S31 grants expected to be received in 2017/18.

**Savings** - A more detailed explanation of the £3,808k pay and non-pay savings that have been included in the budget is provided overleaf.

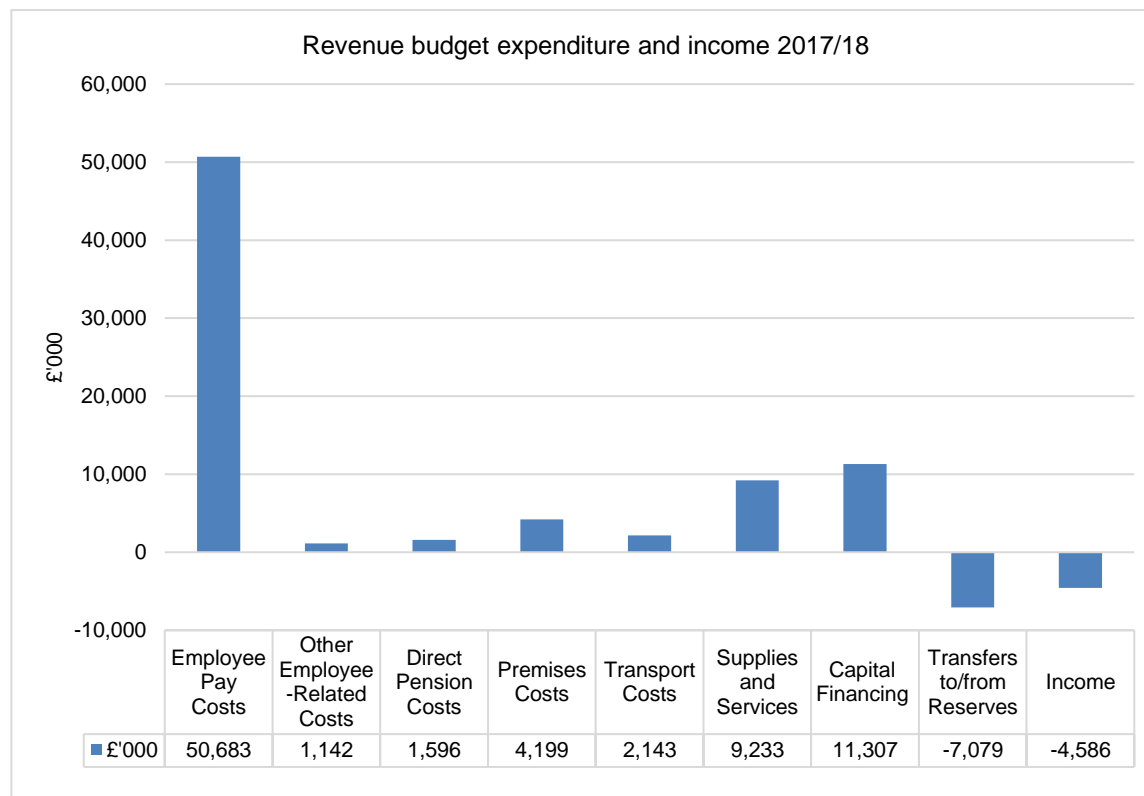
**General Reserves** - General Reserves will be reduced by a further £40k in 2017/18, in addition to the £50k reduction already reflected in the base.

## BUILDING THE REVENUE BUDGET 2017/18

### Revenue Budget Analysis

#### Revenue Budget Changes 2017/18

	Budget £'000
<b>Base Budget brought forward</b>	<b>69,292</b>
<b>Employee Cost Pressures</b>	
Pay	1,642
Pension and other commitments	746
<b>Sub-total</b>	<b>2,388</b>
<b>Non Pay Cost Pressures</b>	
Prices	572
Other pressure	321
<b>Sub-total</b>	<b>893</b>
<b>Income</b>	<b>-87</b>
<b>Savings</b>	
Pay	-1,217
Non-pay	-2,591
<b>Sub-total</b>	<b>-3,808</b>
<b>General Reserves</b>	<b>-40</b>
<b>Net Budget 2017/18</b>	<b>68,638</b>



## **BUILDING THE REVENUE BUDGET 2017/18**

### **Savings**

**Pay savings** - In total £1,217k of pay savings are expected to be delivered in 2017/18 and these include:-

Changes to duty systems - £724k of the saving will be generated as a result of the rollout of the new self-rostering system at a number of wholetime stations. Whilst this requires a reduced number of firefighters to cover each shift, the savings have been achieved as a result of the natural retirement of firefighters.

Other operational pay - In total, savings totalling £277k are expected to be achieved in this area. Whilst £86k comes from a reduction in the number of employees operating the flexible duty system, the balance of £191k is expected to arise as a result of the introduction of the 2015 Firefighters' CARE Pension Scheme. This new scheme has resulted in a lower employer contribution rate compared to that of the closed 1992 Firefighters' Pension Scheme.

Non-operational pay - £216k comes from a reduction in back-office pay budgets through a combination of natural leavers/retirements and voluntary redundancies. Whenever a post becomes vacant it is reviewed to determine whether or not it can be deleted. Further savings will also continue to be generated by replacing uniformed staff in non-operational posts, when those posts become vacant, with non-uniformed staff.

**Non-Pay savings** - Savings totalling £2,591k have been made from non pay budgets. These include:-

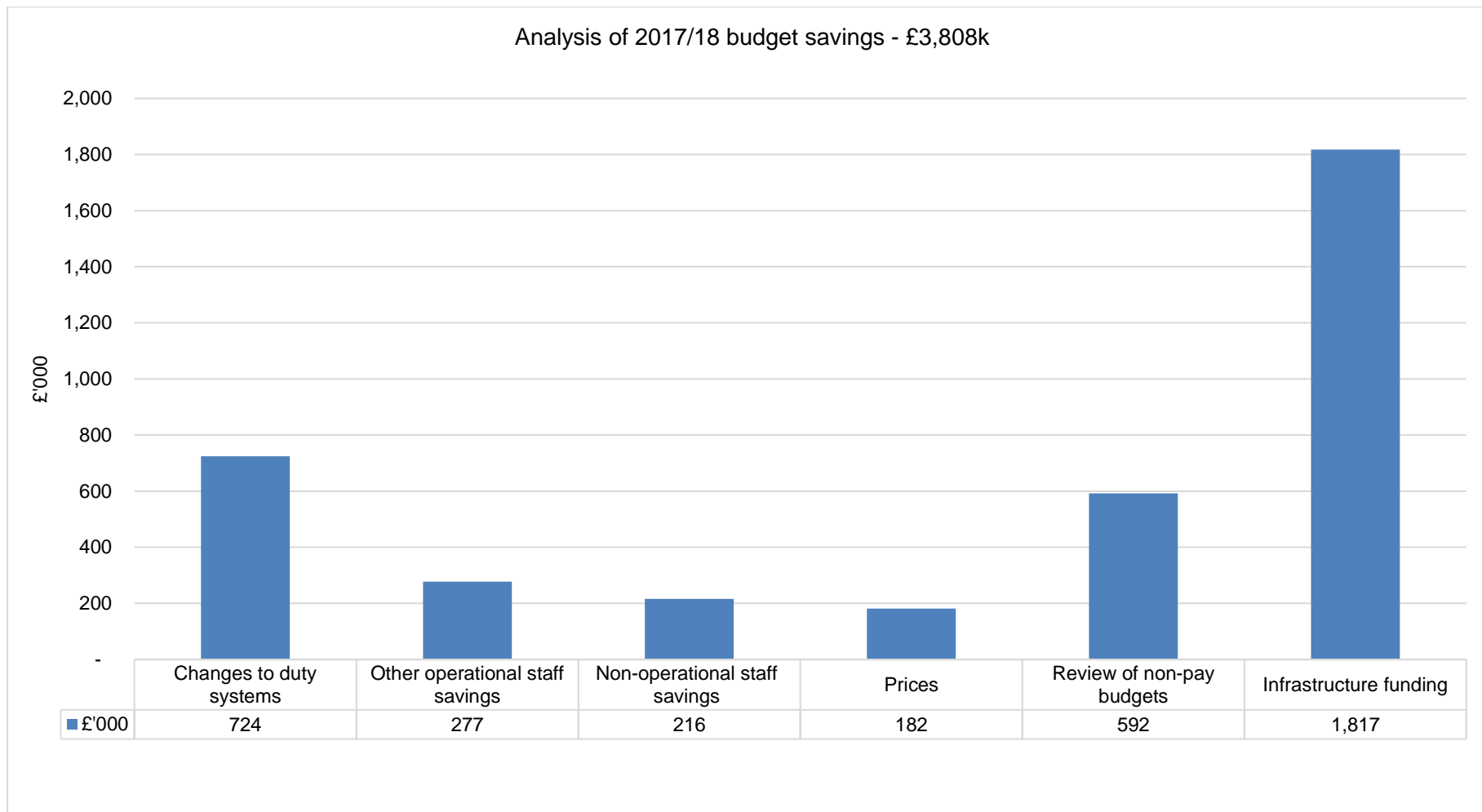
Review of non-pay budgets - Savings will be generated from several different areas. Firstly, £182k will be saved by not allocating any inflationary increase to day to day budgets. Secondly, budget managers have reviewed their spending plans and identified that, in total, £592k can be saved across a number of areas, primarily by streamlining processes, managing spend more effectively, as a result of reduced demand or by re-evaluating requirements. The largest savings have arisen in engineering where vehicle maintenance costs have been reduced by £252k, partly as a consequence of newer appliances being added to the fleet, but also through a review of processes. There has also been a saving of £177k in the Improvement and Efficiency budget. The remaining net savings identified are individually small but contribute a further £163k.

