

## Report of the Treasurer

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

#### Purpose of report

1. To provide an early update on the Medium Term Financial Plan and the financial context in which any decisions on Day Crewing Plus should be considered.
- 

#### Recommendations

***It is recommended that the Authority:***

- i) Note the updated MTFP provision; and
- ii) Note that the 2020/21 data is still unconfirmed and that there is no further information on what will happen from 2021/22 onwards

#### Background

2. In February 2019 the Authority agreed a revised Medium Term Financial Plan (MTFP), which was subsequently updated in June 2019, to take account of the 2018/19 Out-turn and receipt of actual employer contribution rates for the FFPS.
3. This revised MTFP identified a structural budget gap as set out below: (*a structural budget gap is the difference between annual expenditure need and annual income – i.e. excluding the use of reserves*). After the approved use of the Budget Reduction Reserve and £0.3m of general balances the residual gap was somewhat lower in the earlier part of the period.

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Structural Gap	0.754	2.435	1.775	1.429	1.182
Residual Gap	0.000	(0.000)	0.639	1.429	1.182

4. This required the Authority to find savings of £3.25m over the period and to be spending £1.2m (3.2%) less by 2023/24.
5. The funding side of the budget is based on assumptions about key data:
  - (a) Council Tax-bases – from Billing Authorities;
  - (b) Band D Council Tax levels – approved MTFP;
  - (c) Council Tax increase referendum threshold – from government;
  - (d) Collection Fund surpluses - from Billing Authorities;
  - (e) Estimated Retained Business Rates yield - from Billing Authorities and
  - (f) Grant

6. In respect of the Council tax bases and business rate yield, revised information would not be expected until the early part of 2020, but there is some information on grant and government funding.

### **Government Funding (Grant)**

7. Members will recall that 2019/20 was the last year of a 4-year Settlement and that the government was consulting on the funding for 2020/21 onwards, in relation to a number of issues:

- (a) A potential Comprehensive Spending Review to consider:

- (i) overall public sector funding levels;
- (ii) the relative needs within local government e.g. Fire against Police/Social Care etc.;
- (iii) the distribution of the fire share between individual authorities on 75% Rates Retention from 2020/21;
- (iv) Business Rate reset;
- (v) Funding of increased FFPS contributions and that impact of these was unknown and therefore subject to a best estimate for MTFP purposes.

8. In September the Chancellor made a Statement which effectively deferred all these potential changes until at least 2021/22 and instead provided what is in effect a one-year roll-over.

9. The provisional allocations to individual authorities will not be known before the end of the year but it is possible to use the national level data to give an indicative position. It should be noted that there may be some data updates which will inevitably have an impact on the actual figures.

10. Broadly the position appears to be:

- (a) Core funding – real terms flat – i.e. last year plus inflation
- (b) Pensions Grant – cash flat – i.e. last year's cash
- (c) Referendum limit to be 2% (as MTFP assumption)

11. There is no information on what is intended beyond 2020/21; in particular the long term funding of the pension costs remains unresolved and as a result the current assumptions have been rolled forward by one year.

12. The resultant budget gaps are somewhat improved, but the overall position is still of concern:

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	£m	£m	£m	£m	£m
Structural Gap	0.754	0.102	1.789	1.445	1.198
Residual Gap	0.000	(0.000)	0.000	(0.000)	0.963

## Conclusion

13. Whilst the short-term position appears to have improved (with less savings to find over the MTFP period) the Authority will still need to be spending £1.2m less from 2023/24 as was previously expected.
14. In addition there is still no scope for additional expenditure commitments within the MTFP period.

## Corporate Considerations

<b>Resource Implications</b> (identify any financial, legal, property or human resources issues)	Yes – whole report - indicative
<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 – Resourcing for the Future
<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?)	No

## Supporting Information

none

## Background Papers

Fire Authority, 11 February 2019: Budget and Precept 2019/20 and MTFP  
Fire Authority, 12 June 2019: Provisional Financial Out-turn 2018/19

## Contact Officer

Martin Reohorn, Treasurer  
(01905 368205)  
Email: [mreohorn@hwfire.org.uk](mailto:mreohorn@hwfire.org.uk)