

## **Report of the Treasurer**

### **Medium Term Financial Plan (MTFP) Update**

#### **Purpose of Report**

1. To review the current Medium Term Financial Plan.
- 

#### **Recommendations**

***It is recommended that the current resources position be noted and a further report be brought to the Policy & Resources Committee when the key funding information has been made available.***

#### **Background**

2. The Policy & Resources Committee considered this interim report on 22<sup>nd</sup> November 2017 and no new data is yet available.
3. In February 2017 the Fire Authority agreed a revised MTFP for 2017/18 to 2020/21 which identified annual cumulative savings of £1.553m by 2020/21.
4. This interim budget gap was met by a prudent use of resources to permit planned efficiency measures to fully deliver savings for the 2020/21 year.
5. In June 2017, as part of the closedown process there was a minor realignment of expected excess staff costs and corresponding use of reserves. This did not change the overall position which is detailed in Appendix 1 line 28.
6. In addition, the Appendix has been rolled forward to include an additional year, based on further estimates of grants and inflation, and the full implementation of planned efficiency measures.

#### **Review of Available Resources (Funding)**

7. At this stage there is no further information on the resources position:
8. Whilst grant allocations to 2019/20 have been given, the position thereafter is much less clear. It is not certain if the proposed introduction of full rates retention will be implemented, due to other pressures on legislative time, and it is still not determined whether Fire will be part of the arrangement anyway.

9. Government is also in the process of reviewing the allocation methodology, both in terms of the distribution of the fire share between Authorities and the relative size of the fire share.
10. Given that it is unlikely that the local government allocation will increase, the pressures on Adult and Children's Social care put the current Fire share at risk.
11. It may be that the Budget delivered by the Chancellor today (22<sup>nd</sup> November) may give some indications of direction, but it will be a few weeks before any Authority level information is available.
12. As a precaution the MTFP assumes that grant (or equivalent) in 2020/21 is 10% lower than in 2019/20, and a further 10% lower in 2021/22. At the most recent analysis this caution was not shared by all Authorities.
13. Whilst it is expected that the council tax-base has grown overall slightly faster than expected, there is as yet no detail on the exact impact. Estimates are anticipated in late November, with confirmed figures in January 2018.
14. Similarly, there is no information on business rate yields.
15. At this point therefore, there are no changes to the funding side of the MTFP.

### **Expenditure Requirement**

16. There are now a number of known and potential changes to the current expenditure forecasts. These are outlined below, and summarised in Appendix 1 Line 37.
17. Line 29 – 2017/18 Inflation saving: Provision made within the 2017/18 budget and carried forward into 2018/19 and beyond is not required and can be removed.
18. Line 30 – Excess Staff: The reduction in excess staff has been significantly faster than originally anticipated, particularly as a result of the voluntary redundancy arrangements, with a consequential saving in costs.
19. Line 31 – July 2017 Grey Book pay award: whilst the 2% employers offer has been rejected by the Fire Brigades Union (FBU) it remains as an offer, and it is prudent to anticipate the additional 1% cost above that currently provided in the MTFP.
20. Line 32 – July 2018 pay award: Whilst there are no definitive decisions, the current negotiations suggest that settlement to the 2017 award may involve future awards greater than 1%. As a cautious measure an additional 1% is provided in 2018/19.
21. Lines 33-35 – HQ relocation: Plans are now sufficiently established to bring forward the phasing of savings arising from the move of Fire HQ to the police HQ site.

22. Line 36 – Property: On behalf of the Authority, Place Partnership (PPL) have carried out a detailed condition survey of all current properties. Whilst the final results are still awaited it would be prudent to set aside funds to carry out any works to prevent any further deterioration.
23. It is possible that agreement on revised crewing arrangements will be agreed shortly, and the resultant savings, and any transitional costs can be phased into the MTFP.

### **General Balances**

24. The current MTFP assumption of using £0.300m of balances in 2018/19 remains, leaving the core balance at £1.538m as agreed.
25. Relative to other Fire Authorities this level of balance is not high, and it should be noted that Fire Authorities now bear a risk in relation to council tax benefit and business rate yield, and so are more directly connected to local economic conditions.
26. Whilst this level of balances remains prudent there is an opportunity cost of holding reserves. They could be used to finance one off expenditure or to temporarily reduce the council tax precept. The risk, of course, is that if reserves are reduced there is less capacity to meet unforeseen or unexpected expenditure pressures, and a temporary reduction in council tax cannot be readily recovered.

### **Earmarked Reserves**

27. Other than the reserves held to fund expenditure that will happen at some point in the future the balance of these reserves are committed to supporting the budget in line with the agreed strategy.

### **Overall Position**

28. Taking into account all these changes the interim net position is shown in Appendix 1 Line 38 and shows a remaining gap of £0.946m for 2021/22 (i.e. four and a half years away).
29. This gap is largely a result of further assumptions of grant cuts £0.486m and the impact of potential 2% pay awards in 2017/18 and 2018/19 (net of base inflation savings) £0.349m.

### **Future Progress**

30. Officers will continue to refine the budget figures and will receive final tax-base, collection fund figures and estimated business rate income.
31. There is a further meeting of the Policy and Resources Committee on 31 January 2018 and the Fire Authority will meet on 14 February 2018 to agree a budget and precept for 2018/19.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Yes – whole report
<b>Strategic Policy Links</b> (identify how proposals link in with current priorities and policy framework and if they do not, identify any potential implications).	Yes – whole report
<b>Risk Management / Health &amp; Safety</b> (identify any risks, the proposed control measures and risk evaluation scores).	No
<b>Consultation</b> (identify any public or other consultation that has been carried out on this matter)	No
<b>Equalities</b> (has an Equalities Impact Assessment been completed? If not, why not?)	n/a

## Supporting Information

Appendix 1: Medium Term Financial Forecasts: Nov 2017

## Background Papers

Fire Authority 15 February 2017: Budget and Precept 2017/18 and MTFP

## Contact Officer

Martin Reohorn, Treasurer

(01905 368205)

Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)