Infrastructure Savings - In addition to a core base budget, funding for infrastructure includes one-off funding changes arising from the distribution of net collection fund surpluses (Business Rates and Council Tax) and Section 31 grant being paid for small business rate relief. In 2017/18 net one-off funding changes are £1,030k and other savings made are £787k.



# BUILDING THE REVENUE BUDGET 2017/18

## Savings



## **BUILDING THE REVENUE BUDGET 2017/18**

### **Functional and Employee Analysis**

**Firefighting and Rescue** - These are the direct costs associated with operational response and include 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** - This includes the costs of community and technical fire safety related activity. Additional resources have been added to Community Safety to enable the team to undertake an increased number of 'Safe and Well' visits to the most vulnerable people in the county.

**Operational Policy and Resilience** - This includes the costs of operational pre-planning, emergency planning, activity funded by New Dimension Grants, the Eurotunnel contract and other Channel Tunnel related activity. Grant from the Channel Tunnel Safety Authority is credited here but the largest element of the income in this section relates to the Channel Tunnel contract.

**Human Resources, Communications and Executive Support** - This includes the cost of human resources including organisational development and training, media and communications, Members and committee services, the Corporate Management team and the costs of the centralised administration function. Within this area is the central budget to support corporate initiatives and collaboration.

**Finance and Corporate Services** - This includes the costs of property services, procurement, engineering, finance, insurance and information systems. Income here includes £484k of grant received towards FireLink costs, plus income from rental of masts to communication companies and income from feed-in tariffs generated from solar panels on Authority buildings, and an estimate for insurance recoveries.

**Pensions, Financing and Other Costs** - On a day to day basis these costs are reflected in the Finance and Corporate Services area. However, they have been presented separately in the Table opposite to give clarity to the budgets. Included here are those costs of the Firefighters' Pension Scheme which are not paid for by the Government, the cost of capital charges, borrowing costs, interest earned on deposits and transfers to/from the earmarked reserves. The estimated income of £595k shown in the Table opposite relates to Section 31 grant for Small Business Rate Relief (£388k); transparency grant (£7k); Section 31 grant for Emergency Services Mobile Communication Programme (ESMCP) (£37k); and interest on deposits (£163k).

## BUILDING THE REVENUE BUDGET 2017/18

### Functional and Employee Analysis

(All figures are £'000)	Firefighting and Rescue	Community Safety and Technical Fire Safety	Operational Policy and Resilience	HR, Comms and Executive Support	Finance and Corporate Services	Pensions, Financing and Other Costs	Total Net Budget
Employee Pay Costs	30,985	4,696	7,460	4,079	3,463	0	50,683
Other Employee-Related Costs	8	0	79	888	167	0	1,142
Direct Pension Costs	0	0	0	0	0	1,596	1,596
Premises Costs	20	0	42	0	4,137	0	4,199
Transport Costs	10	20	38	23	2,052	0	2,143
Supplies and Services	437	357	2,879	1,045	4,414	101	9,233
Capital Financing	0	0	0	0	0	11,307	11,307
Transfers to/from Reserves	0	0	-50	0	0	-7,029	-7,079
Income	-15	-6	-3,302	-20	-648	-595	-4,586
<b>Net Budget 2017/18</b>	<b>31,445</b>	<b>5,067</b>	<b>7,146</b>	<b>6,015</b>	<b>13,585</b>	<b>5,380</b>	<b>68,638</b>

## **BUILDING THE REVENUE BUDGET 2017/18**

### **Employee Pay Analysis**

Approximately 75% of the net revenue budget relates to staffing costs. There are essentially five different groups of staff, each of which are described below:-

**Wholetime Firefighters - Station Staff** - The second phase of wholetime shift stations moving to the self-rostering system was implemented in January 2017. Phase three of the implementation will see a further four stations moving over to the new rostering system in January 2018, which will result in the saving of 12 wholetime posts.

**Wholetime Firefighters - Other Staff** - These are uniformed staff ('Grey Book' terms and conditions) who are employed in areas such as Technical Fire Safety and Community Safety.

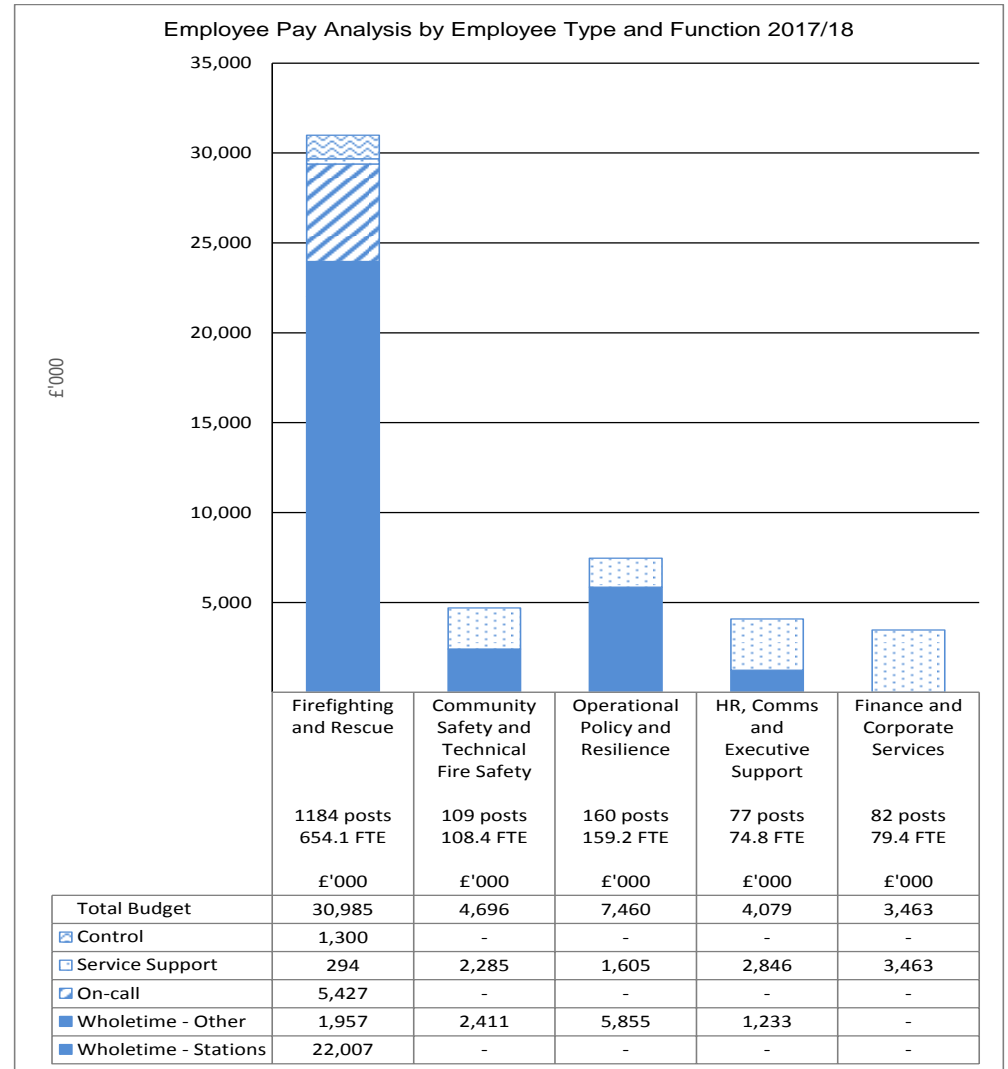
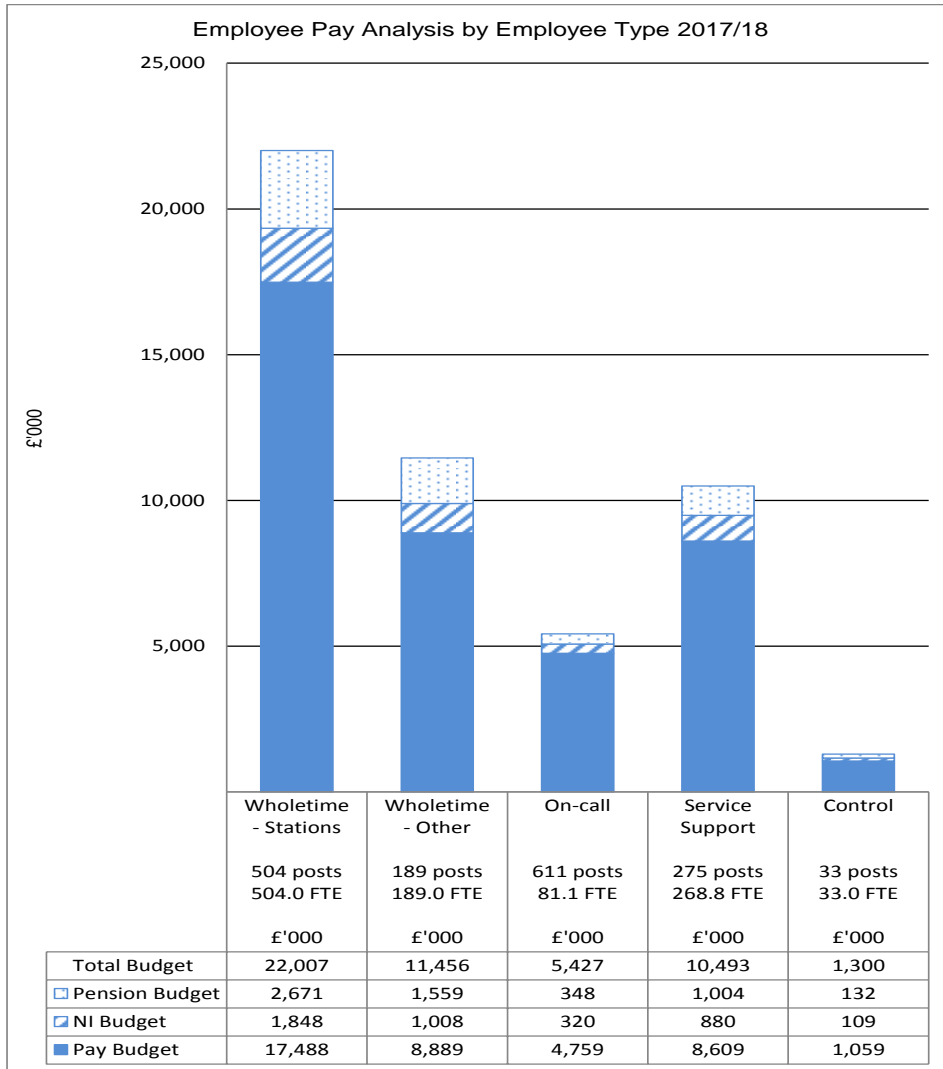
**On-Call Firefighters** - These are firefighters who provide on-call cover to provide frontline support at a wide range of incidents. They are also increasingly involved in providing first responder support in the community.

**Service Support** - There have been reviews across all back-office functions. Additional posts have been added into HR, IT and Community Safety due to increased activity in these areas. Some posts are temporary, up to 18 months, to facilitate specific work in relation to operational and training review projects. There has been a further increase in service support pay, mainly within Technical Fire Safety, where posts have been converted from 'Grey Book' (uniformed) to 'Green Book' (service support) terms and conditions.

**Control Staff** - These are staff located at the Fire and Police Control Centre who manage all emergency call handling for the Authority.

# BUILDING THE REVENUE BUDGET 2017/18

## Employee Pay Analysis



## **BUILDING THE REVENUE BUDGET 2017/18**

### **Pensions Analysis**

Within the overall pay budget of £50,683k are employer pension contributions which total £5,714k. This is different to the Direct Pension costs figure of £1,596k on page 11, as this relates to the cost of injury and ill-health pensions which are separate from those paid for by central Government, and is a cost incurred directly by the Authority.

There are currently a number of different pension schemes in operation at the Authority, each of which is described below:-

**2015 CARE Firefighters' Pension Scheme** - A Career Average Revalued Earnings (CARE) scheme for firefighters from April 2015. 1992 and 2006 Firefighter Pension Scheme members 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)** - A final salary scheme open to regular firefighters until April 2006. The Scheme was closed to new entrants from April 2015. Unless subject to full or transitional protection, all scheme members transferred to the Firefighters' CARE Pension Scheme 2015 from 1 April 2015.

**Direct Pension Costs** - This budget includes all injury and certain ill-health pension costs that are to be met by the Authority.

**2014 Local Government Pension Scheme (LGPS)** - A Career Average Revalued Earnings (CARE) scheme introduced for all LGPS members from April 2014.

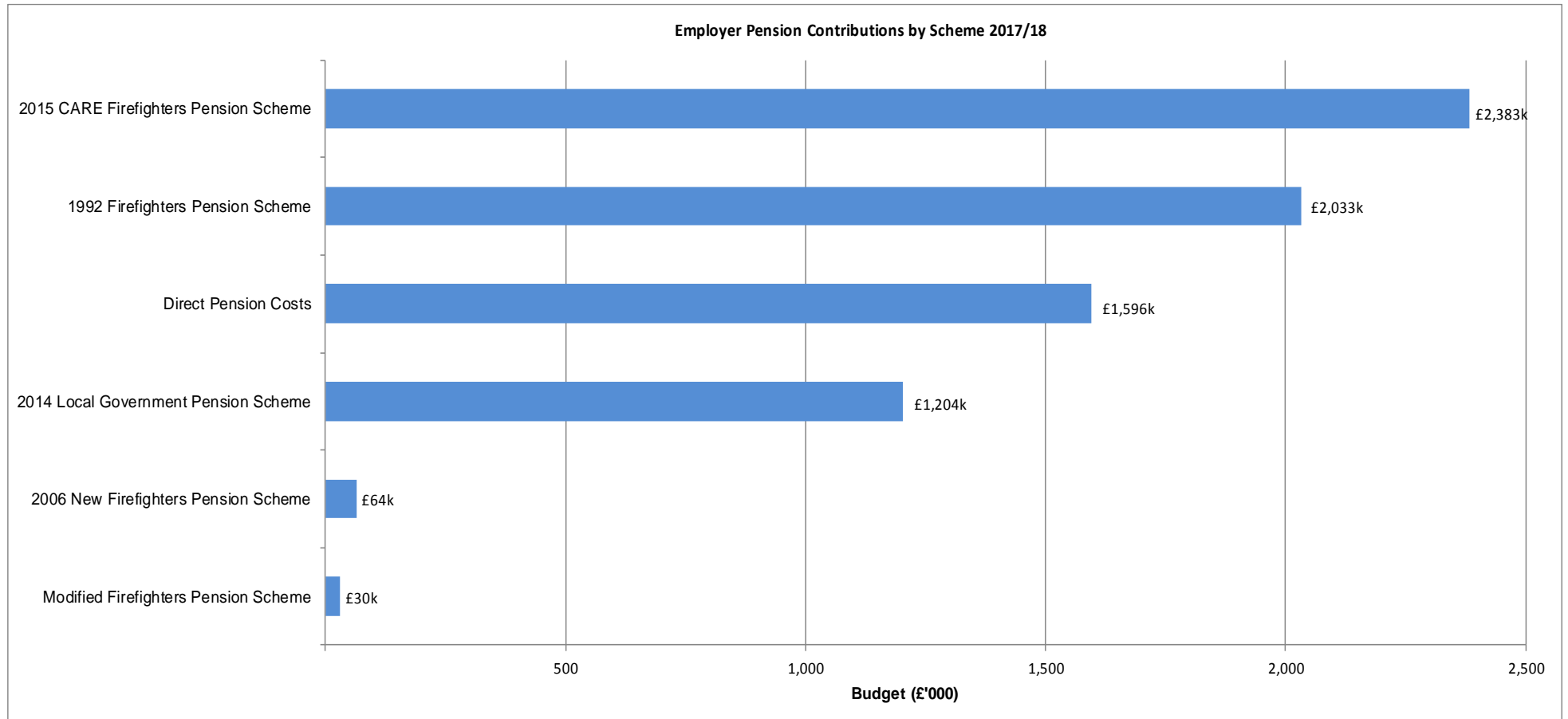
**2006 New Firefighters' Pension Scheme (NFPS)** - A final salary scheme introduced in April 2006 and open to regular firefighters until April 2015. As with the 1992 Scheme members were transferred to the 2015 scheme unless they had transitional protection.

**Modified Firefighters' Pension Scheme (MNFPS)** - A final salary scheme offered to those employed as retained firefighters between 1 July 2000 and 5 April 2006, who were not given the opportunity to join the 1992 Firefighters' Pension Scheme.

# BUILDING THE REVENUE BUDGET 2017/18

## Pensions Analysis

### Employer Pension Contributions



## **FUNDING THE REVENUE BUDGET 2017/18**

### **Sources of Funding**

The Authority receives funding from Council Tax, Business Rates, Collection Funds (Council Tax and Business Rates) and the Revenue Support Grant, each of which are described below:-

**Council Tax Precept** - About two-thirds of the Authority's income 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** - As in previous years, the Government continues to redistribute funding through the payment of revenue support grant although the amount is reducing each year.

**Top-Up Grant** - Additional top-up grant of £7,910k is paid by the Government to the Authority as the Authority's share of business rates collected locally. This is now less than the amount previously paid through formula grant.

**Business Rates** - 50% of the income from local Business Rates is paid to the Government with the remaining 50% being retained locally, from which FRAs receive a 2% local share. Authorities that collect more than the amount specified by the Government will pay a levy to the Government and those that collect less may receive a safety net payment. This Authority is part of a pooling arrangement with Kent County Council and the majority of Kent District Councils.

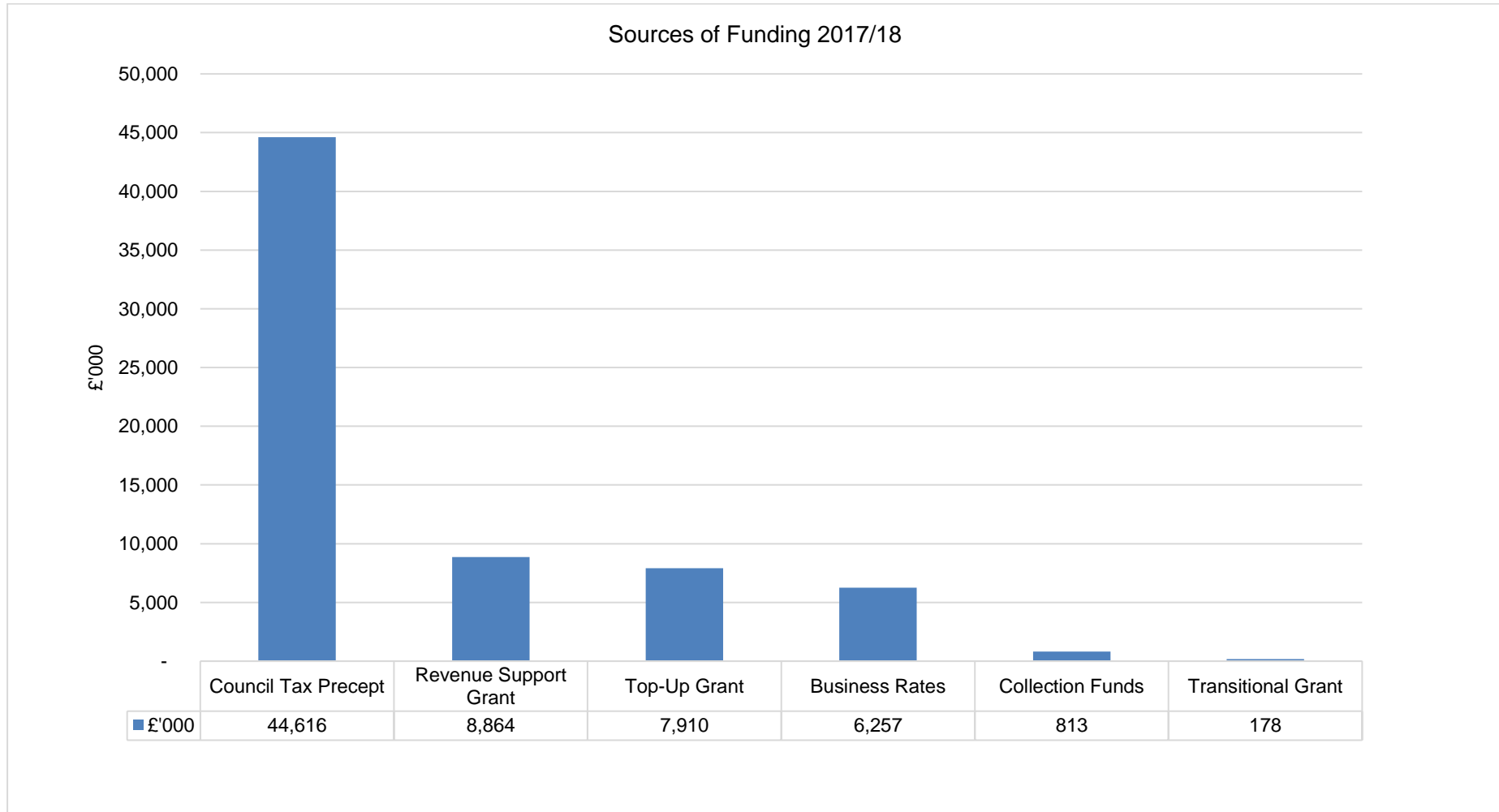
**Collection Fund** - Each year there can be either a surplus or a deficit on the Collection Funds for Council Tax and Business Rates. In 2017/18 the Authority's share is a surplus of £859k on Council Tax collection funds and a £46k deficit on Business Rate collection funds.

**Transitional Grant** - An additional Government grant announced in the 2016/17 Local Government Finance Settlement which is intended to ease the change from a system based on central government grant to one in which local sources determine a council's revenue.



## FUNDING THE REVENUE BUDGET 2017/18

### Sources of Funding



## FUNDING THE REVENUE BUDGET 2017/18

### Council Tax and Business Rate Income

**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 596,087 in 2016/17 to 608,266 in 2017/18, an increase of 2.04%.

**Collection Fund** - 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. The Authority has been advised that its share of the net surplus on Council Tax collection funds from Medway Council and the Kent Districts is £859k and its share of the deficit on the Business Rate collection funds is £46k.

**Council Tax Bands** - The Authority is being recommended to increase Council Tax by 1.88% in 2017/18. This equates to an annual increase of £1.35 (just over 2.5 pence per week), increasing the Council Tax for a Band D property to £73.35.

**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 or Medway Council, plus the charges set by the relevant District Council, 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.

**Business Rates Pooling** - This is an arrangement whereby two or more authorities enter into an agreement to deal with the administration of Business Rates collectively. This usually results in more income being retained locally because the levy rate for the Pool as a whole would be lower than that for individual Pool members, had they remained outside the Pool. The Authority is part of the Kent Business Rates Pool for 2017/18, the existence of which provides a significant financial benefit for Kent residents.

## FUNDING THE REVENUE BUDGET 2017/18

### Council Tax and Business Rate Income for 2017/18

	Budget £'000
<b>Net Budget Requirement 2017/18</b>	<b>68,638</b>
<b>Financed from Government:</b>	
Revenue Support Grant	8,864
Transitional Grant	178
Top-up Grant	7,910
<b>Total Government Grant</b>	<b>16,952</b>
Council Tax	44,616
Share of Retained Business Rates 2%	6,257
Surplus on Council Tax Collection Funds	859
Deficit on Business Rate Collection Funds	-46
<b>Total Funds available</b>	<b>68,638</b>
Council Tax Base	608,266
Tax rate for Band D property 2017/18	£73.35
Increase in Band D charges 2017/18	1.88%

Council Tax Band	Proportion of Band D	Annual Council Tax 2016/17 £	Annual Council Tax 2017/18 £
<b>A</b>	6/9	48.00	48.90
<b>B</b>	7/9	56.00	57.05
<b>C</b>	8/9	64.00	65.20
<b>D</b>	1	72.00	73.35
<b>E</b>	11/9	88.00	89.65
<b>F</b>	13/9	104.00	105.95
<b>G</b>	15/9	120.00	122.25
<b>H</b>	18/9	144.00	146.70

## FUNDING THE REVENUE BUDGET 2017/18

### Revenue Grant Funded Expenditure

Each year a proportion of the Authority's 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 allocated. Grant income is matched against the relevant grant-related expenditure. Detailed below are the estimated grants for 2017/18:-

**Business Rate Initiative** - This grant is a payment to compensate 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)** - 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 2018/19 but £37k of grant is estimated for 2017/18.

**FireLink** - This is being paid to cover 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** - In previous years, these Section 31 grants were announced as part of the finance settlement. However at the time of drafting this report, no confirmation has been received as to the size of the grants for 2017/18 or future years. The budget for 2017/18 has therefore been built on the assumption that the grants will be at the same level as those received in 2016/17. 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** - 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 REVENUE BUDGET 2017/18

### Revenue Grant Funded Expenditure

(All figures are £'000)	Grant reserve balance 1/04/2017	Grant expected 2017/18	<b>Total Funds available</b>	Employees	Other expenditure	<b>Total expenditure</b>	<b>Grant reserve balance 31/03/2018</b>
<b>Revenue Grants - Section 31</b>							
Business Rate Initiative	0	388	<b>388</b>	0	388	<b>388</b>	<b>0</b>
Emergency Services Mobile Comms	0	37	<b>37</b>	0	37	<b>37</b>	<b>0</b>
FireLink	0	484	<b>484</b>	0	484	<b>484</b>	<b>0</b>
National Resilience	513	1049	<b>1,562</b>	910	189	<b>1,099</b>	<b>463</b>
Transparency	0	7	<b>7</b>	0	7	<b>7</b>	<b>0</b>
<b>Total Section 31 Grants</b>	<b>513</b>	<b>1,965</b>	<b>2,478</b>	<b>910</b>	<b>1,105</b>	<b>2,015</b>	<b>463</b>

## RESERVES

**General Reserves** - This reserve provides a working balance to help cushion the impact of uneven cash flows, help avoid unnecessary temporary borrowing, and provide a contingency to cushion the impact of unexpected events or exceptional circumstances. The level of general reserves is set at approximately 6% of the Authority's net revenue budget. The appropriateness of the level of this reserve is assessed on an annual basis, through a detailed risk assessment.

**Earmarked Reserves** - These are sums that are set aside for a specific purpose to meet future known or predicted expenditure or liabilities. Their use and purpose is clearly defined, with regular reviews to ensure their continued relevance and adequacy. Detailed below is a brief description of each earmarked reserve:-

**Business Continuity** - Supports the funding of any additional costs that might arise due to an unavoidable interruption to business continuity or service provision.

**Community Safety Initiative** - Supports the funding of any additional costs associated with improving exhibits at the new Road Safety Centre.

**Government Grants** - Used to carry forward unspent Government grants at the end of the financial year.

**Improvement and Efficiency** - Facilitates the pump-priming of any new improvement and efficiency initiatives.

**Infrastructure** - Funds expenditure on infrastructure assets such as the new-build programme, IT and communications equipment, vehicles and operational equipment.

**Insurance** - Assists in smoothing out the cost of insurance claim volatility between financial years.

**Local Government Resource Review** - Funds any potential unforeseen loss in relation to the Authority's share of Medway Council's and Kent Districts' collection funds on Business Rates.

**Rolling Budget** - Used to fund budgetary commitments falling in one financial year where goods or services will not be received or delivered until the next financial year.

**Workforce Reduction** - Funding for the potential one-off cost of redundancy payments.

## RESERVES

General and Earmarked Reserves (All figures are £'000)	1 April 2017 Forecast Balance	2017/18 Net Transfers to/from Reserves	31 March 2018 Forecast Balance
<b>General Reserve</b>	4,150	-90	4,060
<b>Earmarked Reserves</b>			
Business Continuity	500	0	500
Community Safety Initiative	200	0	200
Government Grants (Section 31)	513	-50	463
Improvement and Efficiency	938	0	938
Infrastructure	18,996	-6,939	12,057
Insurance	500	0	500
Local Government Resource Review	1,000	0	1,000
Rolling Budget Reserve	246	0	246
Workforce Reduction	3,000	0	3,000
<b>Total Earmarked Reserves</b>	<b>25,893</b>	<b>-6,989</b>	<b>18,904</b>
<b>Capital Receipts</b>	8,986	300	9,286
<b>Unapplied Capital Grants</b>	36	-36	0
<b>Total Reserves</b>	<b>39,065</b>	<b>-6,815</b>	<b>32,250</b>

Estimated reserves over the medium term	2017/18	2018/19	2019/20	2020/21
General Fund Balance – year end 31 March	4,060	4,060	4,110	4,160
Earmarked General Fund Reserves – year end 31 March	18,904	15,480	8,758	8,017
Expected Use of Earmarked Reserves - in year	-6,989	-3,424	-6,722	-741

## **MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21**

### **Revenue Budget Assumptions**

The Table opposite shows a summary of the proposed changes to the base budget used in developing the estimated budgets for each of the subsequent financial years from 2017/18 to 2020/21. As detailed previously the Government has confirmed funding to 2019/20 which has therefore been used for planning. The funding in the MTFP for 2020/21 is based on estimates and will be subject to the outcome of the Government's next Spending Review. The key assumptions to note are as follows:-

- (a) Government will provide funding to 2019/20 in line with the provisional Local Government Finance Settlement.
- (b) The Council Tax base will increase by 1.0% in each financial year between 2018/19 and 2020/21.
- (c) Council Tax increases will be approximately 2% in each year to 2020/21.
- (d) There will be no surplus or deficit on the collection funds in future years.
- (e) A 1% pay award for all staff groups in each year to 2020/21.
- (f) Increments continue to be applied to service support staff, up to the point where they reach the top of the pay scale.
- (g) After 2017/18 price increases are generally based on an annual inflation rate of 2% in each year.
- (h) Two new ill-health retirements in each year from 2017/18 to 2020/21.
- (i) 35 new apprentices each year from 2017/18 onwards.
- (j) A commitment in 2017/18 of £188k for the Government's new apprenticeship levy.
- (k) A 4% increase in employer's pension contributions to firefighter pension schemes in 2019/20.



## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

Summary Revenue Budget Estimates	2017/18	2018/19	2019/20	2020/21
(All figures are £'000 unless stated)	Budget	Budget	Budget	Budget
<b>Base Budget brought forward</b>	<b>69,292</b>	<b>68,638</b>	<b>67,575</b>	<b>68,495</b>
Pay, Pensions, Prices and Pressures	3,281	1,337	2,156	1,130
Income	-87	0	0	0
Savings	-3,808	-2,490	-1,286	-290
General Reserves	-40	90	50	50
<b>Net Budget</b>	<b>68,638</b>	<b>67,575</b>	<b>68,495</b>	<b>69,385</b>
Net change	-654	-1,063	920	890
Net change %	-0.94%	-1.55%	1.36%	1.30%
<b>Budget funded by</b>				
Revenue Support Grant	8,864	7,263	6,319	5,402
Transitional Grant	178	0	0	0
Share of Retained Business Rates 2%	6,257	6,200	6,420	6,986
Top-up Grant	7,910	8,165	8,456	8,321
Council Tax	44,616	45,947	47,300	48,676
Council Tax Collection Fund Surplus	859	0	0	0
Business Rates Collection Fund Deficit	-46	0	0	0
<b>Total Funding</b>	<b>68,638</b>	<b>67,575</b>	<b>68,495</b>	<b>69,385</b>
<b>Council Tax Base</b>	<b>608,266</b>	<b>614,348</b>	<b>620,492</b>	<b>626,697</b>
<b>Band D Council Tax</b>	<b>£73.35</b>	<b>£74.79</b>	<b>£76.23</b>	<b>£77.67</b>

## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### Funding the Revenue Budget

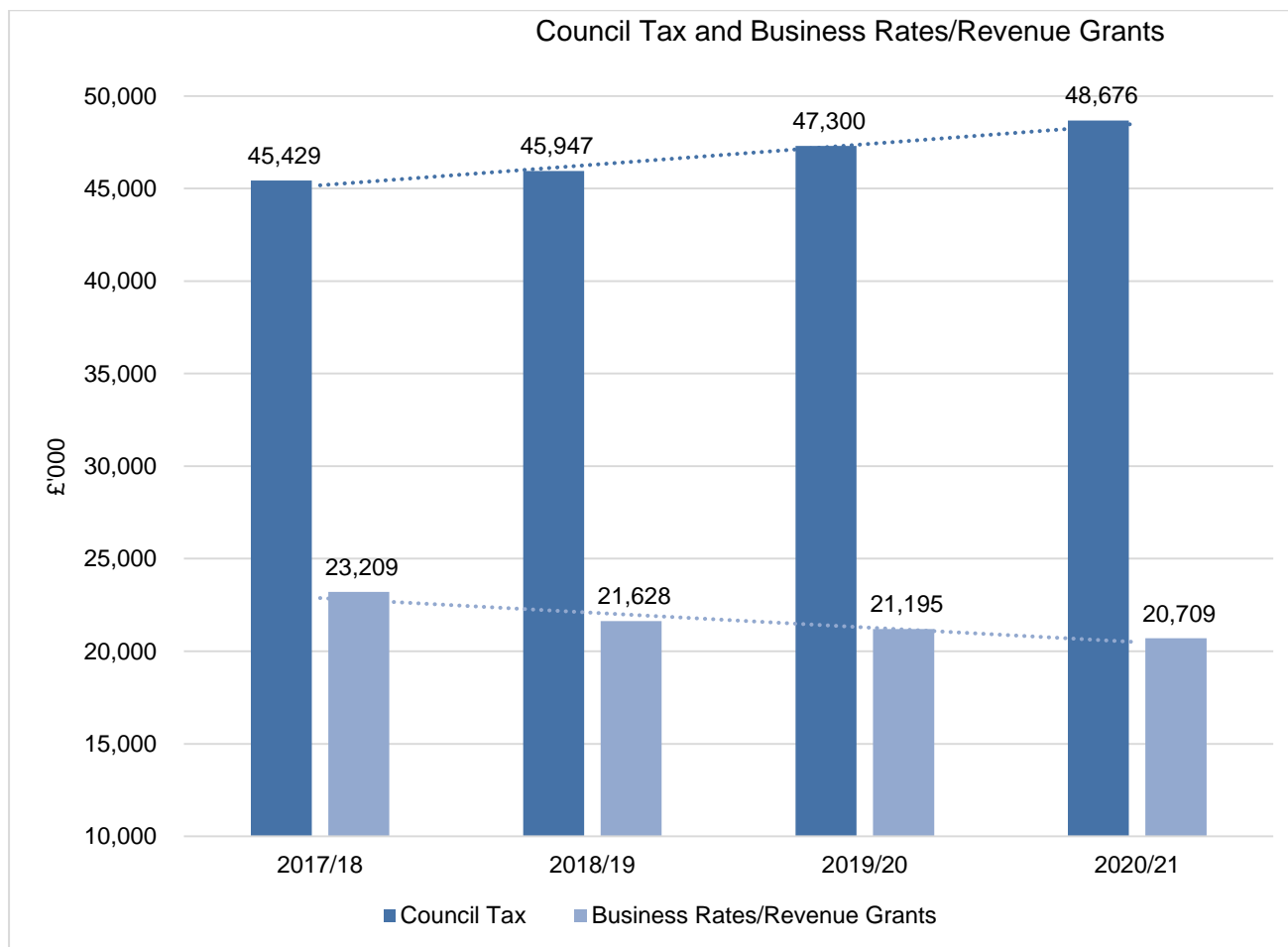
The Table below provides more detail on the funding assumptions over the medium term. The Government has confirmed the funding settlement to 2019/20 which provides increased certainty and aids planning. However, this only guarantees the minimum amount of revenue support grant (RSG) receivable. Business rates receivable are not guaranteed and are subject to volatility as a result of factors such as the level of growth and appeals against valuations. As can be seen in the chart opposite, the level of RSG that the Authority can expect to receive over the coming years is reducing which means that there will be an increased reliance on the money raised from Council Tax and Business Rates. The Authority's current plans are that it will continue to increase Council Tax each year, but that the increase will remain below the Government-set referendum limit (which is currently 2%).

<b>(All figures are £'000 unless stated)</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Business Rates and Top-Up Grant	14,167	14,365	14,876	15,307
Revenue Support Grant (RSG)	8,864	7,263	6,319	5,402
Additional Transitional Grant included in the Grant Settlement	178	0	0	0
<b>Business Rates and Revenue Grant Total</b>	<b>23,209</b>	<b>21,628</b>	<b>21,195</b>	<b>20,709</b>
Estimated Council Tax	44,616	45,947	47,300	48,676
Collection Fund (Council Tax and Business Rates)	813	0	0	0
<b>Council Tax Total</b>	<b>45,429</b>	<b>45,947</b>	<b>47,300</b>	<b>48,676</b>
<b>Total Funding</b>	<b>68,638</b>	<b>67,575</b>	<b>68,495</b>	<b>69,385</b>
Actual/Assumed Council Tax base increase on previous year	893	455	469	482
Growth in Council Tax Base Yield to Previous Year (%)	2.04%	1.00%	1.00%	1.00%
Council Tax Band D Precept Increase	£1.35	£1.44	£1.44	£1.44
Council Tax Band D Precept Increase (%)	1.88%	1.96%	1.93%	1.89%

## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### Funding the Revenue Budget

This chart below demonstrates the increasing reliance on Council Tax, compared to the net forecast reduction in Business Rates and Revenue Grants.



## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### Cost Pressures

For ease of reference, the numerical data contained in the current Efficiency Plan has been incorporated within this Budget Book and Medium Term Financial Plan (MTFP), so that it can be reported to Members at the annual budget meeting held in February each year and then published on the Authority's website. Progress being made this year in achieving proposed savings, in collaborative working, the Workforce Strategy and performance will all be incorporated within the Governance Assurance Statement, which is also published on the Authority's website and will be reported to the General Purposes Committee at its meeting in July 2017. The Authority's budget is based on its plans which include the [Safety and Wellbeing Plan](#). This Plan sets out how the Authority intends to redesign its services to meet the challenges ahead, so it not only provides an update on the progress being made but also incorporates new things to come. It sets out how the Authority will work with its many partners and the benefits this is intended to reap for the local community. The Plan is not published every year; only when significant changes are proposed. It is aligned with the budget and Medium Term Financial Plan and subject to public consultation, and Members of the Authority are asked to approve both at the same meeting.

The Authority has a [Corporate Plan](#). Every year the Authority publishes a Corporate Plan which is its main strategic planning document, providing a clear statement of the organisation's vision, aim and objectives. The current Plan is structured around the Authority's primary strategies and includes reference to how the Authority continues to work to improve its efficiency and effectiveness whilst ensuring that it delivers high quality and value for money services. The Plan details the progress made during the year but also incorporates all the activities detailed in the current Safety and Wellbeing Plan.

The Table opposite expands on the information set out in the summary MTFP detailing the areas in which additional funding pressures are expected to arise in the next four years in addition to any changes in sources of income. After deducting any change to service income, pay and non-pay cost pressures will total an amount described in the Efficiency Statement as the 'Financial Challenge Before Efficiencies'.

The majority of the employee cost pressures are beyond the control of the Authority as they result from applying various aspects of legislation, as in the case of apprentices, or contractual pay awards and increments. There is an expectation that the Government Actuary will increase employer contribution rates for firefighter pension schemes in 2019/20 and this has to be included. These additional costs increase the level of savings that the Authority needs to find each year.

The Authority receives little additional income in excess of that provided by Government Grant, Business Rates or Council Tax. Interest rates are very low so deposits generate small returns. The Authority has very few opportunities to generate additional income without incurring additional overhead costs, so more often than not the investment in additional time and money is not sufficient to make it worthwhile pursuing these options. The Authority considers that it is a better use of public funds to focus on providing a quality frontline service to the people of Kent and Medway.

## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### Cost Pressures

	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
<b>(All figures are £'000)</b>				
<b>Cost pressures</b>				
Pay Awards	480	481	491	500
Increments	117	134	108	89
Bank Holiday pay adjustments between years	152	-100	50	0
Other pay growth	893	-155	-175	0
Pensions and ill-health costs	72	19	44	30
Apprentices and recruits	633	496	14	13
Pension auto-enrolment	41	0	0	0
Actuarial review of FPS	0	0	990	0
<b>Total employee cost pressures</b>	<b>2,388</b>	<b>875</b>	<b>1,522</b>	<b>632</b>
<b>Non-pay cost pressures</b>				
Non-Pay inflation	572	437	427	433
Apprenticeship levy	188	0	0	0
Other	133	25	207	65
<b>Total non-pay cost pressures</b>	<b>893</b>	<b>462</b>	<b>634</b>	<b>498</b>
<b>Total cost pressures</b>	<b>3,281</b>	<b>1,337</b>	<b>2,156</b>	<b>1,130</b>
<b>Income</b>				
Section 31 Grants	-87	0	0	0
<b>Financial challenge before efficiencies</b>	<b>3,194</b>	<b>1,337</b>	<b>2,156</b>	<b>1,130</b>

## **MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21**

### **Cashable Savings**

The Safety and Wellbeing Plan and Corporate Plan (links provided above) detail a number of cashable and non-cashable savings that have arisen over recent years and others that are expected in the future. The current forecast is that approximately £8m of further savings will be required between 2017/18 and 2020/21 and so the challenge is to ensure that these savings are achieved, whilst still providing a high-quality and effective service. Not all projects deliver cashable savings, but in some cases the benefit to the community will far outweigh any cashable saving that could be achieved, such as the ongoing work by fire crews to support the South East Coast Ambulance Service in responding to medical emergencies. The Authority is proactive in progressing opportunities to collaborate with a variety of partner agencies, providing that there is a benefit for the local community.

The savings planned for 2017/18 and future years are detailed in the Table opposite.

**Pay Savings** - The largest proportion of the pay savings arise from staffing changes, which are expected to arise as a result of a combination of staff either leaving or retiring from the organisation plus various changes in crewing arrangements. Flexible rostering, for example, allows the Authority to maintain the same service to the public, but with fewer firefighters based at fire stations. The Authority does everything possible to avoid the need to make compulsory redundancies and so it reviews each and every vacancy (operational and support staff) that arises to determine whether the post needs to be filled or a saving can be made. As many of the staffing savings are achieved by staff retiring from the organisation, this forecast is incorporated within the emergency response reviews that are undertaken on a regular basis to ensure that the frontline service is as efficient and effective as possible. Regular reviews across all support teams are also undertaken to ensure that the size and structure of the teams are fit for purpose and, where possible, any uniformed staff in a non-operational role are replaced by service support staff when the post becomes vacant. The transition of firefighters from the 1992 pension scheme into the 2015 CARE scheme gives rise to a saving each year and this will continue until the transitional protection ends in 2022.

**Non-Pay Savings** - Any inflation calculated on discretionary spend is not added to the budget but is taken as a saving each year with any budgetary pressure being managed within the existing budget. Whilst collaborative working is still a key focus wherever it is most beneficial, it has not needed the size of upfront financial investment that was originally envisaged, and so this budget has been reduced while its use has been widened to include other corporate initiatives. Budget Managers will deliver savings as they review their budgets each year and identify whether through improved procurement, a re-evaluation of requirements or a reduction in demand, any budget saving can be made. Some of the funding for the budget (such as the net surplus on Council Tax and Business Rate collection funds, and funding from the revenue underspend) can vary considerably from year to year and so this is generally earmarked for one-off projects such as those included in the Infrastructure Plan.

## MEDIUM TERM FINANCIAL PLAN 2017/18 – 2020/21

### Cashable savings

(All figures are £'000)	2017/18 Budget	2018/19 Budget	2019/20 Budget	2020/21 Budget
<b>Pay Savings</b>				
Changes to operational crewing arrangements / duty systems	-724	-375	0	0
Other operational staff savings	-277	-74	-64	-70
Non-operational staff savings	-216	0	0	0
<b>Total pay savings</b>	<b>-1,217</b>	<b>-449</b>	<b>-64</b>	<b>-70</b>
<b>Non-pay savings</b>				
Prices	-182	-143	-143	-143
Review of non-pay budgets	-592	-257	-53	-77
Infrastructure savings	-1,817	-1,641	-1,025	0
<b>Total non-pay savings</b>	<b>-2,591</b>	<b>-2,041</b>	<b>-1,221</b>	<b>-220</b>
<b>Total Savings</b>	<b>-3,808</b>	<b>-2,490</b>	<b>-1,285</b>	<b>-290</b>
General Reserves	-40	90	50	50
<b>Forecast Net Position (surplus/(deficit))</b>	<b>-654</b>	<b>-1,063</b>	<b>921</b>	<b>890</b>

## **FOUR-YEAR CAPITAL PLAN 2017/18 – 2020/21**

### **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 2016/18, 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 the new fire stations at Rochester and Medway, the Authority currently has plans to build a further two fire stations over the next four years at Ramsgate and, if suitable land can be found, Herne Bay. Planning permission for the new fire station at Ramsgate was granted in November 2015 and the land purchase was completed in April 2016. The demolition of the old swimming pool has now been completed and the build phase will start in 2017 and should be concluded in 2018. The Safety and Wellbeing Plan 2016-18 has identified further stations that would benefit from investment in order to ensure that they remain fit for purpose in the future. Whilst funding has already been identified for the new station at Herne Bay, a further £8m is included in the Capital Plan to 2020/21 to support investment in these other fire stations.

**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. Maintenance work on premises is treated as either revenue or capital expenditure depending on the nature of the work.

**Information and Communication Systems** - Work will continue in developing and enhancing information systems across a variety of areas which will help ensure that processes become more streamlined and cost-effective. Funding has been allocated to renew mobile data terminals in 2018/19 and replace station end equipment.

**Vehicles and Equipment** - The Infrastructure Reserve has funding to resource the rolling replacement programme of the Authority's fleet of light and heavy vehicles. A further 23 new fire engines became operational in 2016/17 and it is not envisaged that there will be a requirement for the purchase of any more heavy appliances until 2019/20. A number of specialist units and vehicles were replaced or are being replaced in 2017/18. These include rescue loaders to go on the height vehicles, multi-role vehicles and a foam unit. The light fleet is due for renewal in 2019/20. Expenditure in later years includes command support units, an incident support unit, water units, water management units, prime movers, mobile workshops and personnel carriers.



#### FOUR-YEAR CAPITAL PLAN 2017/18 – 2020/21

Medium Term Capital Expenditure Plan (All figures are £'000)	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2017-2021 Total £'000
Ramsgate Fire Station	8,602	0	0	0	8,602
Herne Bay Fire Station	200	1,000	7,000	1,800	10,000
Future Station Development	0	1,000	3,000	4,000	8,000
<b>Total Station Development Programme</b>	<b>8,802</b>	<b>2,000</b>	<b>10,000</b>	<b>5,800</b>	<b>26,602</b>
Drill Yards and other resurfacing	100	100	100	100	400
Roofing works	100	100	100	100	400
Boilers	20	20	20	20	80
Fuel Tanks	0	20	0	0	20
Various Premises Projects (to be identified)	0	100	100	100	300
<b>Total Premises</b>	<b>220</b>	<b>340</b>	<b>320</b>	<b>320</b>	<b>1,200</b>
Operational Response Project	900	900	1000	0	2,800
Business Applications	0	0	500	500	1,000
<b>Total Information and Communication Systems</b>	<b>900</b>	<b>900</b>	<b>1,500</b>	<b>500</b>	<b>3,800</b>
Appliances	0	0	1,800	1,006	2,806
Specialist Units and Vehicles	120	1,528	694	1,225	3,567
Cars and Vans	200	193	2,456	592	3,441
Other Research and Development Projects	0	200	100	100	400
<b>Total Vehicles and Equipment</b>	<b>320</b>	<b>1,921</b>	<b>5,050</b>	<b>2,923</b>	<b>10,214</b>
<b>Total Capital Expenditure</b>	<b>10,242</b>	<b>5,161</b>	<b>16,870</b>	<b>9,543</b>	<b>41,816</b>

## FOUR-YEAR CAPITAL PLAN 2017/18 – 2020/21

### Capital Plan Funding

The Capital Plan can be funded from various sources, each of which is 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. The Authority also has revenue resources set aside in the Infrastructure Reserve that can be used to fund capital projects

**Capital Grant (Fire Control)** - The Authority has £36k remaining of the capital grant provided to assist with the co-location of the control room at Police HQ and the procurement of a new control system, and this will be fully utilised in 2017/18.

**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 £9,286k, with a further £500k expected during 2018/19 and £2,300k in 2019/20. The Chancellor announced a relaxation of the rules regarding the use of new capital receipts to allow local authorities to fund 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.

#### FOUR-YEAR CAPITAL PLAN 2017/18 – 2020/21

<b>Capital Plan Funding</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2016-2020</b>
					<b>Total</b>
<b>(All figures are £'000)</b>					
<b>Funded By</b>					
Revenue Contributions - from Base Budget	6,484	5,161	5,187	4,543	21,375
Revenue Contributions - from Reserve	3,722	0	4,683	0	8,405
Capital Grant - Fire Control	36	0	0	0	36
Capital Receipts	0	0	7,000	5,000	12,000
<b>Total Funding</b>	<b>10,242</b>	<b>5,161</b>	<b>16,870</b>	<b>9,543</b>	<b>41,816</b>

<b>Capital Receipts</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Balance at start of year	8,986	9,286	9,786	5,086
In-year receipts	300	500	2,300	0
Used in-year	0	0	-7,000	-5,000
<b>Balance at end of year</b>	<b>9,286</b>	<b>9,786</b>	<b>5,086</b>	<b>86</b>

<b>Infrastructure Reserve</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Balance at start of year	18,996	12,057	8,633	1,911
In-year reserve movements - capital	-3,722	0	-4,683	0
In-year reserve movements - revenue	-3,217	-3,424	-2,039	-741
<b>Balance at end of year</b>	<b>12,057</b>	<b>8,633</b>	<b>1,911</b>	<b>1,170</b>